SaskEnergy

2016-17 ANNUAL REPORT

CONTENTS

VISION

To create a competitive advantage for Saskatchewan through safe, innovative energy solutions.

MISSION

Our team of engaged employees and business partners develops and delivers safe, reliable natural gas solutions that benefit our customers and Saskatchewan.

VALUES

SAFETY

We never compromise the safety of our employees and the public.

COMMUNITY

We are leaders in developing a diverse workforce, supporting our communities and environmental stewardship.

RECOGNITION

We take time to recognize the individual and team contributions of our employees.

ACCOUNTABILITY

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

SPIRIT

We create a positive and dynamic work environment that enables personal achievement, work life balance and business success.

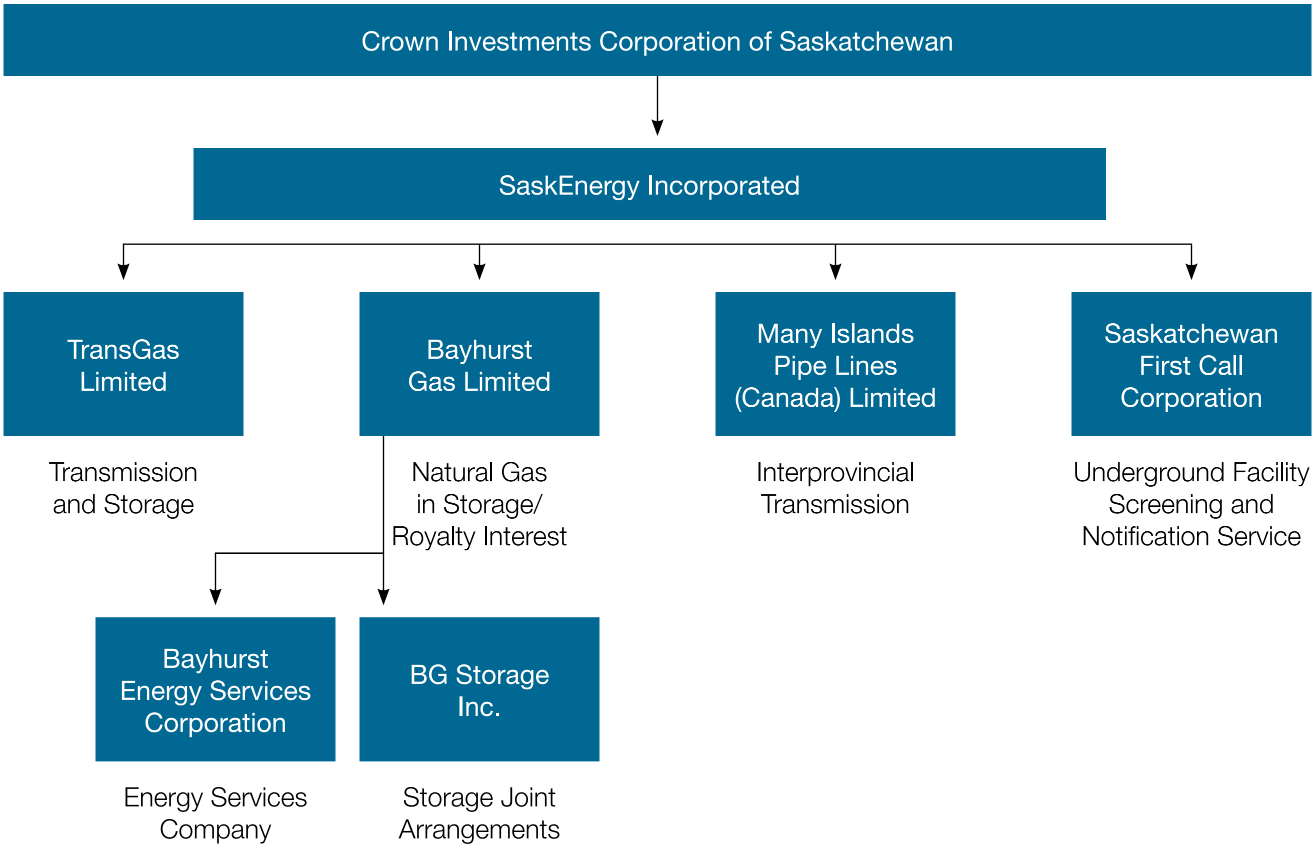
COMMUNICATION

We have open, honest and respectful communication that builds strong relationships.

INTEGRITY

We are honest, respectful and apply high ethical standards.

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 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 two 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. Bayhurst also owns a gross overriding royalty on several properties in Saskatchewan and Alberta.

Bayhurst Energy Services Corporation (BESCO), a wholly owned subsidiary of Bayhurst Gas Limited, is an energy services company. BESCO owns a 50 per cent interest in a natural gas processing plant in southeastern Saskatchewan, which is operated through an unincorporated joint arrangement with Steel Reef Infrastructure Corp. BESCO is also the sole owner and operator of a gathering and processing facility in Coleville as well as a bulk compressed natural gas fueling facility in Weyburn.

BG Storage Inc. (BGSI), a wholly owned subsidiary of Bayhurst Gas Limited, 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 nine transmission pipeline 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 "Call 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 pipeline- and non-pipeline-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 pipeline 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 25, 2017

Her Honour the Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.

Lieutenant Governor of Saskatchewan

Madam:

I respectfully submit the annual report of SaskEnergy Incorporated for the fiscal period ending March 31, 2017, 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 D. Duncan]

Honourable Dustin Duncan
Minister Responsible for SaskEnergy

MINISTER'S MESSAGE

On behalf of Premier Brad Wall and the Government of Saskatchewan, I present the SaskEnergy 2016-17 Annual Report.

SaskEnergy enjoyed another strong operational and financial year in 2016-17, effectively meeting the needs of its residential, commercial and industrial customers across Saskatchewan. In doing so, SaskEnergy continues to be effective in fulfilling the priorities our government has outlined for Crown corporations.

Despite the downturn in natural resource commodity markets, Saskatchewan saw strong oil and gas sales in 2016-17, relative to other Western provinces, and steady industrial investment from the potash and enhanced oil recovery sectors. While these accomplishments were enabled by clear government policies designed to make Saskatchewan a destination of choice for investors and business, provincial infrastructure providers like SaskEnergy/TransGas continue to play a vital role in delivering results for customers.

Looking ahead, the energy sector will continue to play a foundational role in the Saskatchewan economy and SaskEnergy will be called upon to support provincial growth by collaborating with the private sector, Crown peers and other stakeholder groups.

I would like to thank all SaskEnergy employees, management and the Board of Directors for their contributions to the company in 2016-17.

Sincerely,

[Original signed by D. Duncan]

Honourable Dustin Duncan
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 Dustin Duncan, in presenting the SaskEnergy 2016-17 Annual Report.

The Board was pleased with SaskEnergy's 2016-17 results, including effective rate management, solid financial performance and a continued commitment to safe and reliable service delivery. Within these accomplishments, the SaskEnergy Executive team, management and employees should be commended for the leadership they showed in support of provincial fiscal restraint directives.

The past year will also be remembered for Executive leadership changes at SaskEnergy, including the retirement of Doug Kelln, who was appointed President and CEO in 2004. I would like to extend my thanks to Doug for his leadership and the solid counsel he provided to the Board throughout his time as President. I would also like to recognize the contributions of departing Board members Victor Thomas, Grant Gayton and Norm Beug, while welcoming Ron Barsi, Annette Revet, Tina Svedahl and Alice Wong as new Directors.

As well, in 2016-17, the Provincial Government outlined the need for transformational change within the Crown sector — structural, administrative and operational shifts to ensure the sustainability of financial health and reliable service delivery to the people of Saskatchewan. The Board is confident that, under the leadership of Ken From and his Executive team, SaskEnergy is well-positioned to make a meaningful contribution to these important initiatives, and we look forward to another successful year in 2017-18.

[Original signed by S. Barber]

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

PRESIDENT'S MESSAGE

Having spent the first 26 years of my career working for the provincial natural gas utility, I was proud to return to SaskEnergy as President and Chief Executive Officer earlier this year. While my previous years with the company provided me with the technical and professional qualifications to lead the organization, the nine years I spent away from SaskEnergy were vital in shaping the way that I see the company's current strengths and future opportunities as a variety of new factors affect the natural gas industry in potentially disruptive ways.

SaskEnergy's success in meeting its mandate — delivering affordable natural gas to customers in a safe, reliable way — is evident throughout its 2016-17 results. The realization of approximately $4 million in efficiency and process improvement savings brought the total in this area to $42 million since 2009, and enabled SaskEnergy to continue to offer customers one of the lowest natural gas delivery rates in Canada. This was accomplished without compromising our corporate safety focus, evidenced by a record-low internal Total Recordable Injury Frequency Rate (for the fourth consecutive year), strong results related to the frequency of pipeline leaks/failure, and continued reduction in the number of third-party line hits across the SaskEnergy system.

Despite the subdued provincial economic environment in 2016-17, natural gas remained an attractive fuel source for Saskatchewan industry and power generation, resulting in a seven per cent increase in total provincial load, and a nearly three per cent increase in overall SaskEnergy/TransGas revenue. While residential growth slowed from recent years, SaskEnergy added 4,000 new accounts throughout the year, bringing the distribution total to 390,886 customers, with a further 4,500 expected in 2017-18.

Both industrial and residential customers continued to benefit from low natural gas commodity prices, though the long-term effects of this price environment are increasing both the costs and risks associated with supply acquisition. Each year since Saskatchewan became a net importer of natural gas, the gap between provincial demand and supply has grown, to the point where slightly more than 60 per cent of gas consumed in the province in 2016-17 was imported from Alberta. Given the cost and potential volatility of third-party transport tolls, SaskEnergy's ability to affordably secure required supply will continue to directly affect virtually all aspects of its operations.

Financially, SaskEnergy delivered strong results last year, with $70 million in operating net income and a debt-to-equity ratio that exceeded the 2016-17 target. Aggressive management of operating costs contributed to this achievement, offsetting such factors as slightly below-average delivery revenue (due to warmer than normal weather) and higher third-party transport costs. I extend my thanks to our employees for the significant role they played in meeting our fiscal restraint commitments in 2016-17 and the manner in which they did so.

Similar levels of dedication will be required from SaskEnergy and TransGas teams as we continue to ensure our priorities are aligned and well-designed to meet current challenges. These include maturing our process safety practices to mitigate the risk of high-consequence events and evolving our stakeholder engagement efforts in engaging communities, landowners and interest groups. On a more fundamental level, regulations and codes related to climate change mitigation could have long-term implications for SaskEnergy's business.

To succeed within a constantly-evolving business environment, SaskEnergy will require organizational alignment and a continued focus on our core operations. Different ways of thinking will be required as we encounter new or evolving challenges. Most importantly, it is essential that we have the right people leading our company into the future. In that regard, I continue to be impressed with the dedication and resourcefulness of our teams and am confident that SaskEnergy will achieve its goals in the years ahead.

Sincerely,

[Original signed by K. From]

Ken From
President and Chief Executive Officer, SaskEnergy

FINANCIAL AND OPERATING HIGHLIGHTS

CONSOLIDATED FINANCIAL INFORMATION	2016-17[1]	2015-16[1] 12-month period	2015-16[1] 15-month period	2014	2013	2012
($ millions)						
Delivery	**240**	209	289	232	217	194
Transportation and storage	**134**	121	151	98	92	85
Commodity margin	**25**	28	47	9	18	(2)
Gas marketing margin	**14**	20	24	14	32	47
Customer contributions	**55**	58	61	33	24	29
Other revenue	**10**	12	14	16	12	12
Total revenue	**478**	**448**	**586**	**402**	**395**	**365**
Employee benefits	**87**	90	115	92	89	85
Operating and maintenance	**134**	124	152	126	97	85
Depreciation and amortization	**96**	89	110	83	77	73
Saskatchewan taxes	**12**	12	15	11	11	10
Net finance expense	**46**	47	56	44	40	39
Other losses (gains)	**33**	0	3	(1)	2	–
Total expenses	**408**	**362**	**451**	**355**	**316**	**292**
Income before unrealized market value adjustments	**70**	**86**	**135**	**47**	**79**	**73**
Market value adjustments	**76**	(30)	(24)	(80)	–	34
CONSOLIDATED NET INCOME (LOSS)	**146**	**56**	**111**	**(33)**	**79**	**107**
Dividends declared	**29**	55	65	17	30	27
Total assets	**2,505**	2,450	2,450	2,380	2,207	2,037
Cash provided by operating activities	**225**	258	347	248	244	172
Cash used in investing activities	**(198)**	(210)	(241)	(283)	(221)	(181)
Cash (used in) provided by financing activities	**(37)**	(47)	(100)	40	(25)	(10)
Capital expenditures	**198**	212	244	299	224	187
Total net debt	**1,210**	1,156	1,156	1,159	1,064	1,009
Debt/Equity ratio	**59/41**	61/39	61/39	63/37	59/41	59/41
Rate of return on equity	**8.8%**	11.6%	18.8%	6.5%	11.0%	11.0%
OPERATING STATISTICS						
Distribution volumes (petajoules)						
Residential/Farm	**34**	32	47	39	37	34
Commercial	**30**	27	41	34	33	29
Industrial	**129**	127	159	111	108	90
TOTAL	**193**	186	247	184	178	153
Transmission volumes (petajoules)						
Domestic	**308**	280	366	275	265	237
Export	**18**	24	28	7	3	4
TOTAL	**326**	304	394	282	268	241
Number of customers						
Distribution	**390,886**	386,886	386,886	380,768	373,436	365,749
Transmission	**117**	123[3]	123[3]	153	153	148

[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 ending March 31, 2016. For comparative purposes, the unaudited 12-month period ending March 31, 2016 is shown.

[2] Certain comparative amounts have been reclassified to conform with the current fiscal year's presentation.

[3] Corrected from the customer figure of 133 included in the 2015-16 Annual Report.

OPERATING SUMMARY – DISTRIBUTION	2016-17[1]	2015-16[1] 12-month period	2015-16[1] 15-month period	2014	2013	2012
Sales in million cubic metres[2]	5,004	4,785	6,382	4,881	4,639	3,985
Residential annual average usage (cubic metres)	2,543	2,387	3,579	3,006	3,020	2,696
Degree days[3]	5,155	4,901	7,417	6,039	6,193	5,415
Percentage warmer (colder) than normal	6.7%	12.2%	9.0%	(9.0%)	(12.5%)	2.4%
PIPELINE (kilometres)						
SaskEnergy Incorporated	69,870	69,547	69,547	69,015	68,612	68,092

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[2] Retail, industrial and natural gas marketing.

[3] A unit measuring the extent to which the temperature falls below 18° Celsius. Normal weather in 2016-17 (12 months ending March 31, 2017) would have been 5,524 degree days. Normal weather in 2015-16 (12 months ending March 31, 2016) would have been 5,582 degree days.

OPERATING SUMMARY – TRANSMISSION	2016-17[1]	2015-16[1] 12-month period	2015-16[1] 15-month period	2014	2013	2012
Peak day natural gas flows (petajoules)	1.36	1.35	1.35	1.42	1.26	1.20
Date of peak day flow	Jan. 12	Jan. 16	Jan. 16[4]	Feb. 6	Dec. 6	Jan. 18
Storage cavern sites	6	6	6	6	6	6
Storage caverns	18	22	22	24	26	27
Storage field sites[2]	4	4	4	4	4	4
Producing field sites[2]	1	1	1	1	1	1
PIPELINE (kilometres)						
TransGas Limited						
Transmission	14,465	14,397	14,397	14,423	14,291	14,230
Gathering	297	297	297	203	203	201
Many Islands Pipe Lines (Canada) Limited	445	441	441	435	435	435
Bayhurst Gas Limited	21	21	21	113	113	113
TOTAL	15,228	15,156	15,156	15,174	15,042	14,979
SYSTEM COMPRESSION						
TransGas Limited Stations	25	24	24	23	24	24
Bayhurst Gas Limited Stations	3	3	3	3	3	3
Mobile Compressor Units	17	13	13	7	3	1
COMPRESSION HORSEPOWER						
TransGas Limited[3]	79,765	76,315	76,315	89,360	87,720	86,270
Bayhurst Gas Limited	6,300	6,300	6,300	6,300	6,300	6,300
TOTAL	86,065	82,615	82,615	95,660	94,020	92,570

[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 ending March 31, 2016. The 12-month period ending March 31, 2016 is shown for comparative purposes.

[2] Includes Bayhurst Gas Limited.

[3] Includes BESCO assets.

[4] January 16, 2016

QUARTERLY FINANCIAL AND OPERATING HIGHLIGHTS

2016-17 FINANCIAL HIGHLIGHTS	Q1	Q2	Q3	Q4	12 Months Ending March 31, 2017[1]
($ millions)					
Total revenue	118	146	233	298	795
Total expenses	64	140	162	283	649
Consolidated net income (loss)	54	6	71	15	146
Market value adjustments	57	13	26	(20)	76
Income (loss) before unrealized market value adjustments	(3)	(7)	45	35	70
Dividends	–	–	14	15	29
Cash provided by operating activities	54	27	39	105	225
Capital expenditures	29	55	72	42	198
OPERATING HIGHLIGHTS					
Distribution					
Energy distributed (petajoules)	38	35	55	65	193
Weather (compared to last 30 years)	17% warmer	7% warmer	5% warmer	5% warmer	7% warmer
Transmission					
Energy transported (petajoules)	65	74	90	97	326

2015-16 FINANCIAL HIGHLIGHTS	Q1	Q2	Q3	Q4	Q5	15 Months Ending March 31, 2016[1]
($ millions)						
Total revenue	275	145	141	247	262	**1,070**
Total expenses	220	146	161	196	236	**959**
Consolidated net income (loss)	55	(1)	(20)	51	26	**111**
Market value adjustments	6	4	(7)	(6)	(21)	**(24)**
Income (loss) before unrealized market value adjustments	49	(5)	(13)	57	47	**135**
Dividends	10	10	10	14	21	**65**
Cash provided by operating activities	89	80	34	57	87	**347**
Capital expenditures	31	41	56	86	30	**244**
OPERATING HIGHLIGHTS						
Distribution						
Energy distributed (petajoules)	61	36	34	55	61	**247**
Weather (compared to last 30 years)	1% warmer	5% warmer	2% warmer	13% warmer	14% warmer	**9% warmer**
Transmission						
Energy transported (petajoules)	90	62	65	83	94	**394**

[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, the 12-month fiscal period ending March 31, 2017 is compared to the 2015-16 15-month fiscal period ending March 31, 2016.

CORPORATE HIGHLIGHTS

2016/17

Accomplished the lowest corporate leak rates in history — zero leaks for TransGas and 5.25 leaks per 1,000 kilometres of distribution mains for SaskEnergy.

Removed and replaced approximately 36,000 gas meters throughout the province to meet Measurement Canada compliance requirements and ensure compatibility with SaskEnergy's Advanced Metering Infrastructure (AMI).

