



**2005 CORPORATE SOCIAL
RESPONSIBILITY REPORT**

President's Message

2005 was our Centennial Year – a time when people from around the Province celebrated our achievements over the past century, and looked ahead to another 100 years of prosperity and possibility. All across the Province, people gathered and celebrated in a common theme that ties all Saskatchewan people together: pride, support for one another, and a strong belief in what we can accomplish.

These values are uniquely Saskatchewan, reflecting the homesteading spirit our Province was founded on 100 years ago and that continues to grow from today. These values are also reflected in SaskEnergy's culture.

For us to achieve our vision, we focus on six key strategic mandates: safe and reliable operations; competitive rates; customer service excellence; delivering shareholder value; community and environmental responsibility; and engaging employees. Although the latter two mandates are centrepiece in our Corporate Social Responsibility (CSR) reporting, we believe that responsible behaviour in its most complete form is not just philanthropy, but responsibility. It's about a balance between our corporate interests and the interests of communities – communities of people, of ideas, and of values. Good business practices can be analyzed or measured individually, but only until everything we do as a company is collectively examined can we understand our full impact on the communities we serve.



With respect to the two key strategic mandates discussed in our 2005 CSR Report, over time we have seen an evolution in our processes, outcomes and reporting. Seven years ago, when we introduced our first community investment report, our focus was geared mainly towards explaining what we're doing to help positively impact Saskatchewan people and communities. At the time, there was no explanation or measured results to accurately determine how and where a difference was made. According to the Conference Board of Canada, this approach was typical of many companies at the time – organizations that were just beginning to find their footing with regards to CSR, and just beginning to understand CSR's meaning and impact.

But over the past eight years our reporting has matured from a focus on processes, to a frank and open discussion of the outcomes – including a movement towards more transparency, accountability and a dedication to making improvements wherever and whenever possible. SaskEnergy's 2005 CSR Report is in some respects designed much differently than past reports. Although scorecard reporting is still an important component, we've taken a closer and more precise look at what our measures are, why we've chosen them and why they're important. And in this discussion is also an analysis of where we've met our objectives, where we have not, and what improvements are necessary to help us achieve our vision.

SASKENERGY'S STRATEGIC MANDATE



To achieve SaskEnergy's vision of core business excellence, we aspire to six strategic mandates. These play a crucial role in our planning, reporting and measurement, and are developed in accordance with the highest benchmarks possible.

But what lies behind the numbers or the analysis is what we believe is the backbone of our commitment to CSR – our employees. More than 900 men and women share the same values that were celebrated by other Saskatchewan people during our Centennial Year. They carry our commitment to CSR throughout the company, through the activities they undertake every day, whether it is through their daily work, or their own work in the community. They are a testament to our success as a company.

Over time our reporting will continue to evolve, with a focus on strategic goals and measurements, alongside a steadfast dedication to being a socially responsible company that is proud to serve our stakeholders – the people of Saskatchewan.

A handwritten signature in black ink, appearing to read "Doug Kelln". The signature is fluid and cursive, with a large initial "D" and "K".

Doug Kelln
President and Chief Executive Officer

“A significant body of knowledge has emerged to suggest that corporations that voluntarily conduct themselves in a socially responsible manner stand to benefit from those actions. Depending on the particular circumstances and specific business drivers of a corporation, its ability to engage in CSR can help to manage risks, as well as to identify and capture new business opportunities. The challenge for individual Canadian corporations is to identify which drivers and dimensions of CSR are most relevant to their business.” Source: Conference Board of Canada, The National Corporate Social Responsibility Report, 2004.

Community and Environmental Responsibility



OBJECTIVE: Maintain leadership in corporate social responsibility and environmental stewardship.

SPONSORSHIPS AND COMMUNITY INVESTMENTS

Measures	2003 Actual	2004 Actual	2005 Actual	2005 Target	2006 Target	2007 Target	2008 Target
Community relations investment (\$ millions)	1.45	1.43	1.59	1.56	1.56	1.56	1.56
Number of projects supported	1,334	1,265	1,271	1,300	1,300	1,300	1,300
Number of communities impacted	270	293	290	270	270	270	270

 **MEASURES**

Three specific and highly targeted measures allow SaskEnergy to create a broad social footprint on the Province: our financial investments or donations; the number and diversity of projects we support; and the number of communities we impact by supporting these initiatives. Because our earnings vary each year, we will no longer use an earnings-based measure to determine our level of community relations investment. We aim to have a broad-ranging impact on our Province, as evidenced by our targets set for the future.

