

March 14, 2019



Procedural Clerk
Procedural Services
Room 7, Legislative Building
2405 Legislative Drive
Regina, SK S4S 0B3

Dear Sir or Madam:

RE: Significant Transactions Report

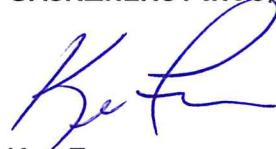
Please find enclosed for filing 18 copies of the following documents:

1. Memorandum dated February 26, 2019 from Ken From, President and Chief Executive Officer, SaskEnergy Incorporated, to Susan Barber, Chair, SaskEnergy Incorporated Board of Directors.
2. Letter dated February 28, 2019, from Susan Barber, Chair of SaskEnergy Incorporated Board of Directors, to Mr. Herb Cox, Chair of Standing Committee on Crown and Central Agencies, regarding the sale of Coleville Gas Processing Plant and the 50% interest in the Kisbey Gas Processing Plant to Steel Reef Infrastructure Corp.

We trust the foregoing filings are in order.

Sincerely,

SASKENERGY INCORPORATED



Ken From
President and Chief Executive Officer

Enclosures

cc: Hon. Bronwyn Eyre, Minister Responsible for SaskEnergy Incorporated

February 28, 2019

Mr. Herb Cox, Chair
Standing Committee on Crown and Central Agencies
Room 7, Legislative Building
2405 Legislative Drive
Regina, SK S4S 0B3

Dear Mr. Cox:

RE: Non-Core Asset Divestiture

The fourth Reporting of the Standing Committee on Crown Corporations dated May 5, 1994, requested that the Minister of Crown Investments and the Minister Responsible for SaskEnergy Incorporated provide certain information to your Committee on any significant transactions that are undertaken by the Corporation.

Accordingly, I am pleased to provide you with information on the key elements of SaskEnergy Incorporated's subsidiaries' non-core asset divestitures of the Coleville Gas Processing Plant and the Kisbey Gas Processing Plant.

Situation Prior to the Transaction

- SaskEnergy Incorporated ("SaskEnergy"), through its wholly-owned subsidiary Bayhurst Energy Services Corporation ("BESCO"), owned and operated the Coleville Natural Gas Processing Plant located in Coleville, Saskatchewan ("Coleville Plant").
- SaskEnergy, through its wholly-owned subsidiary BESCO, owned a 50% interest in the Kisbey Natural Gas Processing Plant that is operated by Steel Reef Infrastructure Corp. located in Kisbey, Saskatchewan ("Kisbey Plant").

Objectives of the Transaction

- SaskEnergy decided to divest of its non-core assets. Natural gas processing is a non-core business for SaskEnergy, and there are numerous private sector companies who undertake midstream operations of gas processing. SaskEnergy's core activities are natural gas transmission and distribution. SaskEnergy undertook a request for proposal process to divest of its non-core assets which included the Coleville Plant and its 50% interest in the Kisbey Plant.

The Transaction

- SaskEnergy, through its wholly-owned subsidiary BESCO, sold its 100% interest in the Coleville Plant and its 50% interest in the Kisbey Plant effective October 21, 2018, to Steel Reef Infrastructure Corp. ("Steel Reef"). TransGas Limited ("TransGas"), a wholly-owned

subsidiary of SaskEnergy, sold its land interest in the Coleville Plant to Steel Reef. The purchase price for both gas plants, including TransGas' land interest in the Coleville Plant was \$31,300,000, subject to final adjustments.

- Steel Reef assumed all environmental liabilities with respect to the Coleville Plant.
- In order to effect the sale of the Coleville Plant to Steel Reef, certain leased equipment on location was required to be purchased from Tamarack Acquisition Corp.
- The leased equipment was purchased based on a pre-defined purchase formula for \$4,771,419.
- On January 29, 2019, the final closing statement was issued showing that after all accounting adjustments the final purchase price was \$32,770,458, which includes GST and PST. The purchase price was allocated such that BESCO received \$28,875,000 and TransGas received \$3,895,458.
- All SaskEnergy employees who were employed at the Coleville Gas Plant were given offers of employment from Steel Reef, with the alternative option to remain with SaskEnergy. There was no job loss as a result of this transaction.

Implications of the Transaction

- The total gain from this sale, based on the value of the assets carried on the SaskEnergy financial statements is \$12,783,615. This amount is subject to SaskEnergy's dividend calculations for fiscal year ended 2018-19.
- The cash flow from the sale was used to draw down short-term debt balances in SaskEnergy's wholly owned subsidiaries of BESCO and TransGas.
- The sale of these non-core assets fulfills SaskEnergy's strategic objective to focus on its core mandated operations of distribution and transmission of natural gas.

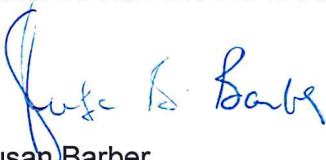
Authorities

- Order in Council 462/2018 issued September 14, 2018, authorized SaskEnergy, through its wholly-owned subsidiaries, BESCO and TransGas, to transfer real property interest of the Coleville Plant and a 50% interest in the Kisbey Plant joint venture to Steel Reef Infrastructure Corp. at a sale price of \$31,300,000, subject to required adjustments.
- The transaction was approved by the Board of Directors.

I would be pleased to provide any further information on this transaction that the Committee might require.

Sincerely,

SASKENERGY INCORPORATED



Susan Barber
Chair, SaskEnergy Incorporated Board of Directors



Law Department
10th Floor, 1777 Victoria Avenue

DATE: February 26, 2019

TO: Susan Barber, Chair, SaskEnergy Incorporated Board of Directors

FROM: Ken From

SUBJECT: Crown and Central Agencies
- Significant Transaction Reporting Policy

Enclosed for your signature is a letter to the Standing Committee on Crown and Central Agencies providing the details of the sale of the Coleville Gas Processing Plant and the 50% interest in the Kisbey Gas Processing Plant to Steel Reef Infrastructure Corp. The Committee requires the Corporation to table with the Committee the details of any "significant transaction" that was undertaken.

Please return the executed letter to my office for further handling.

A handwritten signature in blue ink, appearing to read "Ken From".

President and Chief Executive Officer

Enclosure