Improved operational efficiency by discontinuing cashiering services in Regina and Saskatoon, utilizing customer service resources more effectively.

Achieved $181,000 in new annual savings by switching approximately 21,000 customers to paperless billing. This level of switch-over was largely due to enrollments now being completed on customer service calls, made possible by an upgrade to MyAccount, and through the discontinuation of the billing option that allowed customers to receive both paper and paperless bills.

Completed a four-year project to convert all Standard Practice Instructions to an industry-leading new Construction, Operating and Maintenance Procedures (COMP) program one year earlier than anticipated.

Dedicated $91 million toward system integrity initiatives, reflecting SaskEnergy's commitment to safety across its more than 85,000 kilometres of pipeline.

Installed 49,879 AMI gas modules throughout the province, bringing the total to nearly 341,000 or 87 per cent of SaskEnergy distribution meters.

Achieved the lowest Total Recordable Injury Frequency Rate (TRIF) and the third-lowest preventable vehicle collision (PVC) frequency rate on record.

Implemented a root cause analysis solution to systematically improve operating and reporting procedures to eliminate hazards and determine acceptable thresholds for risk.

Completed six pipeline replacements and relocations at four locations to accommodate the new Regina Bypass.

SAFETY

Corporate Personal Safety Performance

In 2016-17, SaskEnergy achieved its best-ever safety performance during a 12-month span with a Total Recordable Injury Frequency Rate (TRIF) of 1.63 (injuries per 100 employees). This is down from 2.09 in 2015-16, which was also a record year. As a measure of SaskEnergy's alignment with industry best practices, the Corporation achieved an overall audit score of 90 per cent in the Certificate of Recognition (COR) Program, which assesses the elements of SaskEnergy's safety management system against COR Program requirements. Other 2016-17 safety initiatives included an updated Drug & Alcohol Policy, which involved training modules for employees and managers, the implementation of a new Material Safety Data Sheets (MSDS) database, and improvements to competency management in relation to mandatory safety training.

Damage Prevention Initiatives

SaskEnergy engages in a number of initiatives to reduce damage to its buried infrastructure as part of its risk and asset management strategy. As a result of these initiatives, there was an 11 per cent reduction in third-party line hits in 2016-17, helping to achieve a total reduction of 35 per cent since 2013. In partnership with Sask 1st Call, the Saskatchewan Common Ground Alliance (SCGA), SaskPower and SaskTel, SaskEnergy expanded its Safety Patrol program during the 2016-17 construction season to include complete visual inspections of targeted transmission line easements in high-risk areas. Easements in Regina, Saskatoon, Moose Jaw and White City were patrolled twice monthly, with additional once-a-month patrols completed in the communities of Kindersley, Humboldt, Swift Current, Yorkton and Estevan. Other initiatives included the promotion of the Sask 1st Call mobile application and website as well as continued efforts around supervised crossings, joint Crown line locates, working with SCGA to ensure greater contractor awareness, providing information to businesses that rent digging equipment, and public awareness advertising.

Enhancements to Crossing Coordination Process

As a key component of the Corporation's commitment to reducing risk to its assets, the TransGas Crossing Coordination department reviews, assesses and processes applications submitted by third parties proposing to work near TransGas facilities. Historically, numerous permit letters were issued and contracts were modified at a local level without legal oversight. In 2016-17, crossing inquiries were streamlined and made paperless, a process was developed to combine multiple permits within one Facility Crossing Agreement, and technology was utilized to create a more efficient workflow. In addition, facility crossing agreements are now legally enforceable and govern for the life of an asset, making the new process fully compliant with regulatory standards.

EFFICIENCY

Environmental Efficiencies

As part of continuing efforts to reduce the environmental impact of its operations, SaskEnergy achieved a number of efficiencies during 2016-17. Through the ongoing modernization of its compressor fleet, the Corporation exceeded its 2016-17 target for compressor emissions reductions by nearly 20 per cent. In addition, repairs completed as part of the annual compressor station leak detection and repair program will save SaskEnergy approximately $159,000, or nearly 44 terajoules (TJ), of lost gas per year and reduce greenhouse gas emissions by 18,000 tonnes CO_2e per year. SaskEnergy also leveraged its contractor safety orientation to include content related to environmental management and protection for contractors, thereby reducing redundancy, administrative oversight and reporting, and roll-out costs.

Productivity and Efficiency Initiatives

In 2016-17, SaskEnergy realized approximately $4 million in efficiency savings and process improvements through collaboration efforts with other Saskatchewan Crown corporations, business process changes, leveraging technology solutions and the expanded use of mobile compression. Revenue initiatives such as the utilization of spare transport capacity to undertake gas marketing transactions and export excess natural gas at a margin also contributed to the total efficiency result. The continued deployment of AMI, in conjunction with SaskPower, generated significant savings through reduced manual meter reading costs and billing efficiencies resulting from billing customers on actual consumption rather than estimates. Further efficiencies related to strategic capital deployment have also been identified for 2017-18.

Expansion of Mobile Compression

In 2016-17, TransGas added four more mobile compressors to its fleet, as well as one docking station at Moosomin, bringing the system total to 17 mobile units and 20 docking stations. Mobile compressors give TransGas the flexibility to move compression to where it is required, whether it's for temporary power requirements while a stationary unit is under repair, when a stationary unit has reached the end of its useful life, or for seasonal tasks such as storage field injection. As modern, low-emission units that combine flexibility of operation with reduced maintenance requirements, mobile compressors allow TransGas to quickly respond to requests from industrial clients without large capital investments.

GROWTH

Distribution and Transmission Growth

As a result of continued population growth in Saskatchewan, SaskEnergy added 4,000 customers to its distribution base in 2016-17, bringing total customers to 390,886. SaskEnergy's active customer base has grown by nearly seven per cent since 2012, requiring the addition of more than 1,700 kilometres of distribution pipeline during the same timeframe. Transmission volume increased by 22 petajoules (PJ), or 7.2 per cent, compared to the same 12-month period last year. SaskEnergy continues to make significant investments in its distribution and transmission system to connect customers in a wide range of key Saskatchewan industries, including enhanced oil recovery, power production and potash mining.

Customer Connections and Southeast Receipt Expansion Projects

TransGas completed a number of projects in 2016-17 to provide additional receipt, delivery and system capacity to its customers and its provincial pipeline system. A new 28-kilometre, 114-millimetre pipeline was put into service in November 2016 to increase capacity to PCS Rocanville, creating the capacity to deliver upwards of 11 TJ of natural gas per day. In addition, a 324-millimetre pipeline was installed in December 2016 to provide additional receipt and system capacity in southeastern Saskatchewan. This new 28-kilometre pipeline loops an existing 168-millimetre pipeline and provides an additional 15 TJ of system capacity per day. TransGas also installed a 168-millimetre pipeline and meter station to provide Steel Reef Infrastructure Corp. additional receipt capacity of 8.5 TJ per day near Alameda. Construction started in mid-July and the pipeline was put into service in late August.

Saskatoon Town Border Station #5

In December 2016, the Corporation completed a fifth town border station (TBS) in Saskatoon to meet the city's current and future natural gas needs. TBS #5 provides another natural gas feed into the west side of the city, which reduces the dependency on the other two TBS facilities that supply gas to the area and increases the capacity of district regulating stations. Through the addition of this station, SaskEnergy is able to provide a number of commercial customers, as well as new and expanded subdivisions, safe and reliable natural gas service and has ensured the infrastructure is in place to manage the 50-year growth plan for the west side of the city.

MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

The Management's Discussion and Analysis (MD&A) highlights the primary factors that affected SaskEnergy's consolidated financial condition and performance for the 12 months ending March 31, 2017. 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 25, 2017, 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).

On November 30, 2015, the Government of Saskatchewan announced a change in the year end for Crown Investments Corporation (CIC) and its subsidiaries from December 31 to March 31, commencing with the 15-month period ending March 31, 2016. Consequently, while the financial statements compare a 12-month period to a 15-month period, for the purposes of the MD&A, the results of the current fiscal year will be compared against the unaudited results of the 12-month period ending March 31, 2016.

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 gas marketing 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's four strategic mandates — Service Excellence, Achieving Growth, Our Team and Creating Value — as set out in the Business Plan, support the vision, mission and values of the Corporation. They also align with the Crown Sector Strategic Priorities as identified by CIC. These mandates and strategic priorities provide guidance to SaskEnergy in its business planning process as well as its performance management and reporting. These strategic priorities and mandates 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 and the Saskatchewan Plan for Growth convey shareholder strategic direction for the Province's Crown Corporations.

The government's strategic plan identified three critical issues and five strategic priorities based on the principle of Steady Growth.

Critical Issues

- Continued focus on improving operational efficiency through transformational change
- Increased collaboration amongst the Crown corporations
- Increased scrutiny of Crown corporation capital budget requirements

Strategic Priorities

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

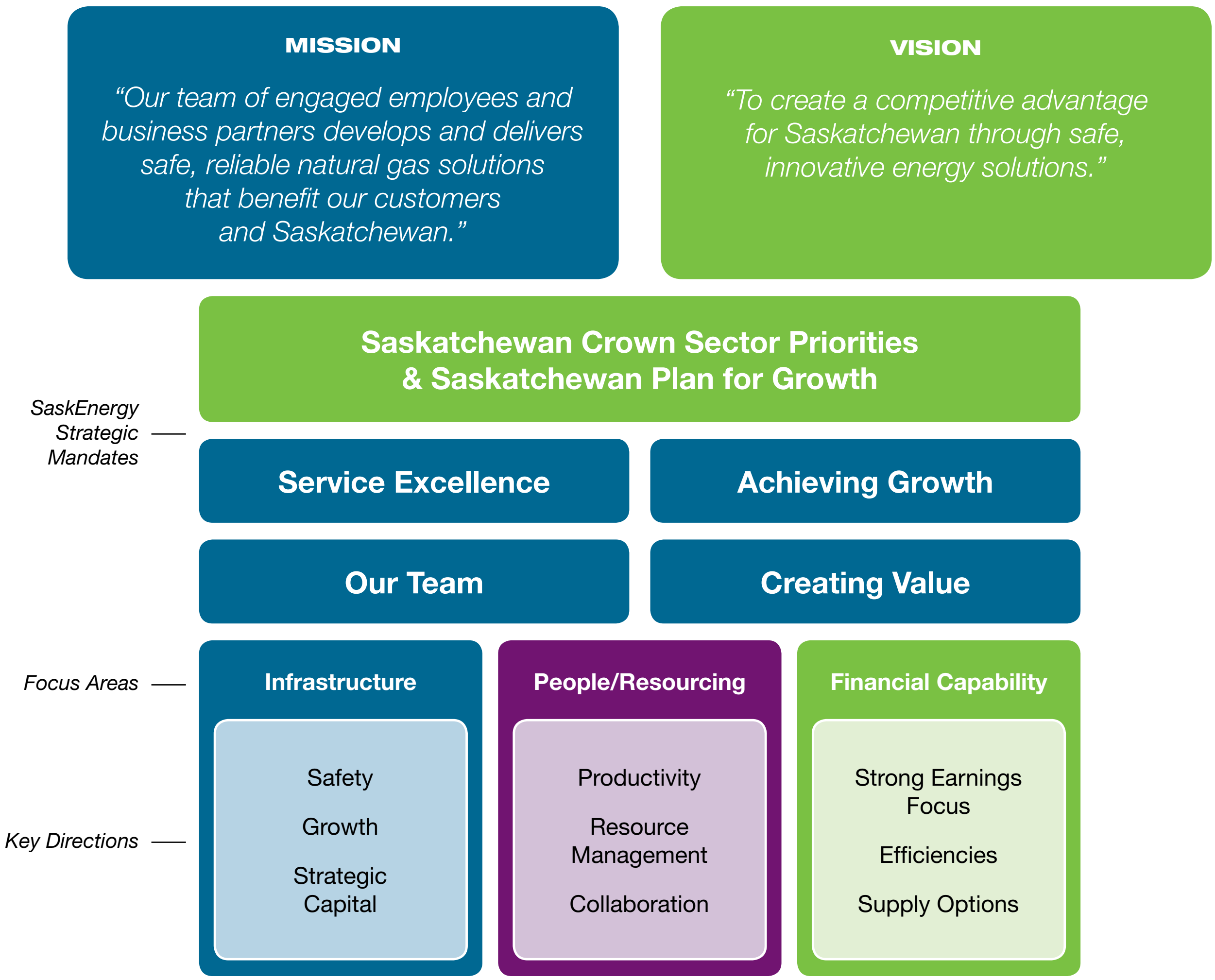
For the 2016-17 fiscal year, SaskEnergy received two specific directives through the Saskatchewan Plan for Growth. SaskEnergy's role in facilitating provincial growth was to:

- Reduce the time it takes to complete new connect requests for customers; and,
- Meet the needs of a growing residential, commercial and industrial customer base through upgrades to SaskEnergy's capital network (transmission expansion).

During 2016-17, SaskEnergy made progress on both of these directives. The distribution utility set a target to complete the average customer connection request within the customer's required timeline. This target was achieved in most instances and opportunities for improvement continue to be identified. With respect to transmission upgrades and expansion, the operations and system planning groups work together to ensure the safe and reliable operation of the natural gas system and strategize on how best to respond to anticipated load growth in the coming years in a timely and cost effective manner.

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 for approval 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 2016-17 performance relative to its strategic scorecard targets for the 12 months ending March 31, 2017, which are further defined in the Glossary of Key Success Measures.



SERVICE EXCELLENCE

SaskEnergy is committed to providing safe and reliable service to customers. Effective customer solutions and responsiveness are also important aspects of the service commitment as evidenced by the Corporation's Service Excellence mandate. In alignment with the Crown Sector Strategic Priorities, SaskEnergy focused on reducing the time it takes to complete new customer connection requests.

Efficient Operations, Safety/Vigilance and Customer Satisfaction make up the three categories of measures against which success is measured related to the Service Excellence mandate. Industry benchmarking and customer surveys are also tools used by the Corporation to analyze results and gauge the level of success.

Strategic Measure	March 31, 2016 Actual	March 31, 2017 Actual	March 31, 2017 Target	March 31, 2018 Target	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target
Efficient Operations							
Distribution							
Operation, Maintenance and Administration Costs per Customer	$300	$298	$305	$319	$320	$321	$321
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	6.6%	7.0%	7.1%	7.1%	7.1%	7.1%	7.1%
Safety/Vigilance							
SaskEnergy Leaks per 1,000 kilometres of Mains	6.7	5.25	5.8	5.5	5.4	5.3	5.3
TransGas Pipeline Failures per 1,000 kilometres of Pipe	0.00	0.00	0.09	0.07	0.07	0.07	0.07
Safety and Integrity	5.3%	5.8%	5.4%	5.5%	5.5%	5.5%	5.5%
Customer Satisfaction							
SaskEnergy	87%	89%	89%	89%	89%	89%	89%
TransGas	90%	94%	93%	93%	93%	93%	93%

Efficient Operations

Efficiency directives from the provincial government resulted in aggressive cost management in the 2016-17 fiscal year, which favourably impacted the results for the efficiency metrics by year-end. However, the more extreme expenditure restraints have been identified by management as temporary in nature and the Corporation has recognized the need to return to a more sustainable level for certain operating expenses for future years in order to maintain customer service levels.

In alignment with the Crown Sector Priority of financial stability and a continued emphasis on operational efficiency, SaskEnergy and TransGas are committed to the cost-effective delivery of natural gas services to its customers. The Corporation realized approximately $4 million in efficiency and process improvement savings in 2016-17. These efforts are reflected in the measure Operation, Maintenance and Administration Costs per Customer and SaskEnergy's ability to successfully offer competitive residential delivery rates to its customers. Customer connection activity levels moderated in 2016-17 relative to previous years and this, combined with collaboration efforts for AMI and joint service installations, assisted the Corporation in effectively managing costs during the year.

A typical residential customer in Saskatchewan paid $500 (2015-16: $453) for delivery service in 2016-17, which is the second lowest of the major utilities across Canada. Residents of Hamilton, Ontario paid the lowest rate at $466. When looking at combined commodity and delivery service, Saskatchewan customers paid the fifth lowest in Canada at March 31, 2017. SaskEnergy provides its distribution customers with price protection through the practice of hedging natural gas purchases. As a result, in a low and declining natural gas price environment, customers typically pay higher costs for natural gas but are not subject to the volatility of market prices. SaskEnergy does not earn a profit or incur losses on the sale of natural gas to its customers, therefore the costs associated with the supply of natural gas are recovered over time. Customers have consistently provided very positive survey responses to questions about stable natural gas prices as opposed to prices that move with the market.

The TransGas metric Operation, Maintenance and Administration Costs (OM&A) per Book Value of Assets Managed is a proxy for the relative efficiency of the transmission utility operations. TransGas OM&A reflected strong resource management efforts and a commitment to efficient operations throughout the year.

Safety/Vigilance

The Corporation's ongoing commitment to system integrity programming is unwavering. All efficiency efforts were implemented so as not to compromise a safe and reliable system. Integrity-related budgets are being actively managed to maintain strong results in the areas of gas leaks, pipeline failures, third-party line hits and other integrity measures. The Corporation participates in industry working groups to ensure its operations reflect industry best practice, which continues to evolve at a dynamic pace.

The targets related to safety and vigilance for both SaskEnergy and TransGas were surpassed as a result of the continued focus that the Corporation has placed on its risk-based integrity programming.

One of the key initiatives SaskEnergy undertook in 2016-17 was the continuation of the service upgrade program. This major integrity initiative inspects and upgrades service lines to ensure safe and reliable gas service in communities that have experienced significant ground shifting. This program, together with enhanced leak survey processes and the damage prevention initiative aimed at reducing leaks due to external interference, has resulted in the fewest leaks on the system since those statistics were first recorded in the early 1980s. The 2016-17 result reflects a 6.5 per cent decrease in total leaks relative to 2015-16 and a 35 per cent decrease in line hits since 2013.

TransGas continued to reduce risks for its transmission pipelines through in-line inspections, visual inspections, damage prevention initiatives and the cathodic protection program. The result was zero leaks experienced in 2016-17.

SaskEnergy/TransGas' investment toward safety and integrity initiatives in 2016-17, including capital and operating, was $91 million.

Customer Satisfaction

Perhaps the best indicator of SaskEnergy's success in delivering safe, reliable and affordable services is formal feedback from customers. Recognizing that customers are vital to the success of any business, both SaskEnergy and TransGas conduct annual surveys in an effort to gather feedback on customer experiences, expectations and overall satisfaction.

The 2016-17 SaskEnergy survey results show strong levels of customer satisfaction within a number of key areas including reliable service, informing the public of safety-related initiatives and being environmentally responsible. In the 2016-17 survey, more than three-quarters of customers indicated they are confident in SaskEnergy's safety efforts. However, restraint efforts are having an impact on customer calls and, by the end of the 2016-17 fiscal year, data reflected higher call volumes and longer wait times for customers in the phone queue. This has resulted in an increase in the rate of 'dropped calls' or customers who hang up before they speak to a customer service representative.