In terms of the number of projects we support, our measurement is based on two factors: the number of requests we receive, and the guidelines we have set up to determine which types of projects we should support. Our Share the Warmth Fund is one program we've developed to support projects with donations of up to \$2,500. Four distinct categories comprise this fund and help us spread our investment to many initiatives that are important to Saskatchewan people: Education and Leadership, Community Initiatives, Saskatchewan Pride, and Environmental Stewardship. In 2005, more than \$112,000 was invested through the Share the Warmth Fund primarily in rural Saskatchewan.

Fast Fact: Since 2000, SaskEnergy has supported nearly 6,000 projects across Saskatchewan.

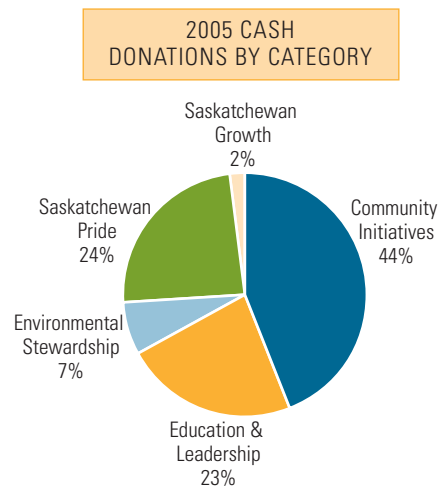
Besides the Share the Warmth Fund, we also extend our support through two other areas: a general sponsorship fund, through which more than \$930,000¹ was invested in 2005, and an Aboriginal Sponsorship Fund, which invested approximately \$227,000¹ into Aboriginal cultural, educational and sporting events across Saskatchewan in 2005.

Our community investment activities are also measured by the number of urban and rural locations we support each year. We are Saskatchewan's natural gas provider, serving more than 90% of the population, and we strongly believe our sponsorships and community investments should be directly targeted to the places where our stakeholders live. Year over year, we have targeted between 250 and 300 communities to support.

¹Includes cash donations only. No in-kind contributions included in these figures.

Through Share the Warmth Fund activities, 124 communities were impacted across the Province in 2005.

More information about the Share the Warmth Fund and how organizations can apply, can be found at www.saskenergy.com/community/fund.asp.



ANALYSIS

Although our financial impact on the Province is an important component of our community relations portfolio, we also continued building a successful brand reputation around the theme of “Champion of Volunteers,” which allows us to provide community support in ways that go beyond making donations.

We had an excellent opportunity to position ourselves as a volunteer supporter through our involvement in the **2005 Jeux du Canada Summer Games**. As one of the largest initiatives within our community investment portfolio for the year, and our largest sponsorship to date, SaskEnergy was the official sponsor of volunteers for the Games. We attributed more than three quarters of a million dollars worth of in-kind support such as office space for Games staff, seconded SaskEnergy employees, and SaskEnergy’s natural gas flame and natural gas vehicle for use during the Games. In addition, more than 100 SaskEnergy and TransGas employees donated countless volunteer hours for the Games.

For the second year in a row SaskEnergy expanded our involvement in **Global Youth Service Day (GYSD)** – the largest youth-led volunteering initiative in the world. SaskEnergy is the only Saskatchewan company to participate in this international event, where we partner with Volunteer Canada to encourage volunteerism among Saskatchewan youth. Three volunteer recognition award categories were developed, offering up to \$1,000 of seed money for selected schools or youth organizations to help fund winning projects – in the areas of community spirit, environmental action and volunteer leadership. Over the last two years, 22 schools and youth groups have received a SaskEnergy GYSD award for community and environmental services with approximately \$12,000 given by SaskEnergy in funding grants to assist with proposed projects.