The TransGas customer survey results in 2016-17 continued to reflect strong satisfaction with TransGas business services despite the challenges that have been encountered with the TransGas customer service interface system, which was completed in mid-2016-17.

ACHIEVING GROWTH

SaskEnergy continues to build on 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. The measures within the mandate of Achieving Growth represent the Corporation's commitment to facilitating growth in Saskatchewan.

Strategic Measure	March 31, 2016 Actual	March 31, 2017 Actual	March 31, 2017 Target	March 31, 2018 Target	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target
Business Growth Investment							
Core Growth – SaskEnergy and TransGas Revenue Growth	3.8%	**2.9%**	3.3%	3.4%	3.4%	3.5%	3.5%
Diversified Non-Core Business							
Return on Non-Core Assets	N/A	**1%**	4.4%	9.1%	10.8%	11.1%	11.1%
Total Capital Investment *(millions)*	$15.3	**$5.9**	$13.6	$4.4	$4.5	$4.4	$4.4
Percentage of Third-Party Capital Investment	25%	**2.4%**	1%	1%	1%	1%	1%
Associated Gas Capture as a Percentage of 2014 Saskatchewan Sourced Volume	22%	**31%**	31%	36%	36%	37%	37%

Business Growth Investment

The Core Growth measure recognizes the fundamental importance of core revenue growth in the Corporation's two utilities as a key indicator of the continued success of the business. In prior years, it was the growth in the provincial economy that directly contributed to a larger distribution customer base and greater demand for natural gas from industrial facilities. In 2016-17, the distribution utility increased its active customer base by 4,000 customers and the transmission utility increased provincial load by seven per cent. The slowdown in provincial growth has impacted the rate of growth in the Corporation's utility businesses as reflected in the result for the Core Growth metric for 2016-17.

Diversified Non-Core Business

The Non-Core Business measures reflect the value of developing new revenue streams within the commodity and unregulated business environment. Efforts in this area create a wider revenue base and strongly align SaskEnergy with the Crown Sector Priority of forming partnerships and joint ventures with the private sector to facilitate growth in the Saskatchewan economy.

The Return on Non-Core Assets metric was introduced in 2016-17 and tracks the return earned by the Corporation from its investment in non-core assets. Given the current low natural gas price environment and a general lack of optimism in forward pricing of the natural gas commodity, the Corporation recorded write-downs in the fourth quarter on some of its natural gas storage assets in Bayhurst. There was also a write-down on certain waste heat recovery assets given the ongoing operational issues related to the reliability of the heat exchanger technology. Given these write-downs, the return on non-core assets was lower than anticipated.

SaskEnergy endeavors to work with private sector partners to grow its non-core business. However, the economic climate has caused those in the industry to proceed cautiously, resulting in very little activity in the sector in 2016-17. The results for the metric related to third-party capital investment are a reflection of this environment. The slowdown in the oil industry also impacted plans for liquefied natural gas (LNG) and compressed natural gas (CNG) initiatives.

The metric for Associated Gas Capture as a Percentage of Saskatchewan Sourced Volume was new for 2016-17. This metric was designed to reflect the efforts being undertaken on flare gas capture to satisfy some of the Saskatchewan demand for natural gas while reducing greenhouse gas emissions. Further upside comes from the opportunity to mitigate third-party transport costs to import the supply from Alberta. Although progress is being made on projects to acquire associated gas and convert it into CNG or LNG at the wellhead, the low price environment for natural gas is causing third-party investors to proceed slowly and with caution.

OUR TEAM

Our Team is a broad and diverse group that includes employees, contractors and business partners. These groups work together to develop mutually beneficial solutions for customers as well as improve the efficiency and effectiveness of work processes.

The efficiency directives from the provincial government have resulted in aggressive vacancy management (not always filling position vacancies when they occur). While significant savings have been realized in the short term, the longer-term impacts of vacancy management, when taken to extremes, cannot be ignored as customer service levels are inevitably impacted. Retirements in key operating areas are further exacerbating the longer-term impacts of vacancy management as the experience and knowledge of those retirees is lost. However, efforts to foster a results-focused culture, along with effective leadership development and succession management practices, continue to provide positive results.

The Our Team mandate also reflects SaskEnergy's commitment to providing "the right resource at the right place at the right time". Within Our Team, there are three categories of measures — Physical Safety, Employee Engagement and Workforce Diversity.

Strategic Measure	March 31, 2016 Actual	March 31, 2017 Actual	March 31, 2017 Target	March 31, 2018 Target	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target
Physical Safety							
Total Recordable Injury Frequency Rate	Third Quartile	Second Quartile	Second Quartile	Second Quartile	Second Quartile	Second Quartile	Second Quartile
Employee Engagement							
Employee Survey	N/A	N/A	At or above Hay Survey Norm	At or above Hay Survey Norm	At or above Hay Survey Norm	At or above Hay Survey Norm	At or above Hay Survey Norm
Workforce Diversity							
Youth (30 years of age or less)	13.6%	12.6%	18.0%	18.0%	18.0%	18.0%	18.0%
First Nations/Métis	14.8%	15.1%	16.0%	16.0%	16.0%	17.0%	17.0%

Physical Safety

Employee and public safety are at the core of every activity at SaskEnergy. Sending each employee home safely at the end of every day is the Corporation's top priority. Working with industry peers and other stakeholder groups to share knowledge and adopt industry best practices, SaskEnergy continually strives to develop a safety-first work environment, where processes and procedures are documented as meeting or exceeding the continually evolving best-practice standards. The Corporation recognizes that these processes are the foundation for safety and that the safety culture and the individual decisions made by employees and contractors each day will ultimately determine success in this vital area.

The Total Recordable Injury Frequency (TRIF) rate was 1.63 at the end of March, 2017. This means there were 1.63 reportable injuries for every 100 employees. This result allowed the Corporation to achieve its lowest TRIF rate on record for the fourth consecutive year. Based on the Canadian Gas Association (CGA) benchmark information, this result places SaskEnergy in the second quartile relative to its CGA counterparts.

Employee Engagement

SaskEnergy recognizes the importance of engaging its employees. Through initiatives such as the Leadership Network and Leadership Development Program, as well as all-employee meetings and various training and development opportunities, the Corporation has made positive strides in developing leadership skills at all levels that foster employee engagement.

In consideration of current restraint measures, SaskEnergy cancelled plans for its externally delivered Hay Survey. Although the benchmarking of results with this survey tool were not available, other methods were used to seek employees' feedback and assess engagement levels in 2016-17. Those methods included feedback provided during leaders meetings as well as small group and individual discussions. These informal indicators remained largely positive throughout the year. As well, employees were invited to provide feedback through a brief internal pulse survey, which confirmed that employee pride in working for SaskEnergy remains strong and that SaskEnergy's commitment to a safe and healthy work environment is well understood and endorsed by employees. Employee recognition and appreciation as well as open, honest communication remain areas that require continuing attention. The Corporation intends to return to an externally-provided employee survey tool with relevant benchmarks as SaskEnergy considers employee engagement a critical aspect of its continued success.

Workforce Diversity

SaskEnergy sees workforce diversity as a key business success measure, in line with Crown Sector Strategic Priorities, and strives to build 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.

SaskEnergy's successful workforce transition strategies are reflected in the consistently strong results related to the percentage of youth employed by the Corporation. This has been an area of strategic focus for the Corporation for several years; however, recent results are being impacted by the restraint measures and the limited opportunity to hire employees.

The 2016-17 result for First Nations/Métis representation is slightly lower than the Saskatchewan Human Rights Commission target due primarily to the lack of new hiring activity in response to the fiscal restraint.

CREATING VALUE

The Creating Value strategic mandate ensures SaskEnergy is focused on the financial aspects of its business – ensuring efficient and effective service to customers and providing a reasonable return to the shareholder. In conducting business, SaskEnergy is nimble, adaptable and flexible, while always focused on efficiency and results. SaskEnergy's metrics related to the Creating Value mandate are in place to ensure the Corporation is adding value for its shareholder, customers and employees through financially strong and sustainable operations, sound corporate governance and fostering positive relationships within the communities we serve. Within Creating Value, there are three categories of measures — Financial Strength, Environmental and Community Relationship.

Strategic Measure	March 31, 2016 Actual	March 31, 2017 Actual	March 31, 2017 Target	March 31, 2018 Target	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target
Financial Strength							
Debt/Equity Ratio	61/39	**59/41**	60/40	63/37	63/37	63/37	63/37
Consolidated Return on Equity	11.6%	**8.8%**	9.9%	8.7%	8.7%	9.0%	9.0%
Income Before Unrealized Market Value Adjustments *(millions)*	$86	**$70**	$77	$91	$74	$74	$80
Environmental							
Greenhouse Gas Emissions (Tonnes of CO_2e/million Running Horsepower Hours)	391	**338**	425	395	395	395	395
Community Relationship							
Community Sponsorships as a Percentage of Net Income	0.6%	**0.6%**	0.8%	–	–	–	–
Total Contracts – Percentage of Aboriginal Labour Content	15%	**13.6%**	14%	15%	16%	16%	16%

Financial Strength

SaskEnergy strives to maintain an appropriate capital structure while providing reasonable financial returns to its holding company, CIC, and competitive rates to customers. The Corporation works hard to balance the interests of both CIC and its customers — focusing on annual profitability and efficient operations with a long-term view to financial sustainability.

Operating net income results were adversely affected by the warmer than normal weather, which has a negative effect on delivery revenue, and impairment of non-core assets. Aggressive cost management resulted in lower operating costs; however, these efforts were partially offset by higher third-party transport costs that were necessary to import natural gas from Alberta to meet Saskatchewan supply requirements. Due to the current low natural gas price situation, SaskEnergy recognized $26 million in impairments on its non-core storage assets. Additional impairments were taken on other underperforming non-core assets including a $1.5 million write-down on waste heat recovery assets at Rosetown. An improvement in market conditions is required for the recovery of some of these impairments in future periods.

Capital investment levels during the year were lower than planned due to customer tie-in work that did not proceed as customers' plans changed. As a result, the Corporation's debt levels were also lower than planned for the period.

Environmental

SaskEnergy is also focused on environmental sustainability throughout its operations, and has made significant progress in the controllable aspects of its corporate greenhouse gas (GHG) emissions. While increased natural gas usage is beneficial to achieving emission targets in other sectors and in the province as a whole, this creates challenges for SaskEnergy in terms of achieving its overall corporate GHG emission reduction targets.

SaskEnergy's intensity-based GHG emissions performance measure tracks tonnes of carbon dioxide per million running horsepower hours. This reflects the efforts the Corporation has undertaken, and will continue to undertake, to reduce GHG emissions by operating more efficiently while delivering increased volumes of natural gas to customers. The Corporation undertook three major emissions reduction projects during 2016-17 that focussed on improving compressor fuel efficiency and reducing emissions. These projects were nearing completion at the end of 2016-17 and the full impact of the associated emission reductions will be realized in the upcoming fiscal year.

The uncertainty around federal emission regulations may also have a profound effect on SaskEnergy's business and the Corporation continues to closely monitor the situation.

Community Relationship

Acting as a responsible and contributing member of the communities it serves is an essential part of SaskEnergy's business strategy. Working closely with customers and Saskatchewan communities helps ensure successful business operations and is consistently noted in SaskEnergy Customer Satisfaction surveys as a key strength for the Corporation. However, difficult choices had to be made during 2016-17 to achieve the efficiency targets communicated by the shareholder and, as a result, SaskEnergy has significantly reduced the level of monetary sponsorships and donations it makes.

SaskEnergy actively encourages employees to donate their time and talents to support various charities and community events that are important to them personally. The Corporation continues to foster community relationships through modest sponsorships and donations to community events and maintains a community presence through its SaskEnergy-sponsored barbecues.

Another important element of SaskEnergy's contribution to Saskatchewan involves supporting the strong and vibrant Aboriginal labour and business markets. This growing market serves as an opportunity to create new, sustainable business and employment opportunities for Aboriginal people today and into the future.

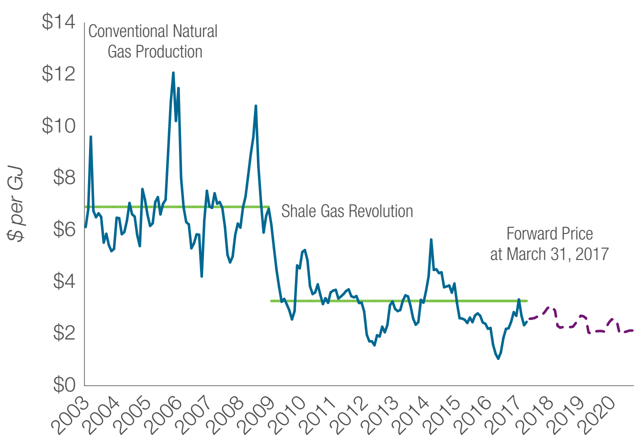
INDUSTRY OVERVIEW

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

Natural Gas Prices

Natural gas prices are set in an open market and are influenced by a number of factors including production, demand, natural gas storage levels and economic conditions. Given the high demand to heat homes and businesses during the cold winter months, and the demand for natural gas to produce electricity for air conditioning, weather typically has the greatest impact on natural gas prices in the near-term. Due to the high degree of uncertainty associated with weather, natural gas prices have historically been very volatile.

AECO Monthly Index Historical Prices



Natural gas market fundamentals have remained in a reasonably strong supply position relative to demand over the past number of years due to the advancements in shale gas production. The 2015-16 winter exacerbated the oversupply with unseasonably warm temperatures across most of North America. The combination of relatively high inventory and the decline in heating load demand for natural gas pulled market prices down to 20-year lows – including in the AECO market, which is the benchmark price for natural gas in Western Canada. This was highlighted during the spring when, after record high storage inventory in Western Canada, the AECO monthly index settled at a low of $1.04 per gigajoule (GJ) for the month of May 2016. Since that time, market prices have rebounded modestly. Despite the 2016-17 winter season being the second consecutive abnormally warm winter across most of North America, AECO market prices have generally been trading in a $2.00 - $3.00 per GJ range.

The chart shows AECO natural gas prices. Most natural gas in Saskatchewan is priced at a differential to the AECO price and is typically between $0.05 per GJ and $0.20 per GJ higher than AECO.

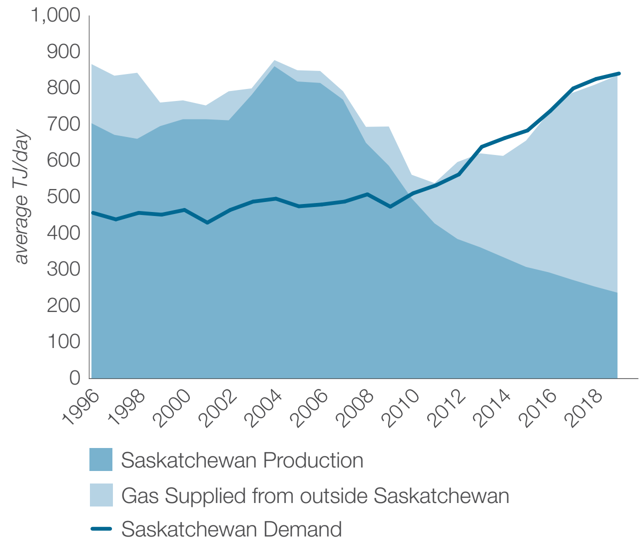
Production Continues Despite Low Market Prices

Since the beginning of the shale gas production revolution, approximately eight years ago, horizontal drilling and hydraulic fracturing technologies continue to advance and have allowed producers to continue to drill despite low market prices. This cost effective production has resulted in North American supply remaining virtually unchanged and in a strong supply position relative to demand in spite of market prices trading at such extreme low levels. The 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 is in progress as new gas-fired power generation and other natural gas intensive industries have experienced substantial growth in recent years.

Changing Saskatchewan Natural Gas Supply

Saskatchewan is a net importer of natural gas. Annual demand exceeds production within the province and in 2016-17, slightly more than 60 per cent of gas consumed in the province was imported from Alberta. Saskatchewan had been a net exporter of natural gas and through the shale gas revolution, transitioned to a net importer of natural gas. In addition to the natural gas production decline within the province, a growing demand sector is exponentially increasing the year-over-year gas supply requirement that must come from outside of Saskatchewan.

Saskatchewan Natural Gas Supply

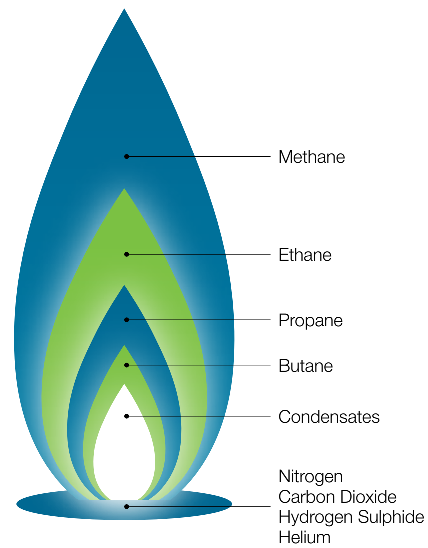


The Impact of Natural Gas Liquids

With the transformation of natural gas supply in Saskatchewan, the composition of the natural gas in the province has also been changing. Conventional gas supply contains primarily methane. However, natural gas that is produced with oil has a much higher content of other natural gas liquids including butane, propane and condensate, and contains a higher amount of energy than conventional natural gas. Natural gas produced from shale rock also typically has a higher composition of natural gas liquids compared to conventional production. In Western Canada, the primary area of growth in natural gas supply has occurred in the Montney and Horn River shale basins, located along the northern part of the British Columbia and Alberta border.

Natural gas containing a high content of liquids is usually processed and the natural gas liquids are separated and sold in the open market. The processed natural gas is then distributed throughout the natural gas pipeline system. In a low price environment it is not always economical to remove the natural gas liquids from the natural gas stream. A number of natural gas processing plants, some of which are located along the border of Saskatchewan and Alberta, are extracting fewer liquids and in some cases temporarily suspending operations due to the low natural gas liquids prices. The result of this is that, at times, the natural gas imported into the province is less processed or not processed at all. Rather, the liquids are sometimes left in the natural gas stream due to the low liquids prices and the cost of processing. Natural gas that has a high composition of natural gas liquids has a higher heat or energy content compared to conventional natural gas and less volume is required to generate an equivalent amount of energy. In Saskatchewan, the energy content or heat value of natural gas delivered to consumers has been generally rising since Saskatchewan became a net importer of natural gas five years ago. This is due to both the higher energy content of natural gas being imported from Alberta, and the fact that natural gas associated with oil production is replacing conventional production within the province.

Common Components of Unprocessed Natural Gas



CONSOLIDATED FINANCIAL RESULTS

Consolidated Net Income and Comprehensive Income (Loss)

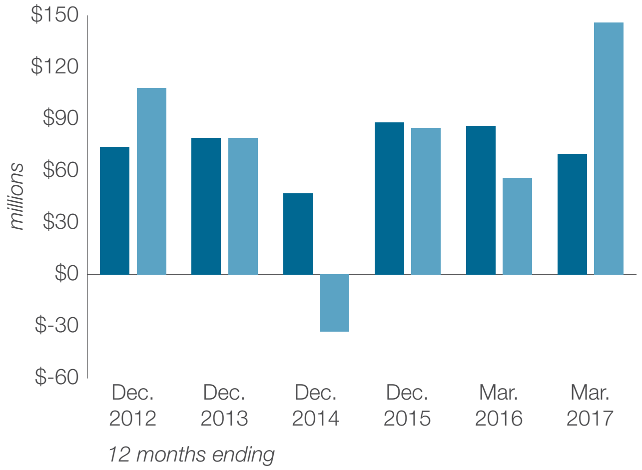
(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016
Income before unrealized market value adjustments	$ 70	$ 86	$ (16)	$ 49	$ 135
Impact of fair value adjustments	63	(19)	82	6	(13)
Revaluation of natural gas in storage	13	(11)	24	–	(11)
Consolidated net income and comprehensive income	$ 146	$ 56	$ 90	$ 55	$ 111

[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. Consequently, the financial statement comparative for the 12 month period ending March 31, 2017, is an audited 15-month fiscal period ending March 31, 2016. For the purposes of the management discussion and analysis, the 2015-16 fiscal year has been split into a 12-month period ending March 31, 2016, and a three-month period ending March 31, 2015. Both numbers are unaudited and are for comparative purposes only.

Excluding market value adjustments, financial results for 2016-17 are $16 million lower than the same period ending March 31, 2016. The decline in net income is due to a number of impairments taken on non-core business activities, partially offset by improved returns on delivery and transportation services. The continued low gas price environment has adversely affected non-core storage activities leading to significant impairments of non-core storage facilities. For both transportation and delivery services, the number of customers and customer load continued to grow. On December 16, 2016 and on January 12, 2017 the provincial maximum daily consumption was 1.33 PJ, a new record that is three per cent higher than the maximum daily consumption recorded in prior years. Additionally, eight of the highest daily natural gas transportation loads occurred during the 2016-17 fiscal year. These incremental loads contributed to additional transportation and delivery revenue relative to 2015-16.

Much of the load growth is the result of continued economic growth in the province. SaskEnergy has seen an increase of 4,000 customers during the year and while the number of transportation customers has not increased significantly, existing customers continue to increase their level of activity driving additional load growth. Serving this increase in load requires additional expenditures, and while continued focus on efficiency and restraint initiatives resulted in a three per cent reduction to employee benefits, operating and maintenance expenses increased by approximately eight per cent over the prior year. The increase in operating expenses was due to the need to acquire additional transportation capacity on interconnecting pipeline systems to bring gas into the province from Alberta, as Saskatchewan's gas production is not increasing fast enough to accommodate the incremental provincial demand for natural gas.

Consolidated Financial Statements



Market value adjustments contributed $76 million to SaskEnergy's consolidated net income. During the year, a significant number of higher priced natural gas purchase contracts related to the Corporation's commodity business expired, which had a positive impact on unrealized market value adjustments. In addition, forward natural gas prices have recovered compared to the relative lows at the end of the previous fiscal year. On March 31, 2017, the natural gas price for gas to be delivered in April 2017 was $2.68 per GJ compared to $2.48 per GJ as at March 31, 2016.

The value of natural gas in storage is sensitive to gas prices. At the end of March 2016, the value of natural gas in storage was $86 million, or $34 million below cost, due to the decline in gas prices in the last quarter of the 2015-16 fiscal year. At the end of March 2017, the value of gas in storage remained at $86 million, but is now only $21 million below cost. The volume of natural gas in storage declined during the year as sales volumes exceeded purchases. The lower volume of gas in storage was a significant factor in the improved adjustment to net realizable value; however, the differential between the average cost of gas and the expected selling prices also narrowed. The narrowing in this differential was due to the relatively low price of natural gas purchases, which reduced the average cost of gas as well as the recovery of market prices at which the gas could be sold. The difference between the $34 million adjustment at the end of the previous fiscal year and the current $21 million adjustment to the cost of gas in storage has been reported as a $13 million favourable market value adjustment during the current fiscal year.

Natural Gas Sales and Purchases

Included within natural gas sales and purchases are rate-regulated commodity sales to distribution customers and non-regulated gas marketing 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 indicate a similar adjustment to the GCVA.

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

(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016
Commodity sales	$ 217	$ 255	$ (38)	$ 130	$ 385
Commodity purchases	192	227	(35)	111	338
Realized margin on commodity sales	25	28	(3)	19	47
Impact of fair value adjustments	65	(5)	70	9	4
Margin on commodity sales	$ 90	$ 23	$ 67	$ 28	$ 51

[1] See note under table of Consolidated Net Income (loss) on page 27.

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 uses financial derivatives and physical swaps to manage the future purchase price of natural gas.

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. On a consolidated basis, the Corporation realized a $25 million margin on commodity sales for the 12 months ending March 31, 2017 compared to the $28 million margin for the same period ending March 31, 2016. Average revenue was $3.61 per GJ and average cost of gas sold was $3.20 per GJ, resulting in a margin of $0.41 per GJ. This compared to an average commodity margin of $0.43 per GJ through the same 12-month period in 2016. Lower margins in 2016-17 were a result of commodity rate decreases from $4.84 per GJ to $4.30 effective January 1, 2016, and to $3.65 per GJ effective November 1, 2016, offset in part by the impact of lower prices on natural gas purchases. Meanwhile the GCVA balance has increased to $12.8 million owing from customers. Using the current commodity rate and natural gas prices, the GCVA balance is expected to be fully recovered by October 2018.

Commodity Fair Value Adjustments

The fair value adjustments at March 31, 2017 increased the margin on commodity sales by $65 million as the $100 million unfavourable fair value position at March 31, 2016 improved to $35 million unfavourable at March 31, 2017. The settlement of higher priced natural gas purchase contracts during the year reduced the volume of contracts outstanding from 86 PJ to 49 PJ and the differential between the contract price and market prices diminished from $1.16 per GJ to $0.72 per GJ during 2016-17. In addition, during 2016-17, SaskEnergy began to segregate a portion of its natural gas purchase contracts where the gas 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 36 PJ. Had these contracts been reported at market value, the fair value adjustment on commodity sales would have been $56 million.

Gas Marketing Margin

SaskEnergy uses its access to natural gas markets to execute purchases and sales of natural gas to generate margins. By utilizing off peak transportation and storage capacity, SaskEnergy is able to find opportunities in the market to take advantage of pricing differentials between transportation hubs and time periods while minimizing its exposure to price risk. Its primary strategy is to purchase and inject gas when prices are relatively low, and sell the gas in the future when prices are higher. 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 2016-17, SaskEnergy's gas marketing activities included the purchase of 62 PJ of natural gas at an average price of $2.09 per GJ, the sale of 60 PJ at an average price of $2.42 per GJ and an increase to gas in storage of 2 PJ. In addition, SaskEnergy increased the volume of sales in future periods by 22 PJ.

The gas marketing margin, as reported in the consolidated financial statements, was as follows:

(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016
Gas marketing sales	$ 147	$ 147	$ –	$ 34	$ 181
Gas marketing purchases	133	127	6	30	157
Realized margin on gas marketing sales	14	20	(6)	4	24
Impact of fair value adjustments	(2)	(11)	9	(4)	(15)
Revaluation of natural gas in storage	13	(11)	24	–	(11)
Margin on gas marketing sales	$ 25	$ (2)	$ 27	$ –	$ (2)

[1] See note under table of Consolidated Net Income (loss) on page 27.

The realized margin on gas marketing sales at March 31, 2017, which removes fair value adjustments on derivative instruments and the revaluation of natural gas in storage, was $14 million. This is $6 million lower than the $20 million margin for the period ending March 31, 2016, as market conditions limited the opportunities for the Corporation to transact significant volumes of purchases and sales at required margins.

Gas Marketing Fair Value Adjustments

The Corporation enters into various natural gas contracts (swaps, options and forwards) in its gas marketing strategies, which are subject to volatility of natural gas market prices. The fair value adjustment at March 31, 2017 on gas marketing derivative instruments reduced the gas marketing margin by $2 million compared to $11 million for the same period in 2015-16. When the AECO near month spot price dropped to a 20-year low prior to March 2016, the Corporation entered into buy/sell transactions, utilizing the price differential between spot prices and forward prices. Between April 2016 and the end of March 2017, the near month price increased $1.53 per GJ and at the same time older purchase and sales contracts matured. At the end of March 2017, the volume of outstanding sales contracts was 2.3 PJs less than at March 31, 2016. The favourable impact of the lower volumes of contracts outstanding was more than offset by the unfavourable impact of average market prices increasing above the deal price on outstanding sales contracts resulting in a net unfavourable impact of $2 million.

Revaluation of Natural Gas in Storage

At each reporting period, the Corporation measures the net realizable value of gas marketing natural gas in storage 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. Purchases made in the low market price environment at the beginning of the year have reduced the average cost of gas in storage; however, lower forward market prices continue to adversely affect net realizable value. Consequently, the net realizable value of gas marketing natural gas in storage was $21 million below cost as at March 31, 2017, which is a $13 million improvement from the revaluation adjustment at March 31, 2016.

Revenue

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

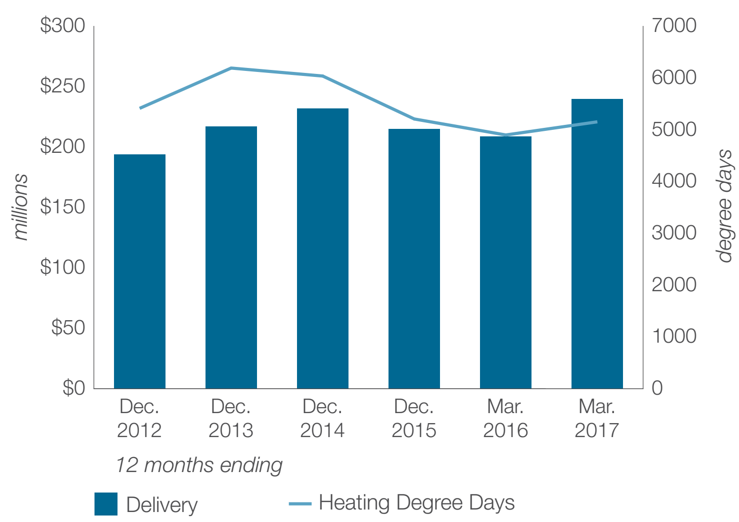
(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1,2]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016[2]
Delivery Revenue	$ 240	$ 209	$ 31	$ 80	$ 289
Transportation and storage revenue	134	121	13	30	151
Customer capital contributions	55	58	(3)	3	61
Other revenue	10	12	(2)	2	14
	$ 439	$ 400	$ 39	$ 115	$ 515

[1] See note under table of Consolidated Net Income (loss) on page 27.
[2] Certain comparative amounts have been reclassified to conform to the current fiscal year's presentation.

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 2016-17 was seven per cent warmer than normal, but five per cent colder than 2015-16, which was an exceptionally warm year. The colder weather together with a 4.5 per cent rate increase effective January 1, 2016 and an 8.6 per cent increase effective November 1, 2016 contributed to delivery revenue of $240 million for the 12 months ending March 31, 2017, which was $31 million higher than the 12-month period ending March 31, 2016.

Delivery Revenue



Distribution system growth also contributed to the higher delivery revenue. The Corporation added 4,000 customers through the 12 months of 2016-17, which was less than the 5,090 customers added during the previous fiscal period. The addition of new customers is estimated to have contributed an additional $2 million of revenue in the current year.

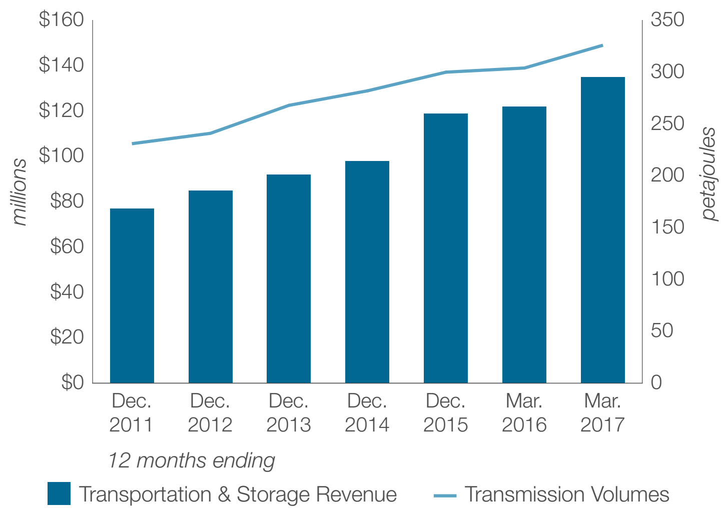
Transportation and Storage Revenue

The Corporation generates transportation revenue by taking delivery of 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 pipeline transportation system, and a delivery service charge, which customers pay when they take delivery off of the pipeline 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. 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 $134 million for the 12 months ending March 31, 2017, $13 million higher than in 2015-16. 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 2.5 per cent transportation rate increase effective January 1, 2016, is also contributing to the higher transportation revenue year-over-year.

Storage revenue is down slightly compared to the previous year due to a continuing decline in the demand for storage services. 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.

Transmission Revenue

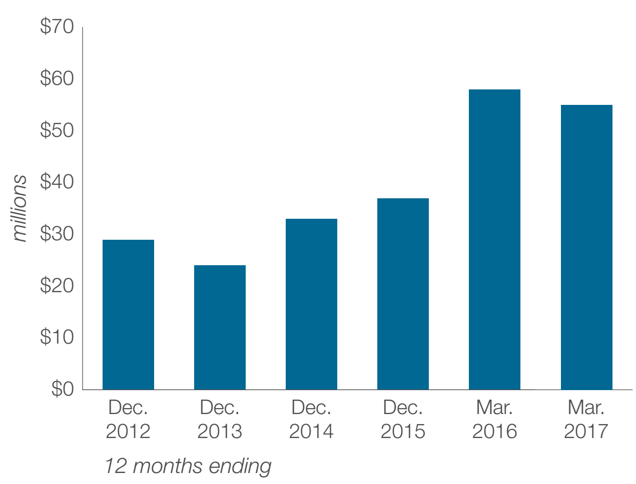


The 2.5 per cent transportation rate and 5.8 per cent storage rate increases effective January 1, 2016, were implemented to address growing capital and operating costs incurred to continue providing high quality, safe and reliable service to customers. In alignment with the Crown Sector Strategic Priorities, the Corporation continues to focus on providing the province's growing population and industrial customers with efficient and timely access to natural gas service, while keeping rates competitive.

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 they consume or transport through the system. The amount of contributions expected to be refunded is estimated and recorded in deferred revenue 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, 2017 was $3 million below 2015-16. The downturn in the provincial economy has

Customer Contribution Revenue



translated into lower distribution and transmission customer connections in 2016-17 compared to 2015-16. Also, customer capital contribution revenue in 2015-16 includes the impact of changing the estimate of deferred transmission customer contributions. During 2015-16, the Corporation refined its estimates of the amount of contribution deferred for potential refund. The new estimate is based on the customer's requested delivery capacity rather than management's estimate of customer's future delivery, and is considered a more reliable estimate of the amounts likely to be refunded.

Other Revenue

Other revenue primarily consists of gas processing fees and natural gas liquids sales from two natural gas liquids extraction plants. Compression and gathering service revenue and royalty revenues comprise the remaining balance of other revenue. Royalty revenues are generated from a gross overriding royalty on several natural gas-producing properties in Saskatchewan and Alberta, which have diminished due to the continuing decline of conventional natural gas production and as a result of low natural gas prices. Other revenue of $10 million for the 12 months ending March 31, 2017 was $2 million lower than 2015-16, a result of lower throughput on gas processing plants.

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 pipeline facilities increases, these expenses also increase.

Employee benefit costs and operating and maintenance costs are also driven by the investment in assets, though 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 pipeline system increases as the kilometres of pipeline, number of service connections, and compression equipment increases. The cost of maintaining the safety, integrity and reliability of the Corporation's transmission, storage and distribution systems increases with the age of the pipeline system and adds pressure to transmission, distribution and storage rates.

Employee Benefits

Investments in technology, such as the customer service information system, AMI and work management systems, as well as streamlining business process have helped to reduce staffing levels and overtime, resulting in an overall reduction in employee benefit costs. These initiatives, together with a significant one-time effort to manage with fewer people in support of restraint measures, resulted in employee benefit costs of $87 million, almost $3 million lower than in 2015-16.

Operating and Maintenance

Integrity expenditures and higher third-party pipeline transportation charges to bring gas into Saskatchewan to meet growing load requirements and declining Saskatchewan production resulted in an increase in operating and maintenance expenses to $134 million in 2016-17, $10 million higher than in 2015-16. SaskEnergy was able to mitigate the impact of higher integrity expenditures and transportation charges through continued efficiency efforts and both short- and longer-term cost saving measures. This resulted in reduced costs for vehicles and equipment, consulting fees, travel, non-safety related training, and advertising.

One of the primary efficiency initiatives has been the implementation of a mobile compression strategy. Beginning in 2010, the Corporation began replacing its aging fleet of natural gas compressors with new energy efficient mobile compressors. These units use energy efficient technology to reduce fuel consumption and emissions, and are mounted on trailers so that they can be easily relocated throughout the system depending on where additional compression is required.

In 2014, SaskEnergy began implementing AMI technology, which collects customer consumption information electronically, thereby eliminating the need to manually read customer meters and estimate customer consumption for the purpose of billing.

Depreciation and Amortization

The Corporation continues to balance safety and system integrity with the growing demand for service. Strategic capital investments to meet customer requirements and replace aging infrastructure have increased the capital base resulting in increased depreciation and amortization. In 2016-17, depreciation and amortization was $96 million, $7 million higher than the same period in 2015-16.

Net Finance Expense

Net finance expenses, before the impact of fair value adjustments, were $46 million in 2016-17 compared to $47 million in 2015-16. The increase in finance expenses that result from increased investment has been fully offset by lower interest rates. The low interest rate environment has allowed the Corporation to replace maturing long-term debt with lower-cost debt.

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

(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016
Employee benefits	$ 87	$ 90	$ (3)	$ 25	$ 115
Operating and maintenance	134	124	10	28	152
Depreciation and amortization	96	89	7	21	110
Saskatchewan taxes	12	12	–	3	15
	329	315	14	77	392
Net finance expenses (before MVA)	46	47	(1)	9	56
Other (losses) gains	$ (33)	$ –	$ (33)	$ (3)	$ (3)

[1] See note under table of Consolidated Net Income (loss) on page 27.