SaskEnergy has encouraged employee volunteerism since 1999, with more than 4,000 recorded hours donated by employees from across the Province.

Only 21% of the top 300 companies in Canada publicly report on whether or not they encourage employees to volunteer in the community.¹

¹Conference Board of Canada, The National Corporate Social Responsibility Report, 2004.

The Share the Warmth Home Energy Efficiency Project was launched as a pilot initiative in October 2005. One hundred low-income Moose Jaw families had the energy efficiency of their homes improved through the help of volunteers from SaskEnergy, TransGas, the Salvation Army, SIAS Palliser, the Moose Jaw Fire Department, Firefighters Union, and the Office of Energy Conservation. Upgrades included installing bathroom and kitchen faucet aerators, low-flow showerheads and smoke-detectors, installing compact fluorescent light bulbs, placing film on windows to prevent drafts, applying weather-stripping and caulking, replacing furnace filters and installing programmable thermostats.

As part of our corporate support for Saskatchewan's Centennial, SaskEnergy participated in a number of activities throughout the year, including the **Saskatchewan Centennial 2005 Peace Project**. Partnering with the Red Cross and Saskatchewan Centennial 2005, SaskEnergy helped develop three major initiatives: peace poles located at 101 locations across the Province; a "Designs on Peace" contest, where 100 pieces of artwork were selected to form a permanent tile display of the dreams Saskatchewan youth have for living in a peaceful and caring society; and Hear the Children Peace Day, where students in Moose Jaw, Regina and Saskatoon shared their messages of peace and celebrated Saskatchewan's Centennial.



Volunteers helped improve the energy efficiency of 100 homes in Moose Jaw, through the first-ever Share the Warmth Home Energy Efficiency Project.

OUTLOOK

Targets for 2006 in the area of sponsorships and community investments will remain in-line with past targets, but SaskEnergy will continue looking for new and unique opportunities to leverage our support and increase our impact on the communities we serve.

Other key directives for 2006 will focus on better aligning community investment activities with the corporate business plan, and engaging and recognizing employees for the important contribution they make to shaping the company's reputation through community action. In particular, a new volunteerism policy will be implemented and communicated to employees ensuring consistent and equitable volunteer opportunities across the company.

SaskEnergy will also create a strategic approach for capital sponsorship requests. These requests have grown in number considerably over time, representing a need for large investments that support major community endeavours.



During Peace Day celebrations in Regina, students from across the city gathered in a spirit of hope to share their visions for a better world.

SASKATCHEWAN Energy Share



*Assistance for today,
solutions for tomorrow*

To help make it easier and more affordable for Saskatchewan residents to improve the long-term energy efficiency of their homes, in November 2005 the Government of Saskatchewan introduced a series of long-term energy conservation programs as part of the Saskatchewan Energy Share. Several of these programs are applicable to SaskEnergy customers:

- Expansion of the PST exemption on ENERGY STAR® appliances to include furnaces and boilers. There is also a \$100 grant for qualified furnaces and boilers purchased and installed between September 1, 2005 and November 7, 2005;
- A \$45 rebate on ENERGY STAR qualified programmable thermostats;
- Matching of the federal grant up to \$2,000 for changes made after an EnerGuide for Houses follow-up audit;
- Expansion and cost-sharing of the federal EnerGuide program for low-income households; and
- A new Saskatchewan EnerGuide program for moderate-income homeowners.

OBJECTIVE: Maintain leadership in corporate social responsibility and environmental stewardship.

ENVIRONMENTAL STEWARDSHIP

Measures	2003 Actual	2004 Actual	2005 Actual	2005 Target	2006 Target	2007 Target	2008 Target
Annual greenhouse gas emission reduction (tonnes)	16,450	9,500	11,640	12,000	7,000	8,000	7,000
Cumulative greenhouse gas emission reduction (tonnes)	103,850	113,350	124,995	125,350	132,000	140,000	147,000
Percentage of overall 2012 Kyoto Accord target	62	67	74	74	78	83	87
Increase overall corporate recycling	New in 2005		N/A	20%	Not used for 2006 onward		
Wildlife and habitat protection collaborations with external environmental organizations	New in 2005		28	20	Not used for 2006 onward		

Note: The greenhouse gas drivers and targets have been changed in this table to reflect the transition from a Kyoto-driven goal to a new Federal Government regulation called Large Final Emitters (LFE).