Other (Losses) Gains

The current low natural gas price environment and general lack of optimism in the forward curve pricing for the natural gas commodity has adversely affected the economics for natural gas storage investments. As a result, SaskEnergy has recorded a $26 million impairment charge against its non-core storage facilities. Over the previous five years, non-core storage facilities have generated more than $65 million of profit; however, with the development of shale gas, the differentials between current and future prices of natural gas have disappeared. At March 31, 2017, the forward price of natural gas for delivery in March 2022 was $2.56 per GJ compared to $2.68 per GJ for gas delivered in April 2017, a negative differential of $0.12 per GJ. Five years ago, the price five years forward was $2.15 higher than the near month price at that time. Market conditions in 2012 allowed SaskEnergy to use its storage facilities to generate significant margins by purchasing gas in the spot market to be sold at the much higher prices in the future. Since then, forward price differentials have slowly diminished such that the current differentials are insufficient to support the book value of non-core storage assets.

In addition to its storage assets, SaskEnergy has also recorded an impairment of $1 million on a waste heat recovery asset located at the Rosetown compressor station. Using advanced technology, the unit captures waste heat from gas compressor units to generate electricity. The Corporation has a power purchase agreement with SaskPower to sell electrical energy; however, electricity generated by the waste heat recovery unit has been consistently lower than original expectations. Through an assessment of its recoverable amount from future operations, it was determined that the estimated recoverable amount is less than the net book value of the waste heat recovery unit.

LIQUIDITY AND CAPITAL RESOURCES

(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016
Cash provided by operating activities	$ 225	$ 258	$ (33)	$ 89	$ 347
Cash used in investing activities	(198)	(210)	12	(31)	(241)
Cash used in financing activities	(37)	(47)	10	(53)	(100)
(Decrease) increase in cash and cash equivalents	$ (10)	$ 1	$ (11)	$ 5	$ 6

[1] See note under table of Consolidated Net Income (loss) on page 27.

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 upon it to fund dividends, debt servicing costs, and a significant proportion of its investment in pipeline 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. *The SaskEnergy Act* allows the Corporation to borrow up to $1,700 million.

Operating Activities

Cash provided by operating activities was $225 million for the 12 months ending March 31, 2017, a decrease of $33 million from 2015-16. Cash flows from operation are down due to the impact of commodity rate reductions in January 2016 and November 2016, together with the cash flow impact of an unusually warm winter ending March 31, 2016, which significantly reduced cash receipts in the first quarter of 2016-17.

Investing Activities

Cash used in investing activities totalled $198 million for the 12 months ending March 31, 2017, $12 million less than the 12-month period ending March 31, 2016. Capital investment levels declined in 2016-17 due to lower system growth and customer connection requirements compared to 2015-16. The majority of capital investment to the end of March 2017 focused on $96 million of customer growth and system expansion projects, which were a result of Saskatchewan residential and industrial growth, as well as safety and system integrity programming of $91 million – a sign of the Corporation's ongoing commitment to a safe, reliable system.

Financing Activities

Cash used in financing activities was $37 million through the 12 months ending March 31, 2017, which is $10 million less than the $47 million used in financing activities in 2015-16. The Corporation used $47 million for interest payments, $36 million for dividends, and $103 million to pay debt and debt retirement fund obligations. As a result, the Corporation required an additional $149 million in long-term debt. SaskEnergy's debt ratio at the end of March 31, 2017 of 59 per cent debt and 41 per cent equity improved from 61 per cent debt and 39 per cent equity at the end of 2016. This remains within the Corporation's long-term target range of 58 to 63 per cent debt, and continues to be affected by the negative impact of fair value adjustments on retained earnings and the increasing debt requirements to finance capital for safety and integrity programming.

Capital Expenditures

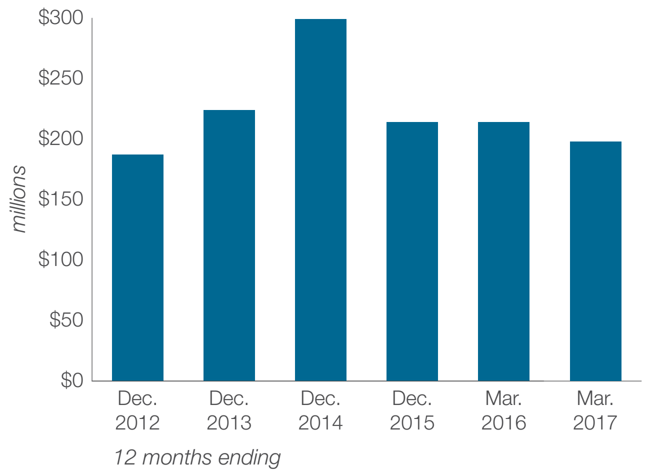
The capital expenditures, as reported in the consolidated financial statements, were as follows:

(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[1]	Change	3 Months Ended March 31, 2015	15 Months Ended March 31, 2016
Customer growth and system expansion	$ 96	$ 113	$ (17)	$ 19	$ 132
Safety and system integrity	83	76	7	11	87
Information systems	14	15	(1)	1	16
Vehicle, equipment, buildings & furniture	5	8	(3)	1	9
	$ 198	$ 212	$ (14)	$ 32	$ 244

[1] See note under table of Consolidated Net Income (loss) on page 27.

Capital expenditures during 2016-17 of $198 million were lower than in prior years due in part to a slowdown in provincial economic growth. Slower economic growth has reduced the requirements for new facilities and also reduced the cost of building new infrastructure. SaskEnergy has continued its focus on upgrading its aging infrastructure. Capital expenditures of $54 million on these programs were comparable to expenditures of $55 million during the previous 12-month period. Of the current year expenditures, $23 million was spent on pipeline protection, inspections, modifications and repairs. The Corporation allocated $18 million to service tee upgrades in urban and rural communities and $13 million was incurred for the renewal or replacement of other major infrastructure facilities. In addition to these integrity expenditures, investments in compression assets of $12 million facilitated the revitalization of operations at Success and Unity as well as additions to the mobile compressor fleet. The Corporation is also developing a fleet of skid mounted compressors that have more capacity than trailer mounted mobile compressors and will be used at key locations for pipeline compression and storage injection.

Capital Expenditures



OUTLOOK

Factors that are expected to affect SaskEnergy in the near future include the growth of the provincial economy, a declining supply of natural gas in the province resulting in increased reliance on imported natural gas, and rising customer expectations for safe, reliable natural gas services. Assuming normal weather conditions through 2017-18, net income before market value adjustments is expected to be approximately $91 million, an increase of $21 million over the 2016-17 actual result. The increase is primarily due to the return to normal weather as 2016-17 was seven per cent warmer than normal. Continued expenditure restraints are expected to limit cost increases in 2017-18.

In close alignment with Crown Sector Strategic Priorities and the Saskatchewan Plan for Growth, SaskEnergy will continue to focus on the four strategic mandates: Service Excellence, Achieving Growth, Our Team and Creating Value. Projected provincial economic recovery will drive continued growth in demand for natural gas as major customers in potash production, enhanced oil recovery, and natural gas power generation expand operations through 2017-18.

The continued growth in natural gas demand combined with declining conventional gas production means that more gas will be imported or acquired from gas production associated with oil production. This shift in source of supply, together with an aging pipeline system, will require incremental investments in pipeline facilities. SaskEnergy is projecting to invest more than $750 million over the next three years. This additional investment will be primarily funded through cash from operations, with an additional $300 million to be financed with incremental long-term debt. 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 investigate technological solutions to more efficiently serve customers and maintain facilities. Since 2009, SaskEnergy has achieved $42 million of operating efficiency savings and another $4 million has been targeted for 2017-18.

Operating Expenses

As the number of customers increases, the natural gas pipeline infrastructure required to serve those customers grows, and the cost of operating the pipeline 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. However, as the pipeline and distribution system continues to age, and supply shifts from conventional Saskatchewan production to associated gas production and Alberta supply, additional investments are required that do not generate additional revenue. 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 $10 million as a direct result of capital expenditures, while operating expenses (employee benefits and operating and maintenance) are expected to rise by $7 million even with projected efficiency savings of $4 million in 2017-18. The cost increases are primarily due to rising third-party transportation costs related to importing natural gas to meet growing load requirements.

Revenue

The delivery rate increase effective November 1, 2016 will provide additional delivery revenue to help 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 over 2016-17 to 4,500 new customers through 2017-18. Industrial and commercial demand for service is expected to continue to grow. SaskEnergy currently expects revenue to increase by $60 million in 2017-18, driven by a six per cent increase in load.

Commodity Margins

Natural gas prices reached record lows during the first three months of 2016 and, although short-term gas prices have since 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, the driver for much of SaskEnergy's gas marketing activity, is negative with the exception of summer to winter spreads. These market conditions adversely affect the prospect for generating the margins required to support SaskEnergy's non-core storage business. Other gas marketing activities, which leverage off-peak transportation and storage capacity in the distribution utility are expected to continue to generate margins; however, the potential for gas marketing margins is expected to be lower than it has been in the past.

The November 1, 2016 commodity rate reduction to $3.65 per GJ will reduce commodity revenue during 2017-18; however, lower natural gas market prices are expected to reduce the average cost of gas by an equal amount. Consequently, favourable margins are expected on commodity sales. As part of the normal course of business, commodity rates are reviewed regularly and adjusted as required.

Consolidated net income, including the impact of fair value adjustments, is expected to be $91 million in 2017-18. Natural gas prices are a key risk to this forecast. A $1.00 per GJ increase in the price of natural gas will allow SaskEnergy to fully recover the $21 million net realizable value adjustment reported at the end of March 31, 2017 on natural gas in storage and $18 million of the $35 million market value adjustment reported on natural gas contracts. Conversely, a $1.00 per GJ decline in natural gas prices would adversely affect net income to a similar degree. During 2017-18, a number of derivative instruments are expected to expire resulting in a reversal of fair market value adjustments reported in prior periods. However, further declines in natural gas prices could negatively impact that expected benefit.

Weather will be a key factor affecting 2017-18 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 impacted 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 a gas marketing perspective, but could create opportunities to reduce commodity rates to customers. Delivery and transportation revenue will continue to grow along with growth in operating costs. The outcome will be moderate rate pressure assuming rate increases are regular. Over the forecast period, SaskEnergy will continue to focus on providing safe and reliable service to its customers and investing 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 transmission, storage, distribution and sale of natural gas as well as its business development activities. The Corporation's effectiveness at managing risk directly affects its performance. The nature of natural gas, and the operation of high pressure pipelines, 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 ERM. 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 change frequently, 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 those requiring strategic focus:

Carbon Focused Society

SaskEnergy's business is the transportation, storage, distribution and sale of natural gas, a fossil fuel which emits carbon dioxide when burned to generate energy. Not appropriately addressing the carbon reduction expectations could result in financial costs and affect the competitiveness of the services SaskEnergy offers. For example, a tax on carbon emissions would directly increase operating costs to ship gas through pipelines and, indirectly, could reduce customer consumption of natural gas, reduce revenue, and leave parts of the transmission and distribution systems underutilized. In response to this risk, the Corporation continues to monitor developing regulations, has initiated stakeholder engagement strategies and works with industry groups to communicate its position and strategies for dealing with carbon dioxide emissions. In addition, SaskEnergy has implemented strategies to reduce its carbon footprint, which includes maintaining and upgrading facilities, improved training, and operating practices designed to minimize greenhouse gas emissions. Natural gas remains the "greenest" of fossil fuels, producing less carbon dioxide that most other carbon based sources of energy and therefore may have a significant role in any transition towards greener fuels.

Pipeline, Facility or Operational Failure

Pipeline, facility or operational failure could disrupt the effective operation of SaskEnergy's natural gas storage, distribution and transmission 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 pipeline 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 pipeline, facility and operational risks include system integrity programs, public awareness and safety programs, employee and operator training, plus environmental policies and procedures. The financial impacts of these risks are also mitigated, where possible and appropriate, through insurance.

Supply Access

As natural gas production within Saskatchewan declines, SaskEnergy becomes increasingly reliant on importing natural gas from outside the province. Importing natural gas creates a reliance on interconnecting pipelines, 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 utilization of storage facilities to support transmission capabilities, development of a provincial flare gas capture strategy, and utilization of liquefied natural gas to meet peak demand.

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 pipeline distribution system. Through various programs and strategies, including stakeholder engagement, Aboriginal 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.

Integrated Information Systems

As SaskEnergy increasingly relies on integrated information systems to meet its business requirements, the reliability, security and effectiveness of those systems becomes more important. External threats such as phishing, whaling attempts, spam, and malware may disrupt the reliable operation of information systems. These threats are addressed through security processes and controls. Internally, the Corporation's various information systems are becoming increasingly integrated, which increases the risk that a failure in one system could lead to a failure in another system and harm the Corporation's ability to meet operational requirements. The Corporation mitigates this risk by applying an information technology project prioritization process and project management methodology for developing and integrating new systems. The Corporation also has up-to-date business continuity and disaster recovery plans for critical information technology operations processes.

Social Licence to Operate

Increasingly, society's expectation of corporations is that their operations must exceed compliance with legislation, regulations, codes and standards. Complying with this standard of operation requires additional effort and costs, while failure to meet these expectations brings additional regulation and compliance costs. To manage the risks of maintaining its social licence, SaskEnergy has implemented a series of internal processes, standards and compliance monitoring exercises to ensure that current rules, regulations, and standards are maintained in its operations.

Emerging Strategic Business Landscape

Inadequate assessment and response to the emerging strategic business landscape, including disruptive change, significant economic volatility, stakeholder and customer expectations, can significantly affect the Corporation's future success. Recent transformations in the natural gas business landscape present both uncertainties and opportunities that affect SaskEnergy's short- and long-term plans. If business conditions are not well understood, SaskEnergy risks making strategic investments in short-term initiatives that do not advance its long-term goals, and could harm financial performance. Through its strategic and business planning processes, the Corporation develops integrated strategies to mitigate business risks using information acquired through customer consultation, and relationships with industry associations. The Corporation's strategic plans identify and evaluate emerging risks, advances in technology and changing customer expectations. Strategies now rely less on historical data and there is an increasing focus on strategic risk factors that may deter the Corporation from its ability to realize strategic objectives.

Commodity and Delivery Rate Pressure

The rates SaskEnergy charges to customers for the sale and delivery of natural gas is subject to review by the SRRP and the Provincial Cabinet of the Government of Saskatchewan. Delivery and commodity rates are designed to recover the actual costs SaskEnergy incurs to provide these services to customers. In evaluating SaskEnergy's commodity and delivery rates, the SRRP considers not only the cost of providing service to customers but also the impact that the proposed rates have on customers. Significant increases to rates create more hardship for customers and increase the risk of the SRRP not supporting the proposed rate increases. Consequently, it is incumbent upon SaskEnergy to effectively manage costs and manage gas purchases costs to emphasize price stability and minimize the potential for significant increases. To mitigate the risk of having rate requests rejected or rolled back, SaskEnergy takes a long-term perspective when buying natural gas to mitigate short-term market price movements and promotes natural gas as a reliable and relatively low cost source of energy. In addition, SaskEnergy works cooperatively with the SRRP and closely follows regulatory principles through the commodity rate application process. To assist customers in managing their energy costs, SaskEnergy offers a number of energy efficiency programs.

Business Plan Execution

Successfully implementing business plan targets depends on capturing business revenue opportunities, realizing efficiency and productivity gains, and appropriately managing cost pressures. The risk of not meeting efficiency and productivity targets has financial and performance implications. SaskEnergy stresses accountability of results, whether it's managing vacant positions, collaborating with other Saskatchewan Crown corporations or actively managing transportation cost pressures. In order to meet business plan targets, employees are engaged in compiling the business plan, while a leadership network reinforces accountability for efficiency and productivity targets by keeping them at the forefront of daily management of the Corporation. The result is a strong performance management system with the entire organization working toward business plan targets.

Employer/Employee Relationship

The Corporation's relationship with its employees is important to the continued safe operation of its transmission, storage and distribution systems. Possible consequences of a deteriorating relationship with employees include loss of productivity and labour disruption. SaskEnergy maintains open dialogue with its union through joint union-management committees, the collective bargaining process, a focus on safety and providing an environment that offers employees a healthy work/life balance.

Transportation Rate Adjustment

Transportation rates cover the operating costs SaskEnergy incurs to provide transportation service to its natural gas customers. Operating costs have and will continue to rise as the province is now a net importer of natural gas. In addition, public safety requirements, capital expenditures required to maintain the safety and reliability of the system, and accommodating customer load growth increase interest and depreciation expenses. These higher operating costs may trigger rate increases that are seen as unacceptable or unmanageable from a customer's perspective.

While SaskEnergy cannot control or manage some third-party costs, through efficiency and productivity it can minimize the impact of rate changes on customers and pass the benefits on to customers. Transportation and delivery rate adjustments are managed through multi-year rate strategies, the annual business planning process, participation in regulatory forums, a strong relationship with the SRRP, shareholders and a strong Customer Dialogue process.

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

Weather

SaskEnergy has designed its pipeline 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 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 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 sales 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, 2017, the unbilled revenue related to commodity sales and delivery revenue was $21 million. Upon completion of the AMI project, SaskEnergy will be able to acquire meter reads on almost all services at the end of each reporting period, eliminating the need for estimating unbilled revenue.

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, 2017, the revaluation increased the carrying amount of natural gas in storage by $13 million. A $0.66 per GJ improvement in the differential between the weighted average cost and net realizable value would completely eliminate the $21 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, 2017, 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 $19 million. Conversely, a decrease of $1.00 per GJ would have decreased the fair value of natural gas derivative instruments by $20 million.

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

With a combined carrying amount of $2,189 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, 2017, 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.

Estimated Unearned Customer Capital Contributions

Customer capital contributions, related to the construction of new, customer-specific service connections, are recognized as deferred revenue 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 remains in deferred revenue until the refund period has passed. At March 31, 2017, the Corporation estimated $32 million in customer capital contributions related to either facilities not yet available for use, or amounts subject to refund in future periods.

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, 2017, the Corporation's provisions were estimated at $127 million. A one per cent increase in the discount rates used to determine the provisions would have resulted in a $29 million decrease in provisions at the end of March 31, 2017. A one per cent decrease would have resulted in a $49 million increase.

ACCOUNTING POLICY CHANGES

Several new and amended standards, issued by the International Accounting Standards Board (IASB), became effective April 1, 2016. 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 several 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, 2017, 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, 2017.

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, 2017.

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 of March 31, 2017 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

We have audited the accompanying consolidated financial statements of SaskEnergy Incorporated, which comprise the consolidated statements of financial position as at March 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SaskEnergy Incorporated as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Deloitte LLP]

Chartered Professional Accountants
Licensed Professional Accountants

May 25, 2017
Regina, Saskatchewan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

(millions)	Notes	2017	2016
ASSETS			
Current assets			
Cash		$ 1	$ 11
Trade and other receivables	5	111	104
Natural gas in storage held for resale	6	86	86
Inventory of supplies		12	11
Debt retirement funds	7	7	10
Fair value of derivative instruments	8	5	11
		222	233
Intangible assets	10	60	55
Property, plant and equipment	11	2,129	2,070
Debt retirement funds	7	94	92
		$ 2,505	$ 2,450
LIABILITIES AND PROVINCE'S EQUITY			
Current liabilities			
Short-term debt		$ 293	$ 299
Trade and other payables	12	104	101
Dividends payable		14	21
Current portion of long-term debt	13	59	100
Deferred revenue	14	32	61
Fair value of derivative instruments	8	40	109
		542	691
Other payables	12	5	4
Employee future benefits		7	8
Provisions	15	127	130
Deferred revenue		6	6
Long-term debt	13	960	870
		1,647	1,709
Province's equity			
Equity advances		72	72
Retained earnings		786	669
		858	741
		$ 2,505	$ 2,450

(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 periods ended

(millions)	Notes	12 Months Ended March 31, 2017 Income before Unrealized Market Value Adjustments	12 Months Ended March 31, 2017 Unrealized Market Value Adjustments (Note 17)	12 Months Ended March 31, 2017 Total	15 Months Ended March 31, 2016 Income before Unrealized Market Value Adjustments	15 Months Ended March 31, 2016 Unrealized Market Value Adjustments (Note 17)	15 Months Ended March 31, 2016 Total
REVENUE							
Natural gas sales	18	$ 364	$ (8)	$ 356	$ 566	$ (10)	$ 556
Delivery		240	–	240	289	–	289
Transportation and storage		134	–	134	151	–	151
Customer capital contributions	14	55	–	55	61	–	61
Other		10	–	10	14	–	14
		803	(8)	795	1,081	(10)	1,071
EXPENSES							
Natural gas purchases (net of change in inventory)	18	325	(84)	241	495	12	507
Employee benefits		87	–	87	115	–	115
Operating and maintenance		134	–	134	152	–	152
Depreciation and amortization		96	–	96	110	–	110
Saskatchewan taxes	19	12	–	12	15	–	15
		654	(84)	570	887	12	899
NET INCOME BEFORE THE FOLLOWING		149	76	225	194	(22)	172
Finance income	20	2	–	2	6	(2)	4
Finance expenses	20	(48)	–	(48)	(62)	–	(62)
NET FINANCE EXPENSES	20	(46)	–	(46)	(56)	(2)	(58)
Other losses	21	(33)	–	(33)	(3)	–	(3)
TOTAL NET INCOME AND COMPREHENSIVE INCOME		$ 70	$ 76	$ 146	$ 135	$ (24)	$ 111

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the periods ended

(millions)	Retained Earnings	Equity Advances	Total
BALANCE AS AT JANUARY 1, 2015	$ 623	$ 72	$ 695
Total comprehensive income	111	–	111
Dividends	(65)	–	(65)
BALANCE AS AT MARCH 31, 2016	669	72	741
Total comprehensive income	146	–	146
Dividends	(29)	–	(29)
BALANCE AS AT MARCH 31, 2017	$ 786	$ 72	$ 858

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the periods ended

(millions)	Notes	12 Months Ended March 31, 2017	15 Months Ended March 31, 2016
OPERATING ACTIVITIES			
Net income		$ 146	$ 111
Add (deduct) items not requiring an outlay of cash			
Net change in fair value of derivative instrument assets and liabilities	17	(63)	11
Change in revaluation of natural gas in storage to net realizable value	17	(13)	11
Depreciation and amortization		96	110
Net finance expenses	20	46	58
Other losses on disposal and impairment of assets		36	7
Employee future benefits paid in excess of expense		(1)	(2)
		247	306
Net change in non-cash working capital related to operations		(22)	41
Cash provided by operating activities		225	347
INVESTING ACTIVITIES			
Additions to intangible assets		(12)	(15)
Additions to property, plant and equipment		(183)	(225)
Proceeds on disposal of assets		1	2
Decommissioning costs		(4)	(3)
Cash used in investing activities		(198)	(241)
FINANCING ACTIVITIES			
Debt retirement funds redemptions	7	12	7
Debt retirement funds installments	7	(9)	(12)
Decrease in short-term debt		(6)	–
Proceeds of long-term debt	13	149	62
Repayment of long-term debt	13	(100)	(50)
Interest paid		(47)	(60)
Dividends paid		(36)	(47)
Cash used in financing activities		(37)	(100)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10)	6
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		11	5
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 1	$ 11

(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.

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 2016 fiscal year. Accordingly, the Corporation has reported a 12-month fiscal year ended March 31, 2017 compared to a 15-month fiscal year ended March 31, 2016.

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 25, 2017.

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
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 15)
Designation of own-use derivative contracts (Note 16)

2. Basis of preparation (continued)

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 15)

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.

Certain comparative amounts in the consolidated statement of financial position have been reclassed to conform with the current year's presentation (Note 23).

a. Changes in accounting policies

Effective April 1, 2016 the Corporation adopted the following amended IFRS on a prospective basis:

IAS 1 *Presentation of financial statements*

The adoption of this amended standard has resulted in enhanced disclosure within the consolidated financial statements for the fiscal year ended March 31, 2017.

b. 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

c. Joint arrangements

When assessing whether a joint arrangement is in the form of a joint operation or a joint venture, the Corporation considers the arrangement's structure, legal form and contractual terms as well as any other relevant factors. The Corporation's existing joint arrangements, which are identified below, are in the form of joint operations as the Corporation has the rights to the assets, and obligations for the liabilities, relating to the arrangements. 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 that the Corporation has incurred directly in respect of its joint arrangements.

Joint Arrangement	Operating Jurisdiction	Interest	Principal Activity
Kisbey Gas Gathering and Processing Facility	Saskatchewan, Canada	50.0%	Natural gas processing
Totnes Natural Gas Storage Facility	Saskatchewan, Canada	50.0%	Natural gas storage

3. Summary of significant accounting policies (continued)

d. Cash and cash equivalents

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

e. Natural gas in storage held for resale

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

f. Inventory of supplies

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

g. Debt retirement funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, the Corporation is required, on an annual basis, to invest an amount equal to one per cent of the related outstanding debt. These investments are referred to as debt retirement funds and are administered by Saskatchewan's Ministry of Finance. Debt retirement funds are classified as financial instruments and are designated as at fair value through profit or loss, 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.

h. Financial and derivative instruments

The Corporation classifies its financial instruments into one of the following categories: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale and other liabilities. During the reported periods, the Corporation classified financial instruments in the categories of financial assets and financial liabilities at fair value through profit or loss, loans and receivables, and other liabilities.

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 at 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 at fair value through profit or loss if the Corporation manages such instruments and makes decisions based on their fair value in accordance with the Corporation's 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. Loans and receivables

Loans and receivables are 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.

iii. Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as at fair value through profit or loss. These financial liabilities are accounted for at amortized cost using the effective interest method.

3. Summary of significant accounting policies (continued)

iv. Derivative instruments

The Corporation utilizes a variety of derivative instruments to manage its exposure to natural gas price risk. Derivative instruments are classified as at 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.

i. Intangible assets

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

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

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

j. Property, plant and equipment

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

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

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected in net income in the period the asset is disposed of or retired.

3. Summary of significant accounting policies (continued)

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 25.0
Transmission and storage	2.0 to 50.0
Gathering, treatment and compression	2.0 to 36.4
Vehicles, equipment and other	2.5 to 20.0
Computer hardware	20.0 to 33.3

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

k. 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. Financial assets are impaired when there is objective evidence that the estimated future cash flows have been affected. Objective evidence of impairment could include significant financial difficulty, default, delinquency, indication of bankruptcy or financial reorganization of a counterparty.

The Corporation considers evidence of 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 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 in operating and maintenance expense.

ii. Non-financial assets

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

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

l. Employee benefits

i. Short-term employee benefits

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

3. Summary of significant accounting policies (continued)

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, the Corporation makes regular payments to a separate entity for current service and has 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 (2016 – $7 million) to pension plans on behalf of employees for current service.

The defined benefit plan is administered by Saskatchewan Power Corporation (SaskPower), a Crown corporation under the common control of CIC. Employees that transferred employment from SaskPower upon establishment of SaskEnergy were eligible to remain members of the plan for the maximum contribution period of 35 years. A contractual agreement is in place stating that the Corporation's future contributions to the plan will not be affected by any plan surplus or deficiency. As a result, the Corporation's obligations related to the defined benefit plan was 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. The Corporation transfers any actuarial gains and losses 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, 2017 was $7 million (2016 – $8 million).

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

m. Provisions

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

i. Decommissioning liability

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 Corporation discounts the future cash flows 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 fair value of a decommissioning liability is reviewed with any changes recognized in the consolidated financial statements.

3. Summary of significant accounting policies (continued)

n. Revenue

Revenue is measured at the fair 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. Customer capital contributions are recognized initially as deferred revenue and are recognized as revenue once the related property, plant and equipment is available for use. The Corporation's customer capital contributions are often subject to refunds over a specified period. An estimate of these refunds remains in deferred revenue until the eligible 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.

o. Borrowing costs

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

p. 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.

3. Summary of significant accounting policies (continued)

q. Future changes in accounting policies

The following new standards are not yet effective and have not been applied in preparing these consolidated financial statements:

IFRS 9 *Financial Instruments* – introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. The new standard also replaces the rule-based hedge accounting requirements in IAS 39 *Financial Instruments: Recognition and Measurement* to more closely align the accounting with risk management activities. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 *Revenue from Contracts with Customers* – clarifies the principles for recognizing revenue from contracts with customers and will affect the Corporation's accounting policies with respect to the following applicable revenue standards and interpretations upon its effective date:

IAS 18 *Revenue*

IAS 11 *Construction Contracts*

IFRIC 18 *Transfer of Assets from Customers*

This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 *Leases* – broadens the definition of a lease and increases transparency regarding a corporation's leasing obligations. Under the new standard, an asset and liability is recognized on the consolidated statement of financial position for all material contracts that meet the definition of a lease. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

The Corporation is continuing to review the new standards and has completed a preliminary assessment of the impact on its consolidated financial statements for IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The anticipated impacts are as follows:

IFRS 9 *Financial Instruments* – under the new financial asset classifications, the Corporation's debt retirement funds are classified as fair value through other comprehensive income. Classification as such would eliminate the recognition of fluctuations in fair value on debt retirement funds in net income, as market value adjustments would be recorded in other comprehensive income. The Corporation has elected to early adopt for the fiscal period beginning April 1, 2017.

IFRS 15 *Revenue from Contracts with Customers* – under the new control-based revenue model, the Corporation anticipates minimal impacts to the majority of its revenue streams, but has not yet determined the impact of the new standard to customer capital contribution revenue. Changes to the recognition of customer capital contribution revenue are contingent on the Corporation's identification of performance obligations within the underlying customer contracts.

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 Government of Saskatchewan's General Revenue Fund, typically in the form of debt. Under *The SaskEnergy Act*, the Corporation may borrow up to $1,700 million of debt upon approval of the Lieutenant Governor in Council (2016 – $1,700 million). Within this limit, the Corporation may borrow up to $500 million in temporary loans (2016 – $500 million), including a $35 million uncommitted line of credit with Toronto-Dominion Bank (2016 – $35 million). As at March 31, 2017, the Corporation had $1,312 million of debt outstanding (2016 – $1,269 million), including $293 million in temporary loans (2016 – $299 million), leaving $207 million of remaining short-term borrowing capacity (2016 – $201 million). The Corporation's short-term debt is unsecured, with an average interest rate of 0.6% (2016 – 0.6%).

The Corporation borrows all its capital, with the exception of occasional overnight loans from the Toronto-Dominion Bank, from the Government of Saskatchewan's General Revenue Fund (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.

4. Capital management (continued)

The Corporation does not have share capital. However, the Corporation 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% to 63.0%. 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)	2017	2016
Long-term debt	$ 1,019	$ 970
Short-term debt	293	299
Debt retirement funds	(101)	(102)
Cash	(1)	(11)
Total net debt	1,210	1,156
Equity advances	72	72
Retained earnings	786	669
Total capital	$ 2,068	$ 1,897
	58.5%	60.9%

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

5. Trade and other receivables

(millions)	2017	2016
Unbilled revenue	$ 34	$ 35
Trade receivables	63	62
Other receivables	19	13
	116	110
Allowance for doubtful accounts	(5)	(6)
	$ 111	$ 104

The following reflects an aging summary of the Corporation's 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)	2017	2016
Current	$ 98	$ 92
30 - 59 days	7	7
60 - 89 days	5	4
Greater than 90 days	6	7
	116	110
Allowance for doubtful accounts	(5)	(6)
	$ 111	$ 104

5. Trade and other receivables (continued)

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

(millions)	2017	2016
Balance, beginning of period	$ 6	$ 4
Provision	1	3
Write-offs	(2)	(1)
Balance, end of period	$ 5	$ 6

6. Natural gas in storage held for resale

(millions)	2017	2016
Cost	$ 107	$ 120
Revaluation to net realizable value	(21)	(34)
	$ 86	$ 86

With the decline in natural gas market prices over recent years, the net realizable value of natural gas in storage as at March 31, 2017 was $21 million below cost (2016 – $34 million). As at March 31, 2017, the Corporation expects that $59 million of the current inventory value will be sold or consumed within the next fiscal year and $27 million of the current inventory value will be sold or consumed after more than one fiscal year.

7. Debt retirement funds

(millions)	2017	2016
Balance, beginning of period	$ 102	$ 93
Installments	9	12
Redemptions	(12)	(7)
Earnings	2	6
Change in fair value	–	(2)
Balance, end of period	101	102
Less: Current portion of debt retirement funds	(7)	(10)
	$ 94	$ 92

The investments held in debt retirement funds are primarily Federal and Provincial Government debt instruments. The average return on these investments was 2.3% for the period (2016 – 5.3%). As at March 31, 2017 approximately $9 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.

8. Financial and derivative instruments (continued)

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. The Corporation did not classify any of its fair value measurements within Level 1.

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.

			2017		2016	
(millions)	Classifi-cation	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL AND DERIVATIVE ASSETS						
Cash	FVTPL	n/a	$ 1	$ 1	$ 11	$ 11
Trade and other receivables	LAR	n/a	111	111	104	104
Debt retirement funds	FVTPL	Level 2	101	101	102	102
Fair value of derivative instrument assets	FVTPL	Level 2	5	5	11	11
FINANCIAL AND DERIVATIVE LIABILITIES						
Short-term debt	OL	n/a	293	293	299	299
Trade and other payables	OL	n/a	109	109	105	105
Dividends payable	OL	n/a	14	14	21	21
Long-term debt	OL	Level 2	1,019	1,150	970	1,099
Fair value of derivative instrument liabilities	FVTPL	Level 2	40	40	109	109

Classification details:

FVTPL – fair value through profit or loss

LAR – loans and receivables

OL – other liabilities

The fair value hierarchy is not applicable where the carrying amount approximates fair value due to the nature of the financial instrument.

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 New York Mercantile Exchange 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.

8. Financial and derivative instruments (continued)

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. For natural gas price swaps, the notional value is the difference between the contract price and the market 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, 2017 natural gas derivative instruments had the following fair values, notional values and maturities in the next five fiscal years:

(millions)	2018	2019	2020	2021	2022	Total
PHYSICAL NATURAL GAS CONTRACTS						
Fair value	$ (17)	$ (10)	$ (2)	$ –	$ –	$ (29)
Notional value	(67)	(27)	(2)	–	–	(96)
NATURAL GAS PRICE SWAPS						
Fair value	(6)	–	–	–	–	(6)
Notional value	(6)	–	–	–	–	(6)
TOTAL						
Fair value	$ (23)	$ (10)	$ (2)	$ –	$ –	$ (35)
Notional value	$ (73)	$ (27)	$ (2)	$ –	$ –	$ (102)

Fair value – decrease in net income

Notional value – estimated undiscounted net cash outflow

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 Corporation records the amount due to or from counterparties 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 Corporation's expected future cash flows from settling its natural gas contracts. The following amounts were netted within the consolidated statement of financial position:

(millions)	2017	2016
TRADE AND OTHER RECEIVABLES		
Gross amount recognized	$ 15	$ 10
Amount offset	(10)	(7)
Net amount presented in the consolidated statement of financial position	$ 5	$ 3
TRADE AND OTHER PAYABLES		
Gross amount recognized	$ 27	$ 29
Amount offset	(10)	(7)
Net amount presented in the consolidated statement of financial position	$ 17	$ 22

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 Corporation's 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 the Corporation may use financial and derivative instruments 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, the Corporation uses derivative instruments to manage the price of the natural gas it buys. The Corporation's 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 gas marketing 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 the Corporation may use for price risk management include natural gas price swaps, options, swaptions and forward contracts.

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

Based on the Corporation's period-end closing positions, an increase of $1.00 per Gigajoule in natural gas prices would have increased net income, through an increase in the fair value of natural gas derivative instruments, by $19 million (2016 – $60 million). Conversely, a decrease of $1.00 per Gigajoule would have decreased net income, through a decrease in the fair value of natural gas derivative instruments, by $20 million (2016 – $61 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, 2017, the Corporation had $293 million of short-term debt outstanding, and $59 million of long-term debt that will mature within the next fiscal year and may be refinanced. Based on these amounts, a 1.0% change in interest rates would increase or decrease the annual finance expense by approximately $4 million (2016 – $4 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% 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 by approximately $8 million (2016 – $9 million). The estimated impact of a 1.0% increase in interest rates, assuming no change in the amount of provisions, would have decreased the value of the provision by approximately $29 million. Conversely, a 1.0% decrease in interest rates, assuming no change in the amount of provisions, would have increased the value of the provision by approximately $49 million.

9. Financial risk management (continued)

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, 2017 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	$ 293	$ 293	$ –	$ –	$ –
Trade and other payables	109	105	1	5	–
Dividends payable	14	14	–	–	–
Long-term debt	1,019	102	92	184	1,359
Derivative instruments	40	73	27	2	–
	$ 1,475	$ 587	$ 120	$ 191	$ 1,359

As at March 31, 2017, the Corporation's borrowing capacity, together with relatively stable operating cash flows, provide sufficient liquidity to fund these contractual obligations.

In addition to the above, the Corporation has posted a $10 million (2016 – $15 million) letter of credit with NGX Financial Inc. (NGX) as security for natural gas purchases and sales conducted by the Corporation on the NGX natural gas exchange in Alberta. 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 to the Corporation 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, 2017, the maximum credit exposure to a single counterparty was $5 million (2016 – $1 million).