MEASURES

GREENHOUSE GAS (GHG) EMISSIONS

In December 1997, the Kyoto Accord established a GHG emission reduction target for Canada of 6% below 1990 levels by the year 2012. Considering SaskEnergy's goal of becoming a leader in environmental

stewardship while minimizing our business risks, we voluntarily selected this national target as our corporate goal.

Measurement of GHG emission reduction efforts are determined using in-house measurement and engineering expertise, as well as the services of third-party consultants and auditors.

RECYCLING

Corporate recycling measures were selected for 2005 only because of the company's interest in determining the impact of some of its current resource conservation measures, with the intent to transition these activities into a comprehensive pollution prevention and resource conservation initiative.

COLLABORATIONS WITH ENVIRONMENTAL GROUPS

Environmental stewardship emerged as a key area of focus for SaskEnergy and TransGas when it became a part of our corporate business plan in 2005. Collaboration with environmental organizations provides an important platform to develop strategic partnerships and physically engage people in the process. The employees of SaskEnergy and TransGas recognize that the work we do has an impact on the environment, and understand that our success as a business, and our commitment to being a good corporate citizen, rely on us building strong and effective working relationships with environmental organizations.

ANALYSIS

GREENHOUSE GAS (GHG) EMISSIONS

In July 2005, blowdown and unit valves were changed out at our Piapot Compressor Station to reduce gas loss. Field measurements to verify the savings will take place at the end of February 2006, however, based on an engineering evaluation, we estimate that the cost savings will be about \$232,000 per year at \$9.00/Gigajoule, with environmental savings of 9,370 tonnes of carbon dioxide equivalent (CO₂).

In addition, a drawdown compressor was used on a number of TransGas projects in 2005 and achieved a total gas savings of 20 Terajoules, which translates into over 346.5 tonnes of methane or 7,280 tonnes of CO₂. Only 2,270 tonnes of this saving have been allocated to 2005 as a result of the long-term efforts of SaskEnergy to reduce emissions.

The total amount of GHGs reduced in 2005 therefore exceeds 11,640 tonnes or 97% of our 2005 target.

Other emission reduction projects that have not been counted in the 2005 accomplishments include the results of the line heater efficiency program and the energy efficiency savings in corporate head office. The data used to determine energy savings in these areas – and their associated GHG emissions – will be available in 2006. Therefore, savings from these additional projects will be included in the 2006 CSR Report.



In early June, 40 employees from SaskEnergy and TransGas volunteered their time to help the environment, by planting more than 500 trees at Wascana Lake, in Regina. This project also honoured TransGas employee Gerald Oxby, who passed away in 2004. Gerald was instrumental in TransGas' provincial tree planting program.

RECYCLING

In terms of corporate recycling, seven programs are in place throughout the company for: paper; toner cartridges; batteries; cellular phones; aerosol cans; meter stop repairs; and regulator repairs.

The recycling objective that was created for 2005 did not have a baseline or starting point, making it difficult for us to report on our progress. We finished the bulk of a material use inventory by early July with some additional detailed information collected later in the year. The inventory was based on materials purchased in 2004.

The inventory showed us that the largest amount of materials bought by the Corporation consisted of more than 35,000 batteries, 7,500 aerosol cans, 9,800 meter stops, 1,600 cans of paint, 5,300 natural gas regulators, 44,000 litres of DowTherm triethylene glycol, 200,000 litres of lubricating oils, 175,000 litres of methanol, 15,000 litres of lean oil, 30,000 litres of triethylene glycol, 200,000 envelopes, and 30,000 kilograms of white paper. Many of these materials are used, sent away to our customers, or installed or applied to our pipeline and compression systems, leaving little in the way of recycling opportunities. Materials that are considered hazardous (batteries, aerosol cans, left-over paint, lubricating oil, and DowTherm triethylene glycol) are consigned with waste management companies. Some of this waste may be recycled by these companies, however no reports are sent back to SaskEnergy which monitor these amounts.