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

(millions)	2017	2016
Cash	$ 1	$ 11
Trade and other receivables	111	104
Debt retirement funds	101	102
Fair value of derivative instrument assets	5	11
	$ 218	$ 228

10. Intangible assets

(millions)	Computer Software	Under Development	Total
COST			
Balance, January 1, 2015	$ 90	$ 6	$ 96
Additions	1	3	4
Additions through internal development	5	12	17
Disposals	(1)	–	(1)
Transfers	–	(6)	(6)
Balance, March 31, 2016	95	15	110
Additions	4	2	6
Additions through internal development	15	10	25
Transfers	–	(19)	(19)
Balance, March 31, 2017	114	8	122
ACCUMULATED AMORTIZATION			
Balance, January 1, 2015	49	–	49
Amortization	7	–	7
Disposals	(1)		(1)
Balance, March 31, 2016	55	–	55
Amortization	7	–	7
Balance, March 31, 2017	62	–	62
CARRYING AMOUNTS			
Balance, March 31, 2016	$ 40	$ 15	$ 55
Balance, March 31, 2017	$ 52	$ 8	$ 60

The annualized composite rate of amortization was 7.0% during the period (2016 – 5.9%).

11. Property, plant and equipment

(millions)	Distribution	Transmission and Storage	Gathering, Treatment and Compression	Vehicles, Equipment and Other	Computer Hardware	Construction in Progress	Total
COST							
Balance, January 1, 2015	$ 1,203	$ 1,157	$ 309	$ 153	$ 18	$ 41	$ 2,881
Additions	148	49	49	12	1	268	527
Disposals	(5)	(13)	(1)	(3)	(2)	–	(24)
Impairment	(3)	–	(3)	–	–	–	(6)
Transfers	7	(4)	4	(7)	–	(259)	(259)
Balance, March 31, 2016	1,350	1,189	358	155	17	50	3,119
Additions	87	63	19	9	3	187	368
Disposals	(4)	(14)	(8)	(4)	(1)	(3)	(34)
Impairment	(3)	(21)	(5)	–	–	–	(29)
Transfers	–	–	–	–	–	(183)	(183)
Balance, March 31, 2017	1,430	1,217	364	160	19	51	3,241
ACCUMULATED DEPRECIATION							
Balance, January 1, 2015	373	378	130	72	14	–	967
Depreciation	36	39	15	10	3	–	103
Disposals	(5)	(11)	–	(3)	(2)	–	(21)
Balance, March 31, 2016	404	406	145	79	15	–	1,049
Depreciation	32	34	13	8	2	–	89
Disposals	(4)	(11)	(6)	(4)	(1)	–	(26)
Balance, March 31, 2017	432	429	152	83	16	–	1,112
CARRYING AMOUNTS							
Balance, March 31, 2016	$ 946	$ 783	$ 213	$ 76	$ 2	$ 50	$ 2,070
Balance, March 31, 2017	$ 998	$ 788	$ 212	$ 77	$ 3	$ 51	$ 2,129

Included within the Corporation's carrying amount for property, plant and equipment is $100 million related to decommissioning assets.

The annualized composite rate of depreciation was 2.8% during the period (2016 – 2.8%)

11. Property, plant and equipment (continued)

a. Impairment losses due to market conditions

The Corporation has two cash generating units that are adversely impacted by market conditions, its non-core gas storage operations and a gas processing plant. At March 31, 2017, as a result of a decline in natural gas prices, the Corporation has recorded a cumulative impairment on its storage and gathering, treatment and compression assets of $32 million. The impairments were recognized as the carrying value of the assets exceeded the recoverable amounts of $23 million for its gas storage operations and $12 million for its gas processing plant. The recoverable amounts were the value in use determined using cash flows attributed to probable production, discounted at 6.9% for gas storage operations and 6.8% (2016 – 6.0%) for its gas processing plant, and adjusted for future market prices. The impairment losses have been recognized within other losses, with $26 million recognized in the current period and $6 million recognized in prior periods.

Future natural gas prices are the main source of estimation uncertainty in determining the recoverable amount of the Corporation's assets. As at March 31, 2017, a five per cent increase in future natural gas and natural gas liquid prices would have increased the recoverable amount and reduced the impairment loss by $4 million. In future periods, any increases to future natural gas prices will result in the reversal of previously incurred impairment losses, up to the carrying value of the associated assets.

b. Impairment loss due to performance of assets

At March 31, 2017, as a result of lower than expected economic performance, the Corporation has recorded a cumulative impairment of $6 million on its energy services assets which are categorized within the Corporation's distribution assets. The impairment was recognized as the carrying value of the assets exceeded the recoverable amount. The recoverable amount was the value in use determined using cash flows attributed to probable production, discounted at 6.9% (2016 – 6.1%), and adjusted for future market prices. The impairment losses have been recognized within other losses, with $3 million recognized in the current period and $3 million recognized in the prior period.

Due to the nature of the impairment and the uncertainty regarding the advanced technology used in the operation of these assets, the Corporation has assessed the likelihood of a reversal of the impairment losses in future periods as unlikely.

12. Trade and other payables

(millions)	2017	2016
Trade payables	$ 64	$ 65
Interest payable	10	10
Other payables	35	30
	109	105
Less: Current portion of trade and other payables	(104)	(101)
	$ 5	$ 4

13. Long-term debt

(millions)	2017	2016
Balance, beginning of period	$ 970	$ 958
Proceeds	149	62
Repayments	(100)	(50)
Balance, end of period	$ 1,019	$ 970

13. Long-term debt (continued)

The Corporation's long-term debt consists of the following:

	2017		2016	
	Principal Outstanding *(millions)*	**Effective Interest Rate**	**Principal Outstanding *(millions)***	**Effective Interest Rate**
GENERAL REVENUE FUND				
1 - 5 years	$ 176	4.2%	$ 276	4.3%
6 - 10 years	192	5.3%	175	5.6%
11 - 15 years	110	6.1%	50	5.7%
16 - 20 years	62	3.8%	60	6.4%
21 - 25 years	225	4.0%	100	5.1%
26 - 30 years	250	3.4%	300	3.7%
	1,015		961	
Unamortized debt premium/discount and issue costs	(1)		4	
	1,014		965	
OTHER LONG-TERM DEBT				
26 - 30 years	5	13.5%	5	13.5%
	1,019		970	
Less: Current portion of long-term debt	(59)		(100)	
	$ 960		$ 870	

The Corporation's long-term debt is unsecured. As at March 31, 2017 principal repayments due in each of the next five fiscal years are as follows:

(millions)	2018	2019	2020	2021	2022
Principal repayments	$ 59	$ 50	$ 33	$ 34	$ –

14. Deferred revenue

a. Unearned customer capital contributions

(millions)	2017	2016
Balance, beginning of period	$ 61	$ 90
Additions	29	34
Refunds	(3)	(2)
Revenue	(55)	(61)
Balance, end of period	$ 32	$ 61

15. Provisions

(millions)	2017	2016
Balance, beginning of period	$ 130	$ 95
Provisions made	6	7
Provisions settled	(4)	(3)
Change in discount rate	(7)	28
Unwinding of discount	2	3
Balance, end of period	$ 127	$ 130

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, 2017 and March 31, 2109. The undiscounted cash flows required to settle the obligations total $294 million (2016 – $276 million). Discount rates between 1.1% and 2.4% were used to calculate the carrying amount of the obligation (2016 – 0.9% and 2.1%). No funds have been set aside by the Corporation to settle these obligations.

16. Commitments and contingencies

a. Commitments

As at March 31, 2017, the Corporation had $77 million (2016 – $136 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, 2017 own-use natural gas derivative instruments had the following notional values and maturities for the next five fiscal years:

(millions)	2018	2019	2020	2021	2022	Total
OWN-USE PHYSICAL NATURAL GAS CONTRACTS						
Notional value	$ (17)	$ (9)	$ (21)	$ (25)	$ (16)	$ (88)

Notional value - estimated undiscounted cash outflow

b. Contingencies

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

17. Unrealized market value adjustments

(millions)	12 Months Ended March 31, 2017	15 Months Ended March 31, 2016
Change in fair value of debt retirement funds	$ –	$ (2)
Change in fair value of natural gas derivative instruments	63	(11)
Change in revaluation of natural gas in storage to net realizable value	13	(11)
	$ 76	$ (24)

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.

18. Natural gas sales and purchases

(millions)	12 Months Ended March 31, 2017 Commodity	Gas Marketing	Total	15 Months Ended March 31, 2016 Commodity	Gas Marketing	Total
NATURAL GAS SALES						
Natural gas sales to commodity customers	$ 198	$ –	$ 198	$ 338	$ –	$ 338
Realized on natural gas derivative instruments	19	147	166	47	181	228
Change in fair value of natural gas derivative instruments	–	(8)	(8)	(1)	(9)	(10)
	217	139	356	384	172	556
NATURAL GAS PURCHASES						
Realized on natural gas derivative instruments	(192)	(133)	(325)	(338)	(157)	(495)
Change in fair value of natural gas derivative instruments	65	6	71	5	(6)	(1)
Change in revaluation of natural gas in storage to net realizable value	–	13	13	–	(11)	(11)
	(127)	(114)	(241)	(333)	(174)	(507)
	$ 90	$ 25	$ 115	$ 51	$ (2)	$ 49

19. Saskatchewan taxes

(millions)	12 Months Ended March 31, 2017	15 Months Ended March 31, 2016
Corporate capital tax	$ 9	$ 11
Property taxes and other	3	4
	$ 12	$ 15

20. Net finance expenses

(millions)	12 Months Ended March 31, 2017	15 Months Ended March 31, 2016
Debt retirement funds earnings	$ 2	$ 6
Change in fair value of debt retirement funds	–	(2)
Finance income	2	4
Interest expense on short-term debt	(2)	(2)
Interest expense on long-term debt	(45)	(59)
Unwinding of discount on provisions	(2)	(3)
Borrowing costs capitalized to qualifying assets	1	2
Finance expenses	(48)	(62)
Net finance expenses	$ (46)	$ (58)

20. Net finance expenses (continued)

Borrowing costs were capitalized to qualifying assets using the weighted average cost of debt of 3.7% during the period (2016 – 3.7%).

21. Other losses

(millions)	12 Months Ended March 31, 2017	15 Months Ended March 31, 2016
Loss on impairment of assets	$ (29)	$ (6)
Gain on insurance proceeds	3	4
Net loss on disposal of assets	(7)	(1)
	$ (33)	$ (3)

The insurance proceeds recognized in other losses are related to a cavern wellhead fire that occurred in the latter part of 2014. The insurance proceeds received during the period are a reimbursement for assets lost and costs incurred in previous reporting periods. Subsequent to year end, the Corporation received a $2 million commitment from the insurer to settle the remainder of the outstanding claim.

22. 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)	12 Months Ended March 31, 2017	15 Months Ended March 31, 2016
Short-term benefits	$ 4	$ 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.

23. Comparative figures

Certain of the 2016 comparative figures have been reclassified to conform to the current year's presentation.

a. Intangible assets

Mineral rights previously categorized as intangible assets have been reclassified to property, plant and equipment. The Corporation's mineral rights were acquired to protect its storage facilities and more accurately reflect a cost of acquisition, rather than a separate intangible asset. This reclassification has resulted in a $2 million adjustment to the 2016 comparative figures.

b. Trade and other payables

Included within trade and other payables are specific other payables that span longer than the current period. The Corporation has updated the presentation on the consolidated statement of financial position to differentiate between the current and long-term portion of trade and other payables. This reclassification has resulted in a $4 million adjustment to the 2016 comparative figures.

c. Natural gas sales and purchases

Transport diversion deals were previously presented as natural gas purchases and have been reclassified to natural gas sales as this more accurately reflects the nature of the transactions. This reclassification has resulted in a $1 million adjustment to the 2016 comparative figures.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Susan Barber, Q.C., C. Dir.

McDougall Gauley LLP
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, C. Dir.

Paul J. Hill School of Business
Vice Chair, SaskEnergy
Regina, Saskatchewan

Ms. Joorisity is involved in the education of adult learners through her work as a lecturer at the University of Regina Paul J. Hill School of Business and a facilitator for the Chartered Professional Accountants Western 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 Accountant, Certified Management Accountant and Fellow Chartered Professional Accountant designations, has a Bachelor of Commerce from the University of Saskatchewan and has recently 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.

James Baker

J. P. Baker Management Inc.
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 has served on the SaskEnergy Board since 2008. He is a member of the Audit and Finance Committee.

Kelly Bannister, CFP, RRC, CEA, C. Dir

McFaull Consulting
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 (C.Dir.) 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 is Chair of the Human Resources and Safety Committee.

Ron Barsi, P.Geo.

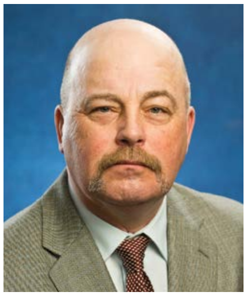
Saskatoon, Saskatchewan

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 has 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 a member of the Human Resources and Safety Committee.

David Bishop, C. Dir.

McKercher LLP
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 Practise Group and was elected as a Bencher of the Law Society of Saskatchewan in 2015 and continues to serve in that capacity. 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 has served on the Board of Directors since 2008. He is a member of the Human Resources and Safety Committee.



Curt Chickoski

Martens Ranch Ltd./MCM Ranching Ltd.
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 Human Resources and Safety Committee.

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 is Chair of the Governance and Social Responsibility Committee.

Neal Krawchuk

Mega Group Inc.
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 23 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 is a member of the Governance and Social Responsibility Committee.

Annette Revet, MBA, C. Dir.

Conexus Credit Union
Regina, Saskatchewan

Ms. Revet is Executive Vice President, Governance and Strategy, 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 Director in 2016 and is a member of the Governance and Social Responsibility Committee.

Tina Svedahl, CPA, CMA ICD.D

Harvard Developments Inc.
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

Cameco Corporation
Saskatoon, Saskatchewan

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

Terry Ross

Crown Investments Corporation of Saskatchewan
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 2016-17 BOARD MEMBERS

Norm Beug

N.B. Beug Consulting Inc.
Regina, Saskatchewan

Mr. Beug is President of N.B. Beug Consulting Inc. and previously worked as a Senior Advisor with The Mosaic Company while enjoying semi-retirement. Prior to that, he was Mosaic's Senior Vice President of Potash Operations, in which he was responsible for the Potash Business Unit's six North American mining operations. Mr. Beug earned a Bachelor's Degree in Mechanical Engineering from the University of Saskatchewan and has served on various community and industry boards and committees, and is currently Chairperson of Tourism Saskatchewan. He served on SaskEnergy's Board of Directors from 2013 until November 2016.

Grant Gayton

Regina, Saskatchewan

Mr. Gayton has been a successful CEO and investor in information technology, publishing, and printing. He co-founded and developed Management Systems Limited, which became Saskatchewan's largest independent systems company and is now part of ISM Canada Ltd, a wholly owned subsidiary of IBM. As CEO of DirectWest Publishers and, later, of PrintWest Communications, he increased profitability and positioned both companies for future success. Past Chair of the Information Services Corporation Board of Directors and a past member of the Saskatchewan Roughriders Board, Mr. Gayton holds a Chartered Director designation from The Directors College program of McMaster University. He was appointed to the SaskEnergy Board of Directors in 2010 and served until November 2016.

Victor Thomas

Global Bridgeway Inc.
Regina, Saskatchewan

Mr. Thomas is President of Global Bridgeway Inc., a boutique firm that works with companies in the areas of global business development, corporate governance and strategy in Canada, Australia, United States, India, China and the UAE. He has been acknowledged both locally and nationally for his leadership, including being bestowed with the Order of Red Cross, the Canadian Red Cross's highest recognition for his leadership within the organization. Mr. Thomas has a Masters of Administration in Leadership from the University of Regina, and obtained the Chartered Director as well as the Human Resources and Compensation Committee Certified designations from The Directors College (a joint venture of McMaster University and The Conference Board of Canada). He also holds the Chartered Director reciprocal designation of Administrateur de Sociétés Certifié from Laval University. Mr. Thomas served on SaskEnergy's Board of Directors since 2008, was Vice Chair since 2013, and completed his term in November 2016.

EXECUTIVE COMMITTEE

Ken From

President and Chief Executive Officer

Mr. From, P. Eng., became SaskEnergy President and Chief Executive Officer effective 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 Services, 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 Services, Gas Supply & Rates, she is responsible for the procurement of natural gas supply for customers, gas marketing activities and overseeing customer services for the distribution utility as well as TransGas Customer Services and Policy, Rates & Regulations. 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, SaskEnergy & TransGas Operations

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

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.

Colleen Huber

Vice President, Corporate Support

Ms. Huber joined TransGas in 1991. She is currently responsible for corporate technology, corporate procurement and inventory, buildings and security, and vehicles and equipment. She joined the Executive in 2000 after successfully progressing through various management positions within TransGas and SaskEnergy. She is a graduate of the University of Regina.

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 and 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 has a Chartered Professional Accountant and Certified Management Accountant designation 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 periodically 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 diversity, and they possess a variety of attributes, including industry expertise, strategic leadership, entrepreneurial and communication skills, integrity, flexibility, initiative and sound judgment. Members are appointed to a fixed term, and terms may be renewed by the Lieutenant Governor in Council. There are currently 12 people appointed to SaskEnergy's Board of Directors. These same 12 people are also appointed as members for the Boards of Directors for each of SaskEnergy's six subsidiary companies. Seven members (58 per cent) are women. The Board Chair is Ms. Susan Barber, Q.C. and the Vice Chair is Ms. Nola Joorisity.

Independence

The matter of "independence from management" is based on the definition set by Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the Directors have been employed with the Corporation. 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, two Directors are partners in law firms that have performed legal services for the Corporation in the 12-month reporting period, and are 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 Board had formally appointed a special ad hoc Committee of independent non-lawyer Board members to review and approve the Corporation's external legal service providers in accordance with this Protocol on an as-required basis and to review the total services being provided by these firms. This function is now handled by the Governance and Social Responsibility Committee. The Board Chair, Ms. Susan Barber, Q.C., and Mr. David Bishop are lawyers who are subject to this Protocol and throughout this disclosure are indicated by an asterisk to reflect that they are 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. Effective in the fourth quarter 2016-17, the Board restructured its Committees from five to three Committees. The Terms of Reference or mandates of the Committees are reviewed annually, and updated where 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 before and after the restructuring is listed on the next page:

Board Committees Q1 – Q3

Audit and Finance	Nola Joorisity (Chair), Susan Barber, Q.C.*, David Bishop*, Neal Krawchuk
Business Development	Jim Baker (Chair), Norm Beug, Curt Chickoski, Grant Gayton
Governance	David Bishop* (Chair), Kelly Bannister, Linda Clavelle, Victor Thomas
Human Resources and Compensation	Victor Thomas (Chair), Jim Baker, Susan Barber, Q.C.*, Norm Beug, Curt Chickoski
Safety and Corporate Social Responsibility	Neal Krawchuk (Chair), Kelly Bannister, Linda Clavelle, Grant Gayton, Nola Joorisity

*Non-independent Board Member

Audit and Finance Committee

Chair: Nola Joorisity

Members: Jim Baker, Susan Barber, Q.C.*, Tina Svedahl

The Audit and Finance Committee oversees the 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.

The Committee had 11 meetings this fiscal year. Important issues included the development of various Commodity Strategies to cover all natural gas transactions; SaskEnergy commodity and delivery rates; payee disclosure report; review of various technology projects; the corporate insurance review; review of corporate Accounts Receivable; review of Audit Services reports; and various risk management activities and policies review.

*Non-independent Board Member

Governance and Social Responsibility Committee

Chair: Linda Clavelle

Members: Neal Krawchuk, Annette Revet, Alice Wong

The Governance and Social Responsibility Committee is responsible for matters relating to SaskEnergy's corporate governance regime and for corporate social responsibility (CSR) matters. It has input into the selection criteria for candidates for Board members, Chairs, 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 and ethical requirements.

The Corporation considers CSR to include: conducting business in a safe, socially responsible, ethical and transparent manner; protecting the environment and the safety of all individuals 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 obligation to ensure that adequate and effective controls are in place to monitor CSR risk and compliance with regulatory and statutory requirements.

The Committee had four meetings this fiscal year. Key work of the Committee included coordinating the 2015-16 Committees, Committee Chairs and peer evaluation process and the development of the 2016-17 Board and Board Chair evaluation process; recommendation of changes to the existing Committee structures, composition and mandates; the development of a revised potential qualified Board candidate list; the review of disclosures under the Corporation's Whistleblower Policy; the business/industry training for Directors and review of Board policies.

Human Resources and Safety Committee

Chair: Kelly Bannister

Members: Ron Barsi, David Bishop*, Curt Chickoski

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. The Committee also sets the CEO's performance goals and objectives, and conducts a semi-annual and 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 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 five meetings this fiscal year. Important issues included the establishment of an ad hoc Committee to recruit and hire a new CEO due to the retirement of the Corporation's CEO; Collective Bargaining, management and Executive compensation plans; succession management updates; review of the Executive total compensation results; Competency Assessment Plan update; compensation and benefits plans review and policies updates; and compliance with legislation update.

*Non-independent Board Member

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 provides 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. The CEO Mandate was last reviewed by the Governance Committee in 2014.

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 assigned 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. Its mission is to develop and deliver safe, reliable natural gas solutions that benefit its customers and Saskatchewan through its team of engaged employees and business alliances. 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, 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, 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, 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 of all losses in excess of $200, and disclosure to the Board, CIC Board, and Minister of all losses over $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.

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.

Cyber Security Risk

SaskEnergy relies on its information and operations technology systems to safely operate corporate assets. 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 information and technology systems by internal or 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, 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, build controls and conducts investigations. SaskEnergy has proactive continuous monitoring of its systems in order to identify and address malicious activity, as well as potential or emerging threats.

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 information systems.

As part of the Corporation'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 quarterly review process to address strategic positions, keep the succession plan current, respond to human resource developments, focus on continuous employee development and mitigate succession 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 at each of its quarterly meetings and reports to the Board quarterly 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 over $50,000 to employees and suppliers, and for all grants, donations, and sponsorships over $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 statutory 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 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 and 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 succession plan process; identifying top talent and implementing formal personal development plans; and establishing mentorship relationships for women aspiring to management positions. There are three women (38 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, undertakes 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 the regulatory landscape and issues facing the enterprise, and industry, in regards to the societal implications of being in a carbon-based industry.

Board members interact with management and employees attending such functions as employee service awards or touring corporate offices or business units at Board meetings.

CIC also facilitates additional Director training as part of its Subsidiary Crown Directors Training Program. This year, CIC did not hold any director training sessions due to fiscal restraint measures. 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, biannual 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 the Board and Board Chair.

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.

Previously, Board members sat on two Committees. With the reconstruction of Committees, Board members now sit on one of the three Committees. There were nine Board meetings and 25 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 $363,362+ compared to $467,548** in 2015-16. The total business travel and meeting expenses paid to members of the Board were $9,551+ compared to $17,976** in 2015-16.

+This amount was for the 12-month reporting period of April 1, 2016 to March 31, 2017.

**The 2015-16 amount was for the 12-month period from April 1, 2015 to March 31, 2016.

Membership and Attendance at Meetings of the Board and Board Committees
from April 1, 2016 to March 31, 2017

Member	Board (9)	Audit (10)	Bus. Dev. (2)	Gov. (4)	HR/Comp (5)	SCSR (3)	Legal Serv. (0)	Total Possible	Total Attended	%
Barber (Chair)	9/9	10/11			5/5			25	24	96
Baker	9/9	2/3**	2/2		3/5			19	16	84
Bannister	9/9			4/4		3/3		16	16	100
Beug*	6/7**		2/2**		5/5			9	8	89
Bishop	9/9	8/8**		4/4				21	21	100
Chickoski	9/9		2/2		5/5			16	16	100
Clavelle	9/9			4/4		3/3		16	16	100
Gayton*	6/7**		2/2**			3/3		12	11	92
Joorisity	9/9	11/11				2/3		23	22	96
Krawchuk	7/9	5/8				3/3		20	15	75
Thomas*	6/7**			2/3**	5/5			15	13	87
Barsi*	2/2**							2	2	100
Revet*	2/2**							2	2	100
Svedahl*	2/2**	3/3**						5	5	100
Wong*	1/2**							2	1	50

*Members appointed and/or removed November 24, 2016.
**Total possible meetings to attend.

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

STAKEHOLDER ENGAGEMENT

Communications Models Employed 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 stakeholder.

Customer and Public Communications

Continued business growth at SaskEnergy has entailed continued contact with the Corporation's base of nearly 391,000 customers. To this end, an estimated more than one million direct interactions occur annually between the Corporation and its customers. In addition to standard customer billing and meter reading inquiries, growth has occurred relative to the Sask 1st Call service, which provides initial customer contact for more than 75 companies with underground facilities, including SaskEnergy and TransGas. To successfully manage 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 smaller transportation and storage customer base of less than 150 through dedicated account representatives. It also promotes contact through the TransGas Customer Dialogue Process, where customer rates and operational policies are jointly addressed before recommended implementation.

SaskEnergy also effectively works with the plumbing, heating and mechanical contracting industry, which is highlighted by the Industry Dialogue process and the creation of the SaskEnergy Network, through which more than 175 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 ("Call Before You Dig"), are also promoted through multi-media advertising and communications campaigns, as well as direct-contact programs, such as contractor safety breakfasts, first responder training sessions and landowner mail-outs.

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

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

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

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

Shareholder Communications

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

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

- Annual approval of the Corporation's business/performance management plan, including capital expenditures through its shareholder, CIC.
- Annual disclosure through Crown and Central Agencies, a public legislative committee of government, of all payments of over $50,000 to employees and suppliers, and of all grants, donations and sponsorships of over $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 Aboriginal Relations 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 a commodity rate decrease application in May 2016, seeking a 14 per cent decrease, while simultaneously applying for a delivery rate increase of 8.6 per cent. After SRRP review, it was recommended that SaskEnergy adjust its commodity rate decrease to 13 per cent, reflecting changes in the heat value factor of natural gas supply purchased by SaskEnergy. In October 2016, Cabinet approved SaskEnergy's adjustments to both its commodity and delivery service rates, as recommended by the SRRP, effective November 1, 2016.

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' most recent rate change was effective January 1, 2016, with an average rate increase of 3.0 per cent.

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 produces a semi-annual newsletter called Our Energy. Issues are delivered to all employees, as well as to superannuates, upon request. The Our Energy newsletter features articles related to corporate and employee initiatives that are taking place throughout the Province. 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)	March 31, 2017[1] Audited	March 31, 2016[1] Audited	December 31, 2015 Unaudited	December 31, 2014 Audited	December 31, 2013 Audited	December 31, 2012 Audited
ASSETS						
Current assets						
Cash	$ 1	$ 11	$ 3	$ 5	$ –	$ 2
Trade and other receivables	111	104	116	148	148	119
Natural gas in storage held for resale	86	86	123	140	208	238
Inventory of supplies	12	11	12	12	12	11
Debt retirement funds	7	10	8	7	6	2
Assets held for sale		–	–	–	4	–
Fair value of derivative instruments	5	11	7	21	28	53
	222	233	269	333	406	425
Intangible assets	60	55	56	49	47	37
Property, plant and equipment	2,129	2,070	2,050	1,912	1,682	1,501
Debt retirement funds	94	92	89	86	72	74
	$ 2,505	$ 2,450	$ 2,464	$ 2,380	$ 2,207	$ 2,037
LIABILITIES AND PROVINCE'S EQUITY						
Current liabilities						
Short-term debt	$ 293	$ 299	$ 325	$ 299	$ 380	$ 275
Trade and other payables	104	101	121	117	122	105
Dividends payable	14	21	14	3	10	11
Current portion of long-term debt	59	100	83	50	50	50
Deferred revenue	32	61	77	90	59	41
Fair value of derivative instruments	40	109	93	107	39	58
	542	691	713	666	660	540
Other Payables	5	4				
Employee future benefits	7	8	9	10	10	12
Provisions	127	130	113	95	71	18
Deferred revenue	6	6	6	6	9	9
Long-term debt	960	870	887	908	712	762
	1,647	1,709	1,728	1,685	1,462	1,341
Province's equity						
Equity advances	72	72	72	72	72	72
Retained earnings	786	669	664	623	673	624
	858	741	736	695	745	696
	$ 2,505	$ 2,450	$ 2,464	$ 2,380	$ 2,207	$ 2,037

[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 ending March 31, 2016, shown here compared to fiscal periods ending December 31 and March 31.

Consolidated Statement of Comprehensive Income

(millions)	12 Months Ended March 31, 2017[1]	12 Months Ended March 31, 2016[2]	15 Months Ended March 31, 2016[2]	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	12 Months Ended December 31, 2012
	Audited	Unaudited	Audited	Audited	Audited	Audited
REVENUE						
Natural gas sales	$ 364	$ 402	$ 566	$ 718	$ 600	$ 510
Delivery	240	209	289	232	217	194
Transportation and storage	134	121	151	98	92	85
Customer capital contributions	55	58	61	33	24	29
Other	10	12	14	16	12	12
	803	802	1,081	1,097	945	830
EXPENSES						
Natural gas purchases	325	354	495	695	550	465
Employee benefits	87	90	115	92	89	85
Operating and maintenance	134	124	152	126	97	85
Depreciation and amortization	96	89	110	83	77	73
Saskatchewan taxes	12	12	15	11	11	10
	654	669	887	1,007	824	718
INCOME BEFORE THE FOLLOWING	149	133	194	90	121	112
NET FINANCE EXPENSES						
Finance income	2	3	6	4	4	5
Finance expenses	(48)	(50)	(62)	(48)	(44)	(44)
	(46)	(47)	(56)	(44)	(40)	(39)
OTHER (LOSSES) GAINS	(33)	–	(3)	1	(2)	–
NET INCOME BEFORE MARKET VALUE ADJUSTMENTS	70	86	135	47	79	73
MARKET VALUE ADJUSTMENTS						
Commodity	65	(4)	4	(83)	27	47
Gas marketing	(2)	(12)	(15)	8	(33)	(32)
Net realizable value on natural gas in storage	13	(10)	(11)	(12)	13	21
Debt retirement funds	–	(3)	(2)	7	(7)	(2)
	76	(29)	(24)	(80)	–	34
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 146	$ 57	$ 111	$ (33)	$ 79	$ 107
CONSOLIDATED STATEMENT OF CASH FLOWS						
Cash provided by operating activities	225	258	347	248	244	172
Cash used in investing activities	(198)	(210)	(241)	(283)	(221)	(181)
Cash (used in) provided by financing activities	(37)	(47)	(100)	40	(25)	(10)
INCREASE (DECREASE)IN CASH POSITION	$ (10)	$ 1	$ 6	$ 5	$ (2)	$ (19)

[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 ending March 31, 2016, shown here compared to 12-month fiscal periods ending December 31 and March 31.
[2] Certain comparative amounts in the consolidated statement of comprehensive income have been reclassified to conform with the current fiscal year's presentation.

GLOSSARY OF KEY SUCCESS MEASURES

SERVICE EXCELLENCE

Efficient Operations

Distribution Operation, Maintenance and Administration (OM&A) 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 (390,886 customers at March 31, 2017). 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 OM&A 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 TransGas transmission system.

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 during 2013 by the Canadian Gas Association (CGA) for inter-jurisdictional comparison purposes, and the SaskEnergy data on leaks per 1,000 km of pipe has been revised to align with CGA reporting methodology.
TransGas Pipeline Failures per 1,000 kilometres of Pipe	The term "failure" is defined as any unplanned release of product from the pipe 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.

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 15 questions and an average is taken on the responses to all questions and reported as a percentage.

ACHIEVING GROWTH

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.

Diversified Non-Core Business

Return on Non-Core Assets	This metric tracks the return earned by the Corporation from its investment in non-core assets. The return is defined as earnings before interest and taxes. The non-core asset component includes all of Bayhurst, BESCO & BGSI fixed assets plus gas inventory. Inventory value was included given that the returns generated by Bayhurst gas marketing & BGSI are inventory dependent.
Total Capital Investment	This measure tracks the capital invested in non-core business activities by SaskEnergy and its subsidiaries as well as third parties.
Percentage of Third-Party Capital Investment	The percentage that is third-party capital has also been identified.
Associated Gas Capture as a Percentage of 2014 Saskatchewan Sourced Volumes	This was a new metric in 2016 that reflects the Corporation's efforts related to increasing natural gas supply through associated gas capture. It is reported as a percentage of 2014 Saskatchewan Sourced Volumes as a base year to mitigate the impact of declining Saskatchewan natural gas production. The result is reported using actual natural gas volumes as provided by the Saskatchewan Ministry of Economy.

OUR TEAM

Physical 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.

Employee Engagement

Employee Survey	SaskEnergy measures employee engagement through employee surveys. Prior to 2015, the Corporation used the Hay Survey administered by the Hay Group and results were benchmarked to the "Hay norm" as defined by a five-year rolling average of Hay Survey respondents. In 2015, the use of the Hay Survey tool was discontinued for cost savings purposes although employees continue to be surveyed annually to gauge employee engagement levels.

Workforce Diversity

Youth, First Nations/Métis	The workplace diversity measures provide quantitative data for the employment of Aboriginal 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.

CREATING VALUE

Financial

Debt/Equity Ratio	This measure is calculated by dividing total net debt by the sum of total net debt plus total Province'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 Province's equity over the year. The average is determined as the simple average of the opening Province's equity and the closing Province's equity.
Income Before Unrealized Market Value Adjustments	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.

Environmental

Greenhouse Gas Emissions – Tonnes of CO_2e/million Running 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 running horsepower hours.

Community Relationship

Community Sponsorships as a Percentage of Net Income	This measure tracks the amount of community sponsorship undertaken during the year as a percentage of the five-year rolling average of operating net income. The long-term target for this measure would see SaskEnergy achieve an annual community sponsorship level consistent with one per cent of net income.
Total Contracts – Percentage of Aboriginal Labour Content	This measure tracks the percentage of Aboriginal labour content in the Corporation's labour service contracts managed by the Purchasing Department.

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.

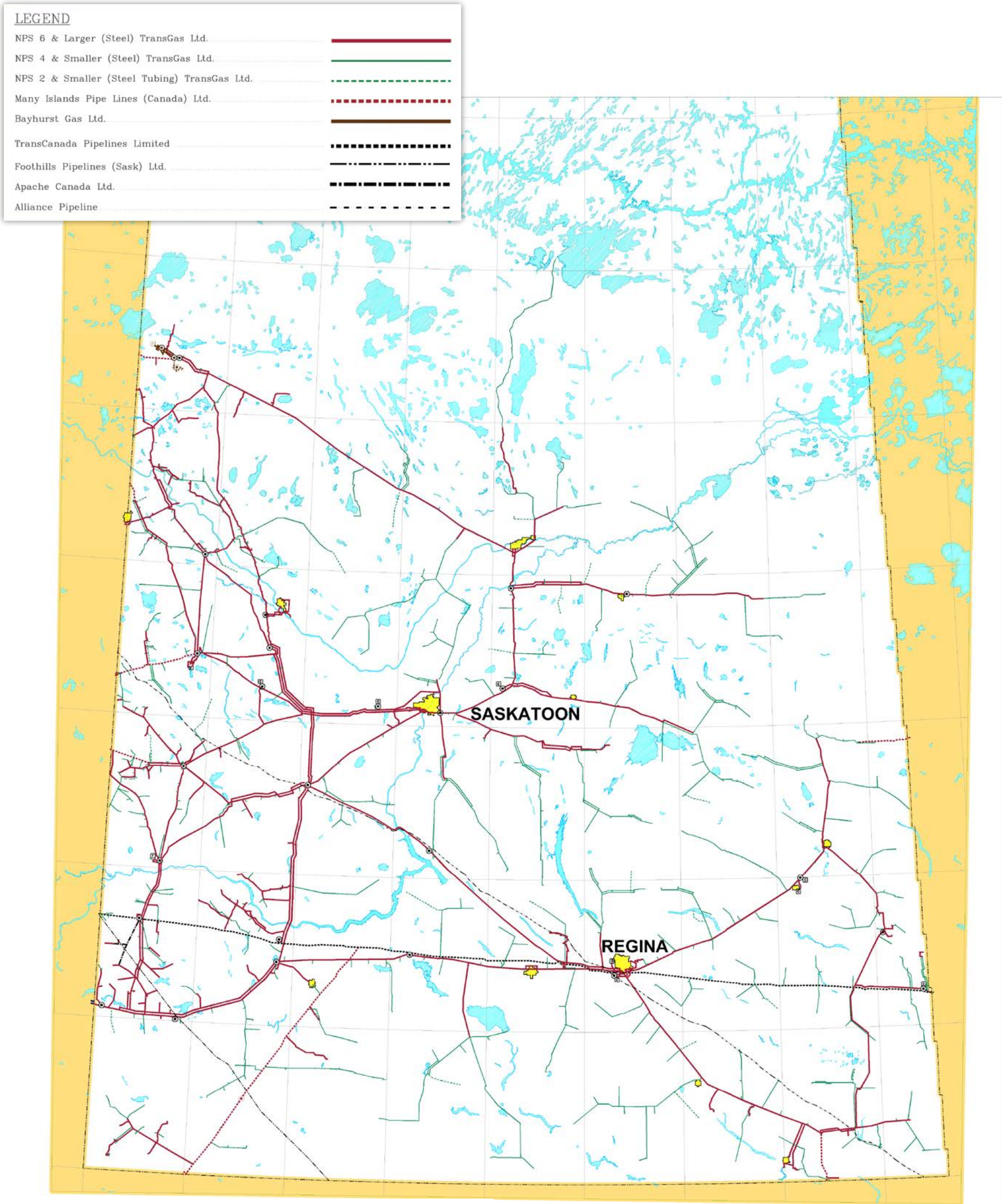
Petajoule (PJ) – a unit of energy equivalent to 1,000,000 GJ.

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).

SASKENERGY INCORPORATED NATURAL GAS TRANSMISSION PIPELINES



1000-1777 VICTORIA AVENUE REGINA, SASKATCHEWAN S4P 4K5

SASKENERGY.COM