The materials that are currently being recycled consist of meter stops, regulators, white paper and newsprint. No consistent records of the amounts recycled are kept.

Toner cartridges from SaskEnergy's printers are recycled through a national vendor, and proceeds are donated to Food Banks across the Province. One cartridge or cell phone represents 2.5 litres of milk.

OUTLOOK

GREENHOUSE GAS (GHG) EMISSIONS

Over the last year, the Federal Government has engaged industry and the public in discussions directed at creating regulations that will target a category of businesses called Large Final Emitters (LFE). SaskEnergy and TransGas fall into the LFE sector.

In 2006, SaskEnergy and TransGas revised its GHG objectives to account for the new LFE regulatory regime that will come into effect in 2006. The regulations will establish mandatory emission reduction targets for the period 2008 to 2012. The new proposed target for LFE companies is 15% below year 2000 emissions.

Although this target appears to be less onerous than the Kyoto target for SaskEnergy and TransGas, the new regulations exclude fugitive emissions¹ from the accounting process. This means that all of the work that the company has done to reduce its fugitive emissions will not be counted.

Our new focus therefore on the compliance side will concentrate on vented and combusted emissions. In response to this impending change, SaskEnergy and TransGas have re-evaluated their GHG emission reduction targets and have tentatively set new targets commencing in 2006. These targets will require us to reduce GHG emissions by 43,500 tonnes by the year 2012. The new overall target is 168,510 tonnes with approximately 43,500 tonnes still to be achieved.

¹*Emissions released to the air, often due to equipment leaks, evaporative processes, and windblown disturbances.*

Since 1996 SaskEnergy has reported its activities to reduce GHGs.

20% of the top 300 Canadian companies publicly report on their active management of GHG emissions.¹

¹*Conference Board of Canada, The National Corporate Social Responsibility Report, 2004.*

GREENHOUSE GAS EMISSION REDUCTION, ACCOMPLISHMENTS AND TARGETS

YEAR	AMOUNT REDUCED	CUMULATIVE REDUCTION	AMOUNT REMAINING	PERCENT OF OVERALL TARGET
1996	770	770	167,740	0.46%
1997	20,445	21,215	147,295	12.59%
1998	28,923	50,138	118,372	29.75%
1999	16,947	67,085	101,425	39.81%
2000	9,206	76,291	92,219	45.27%
2001	5,483	81,774	86,736	48.53%
2002	6,228	88,002	80,508	52.22%
2003	15,847	103,849	64,661	61.63%
2004	9,505	113,354	55,156	67.27%
2005	11,640	124,995	43,516	74.18%
2006	7,000	131,994	36,516	78.33%
2007	8,000	139,994	28,516	83.08%
2008	7,000	146,994	21,516	87.23%
2009	7,000	153,994	14,516	91.39%
2010	8,000	161,994	6,516	96.13%
2011	5,000	166,994	1,516	99.10%
2012	1,516	168,510	0	100.00%

In addition to focusing on vented and combusted emission reduction projects, we will also dedicate resources to improve the accuracy of our emissions inventory. This will give us greater confidence that our inventory-making process will meet the rigorous reporting requirements of the new LFE regulations.

Finally, as a way to offset its LFE obligations, SaskEnergy and TransGas will also explore the opportunity to get credit for the Demand Side Management programs that it delivers on behalf of their customers.

RECYCLING

We now have a good baseline of materials purchased, but we still do not have a complete baseline of materials sent for recycling. To improve our objective we will reference a reduction in materials purchased, which is less complicated and more effective in achieving two important principles or goals of the company: pollution prevention and resource conservation. These two goals will form the basis of our waste minimization and resource conservation objectives for the upcoming year.

COLLABORATIONS WITH ENVIRONMENTAL GROUPS

Although we are not formally measuring our collaboration with environmental organizations in 2006, we will refocus our efforts and determine how we can help these groups to leverage more funding from governments and other agencies. This measure will continue as an action item within our environmental stewardship mandate. Considering these environmental groups are challenged to do more with limited or shrinking resources, we will begin by encouraging all of the environmental organizations in Saskatchewan to work together. Later in 2006 we will establish an objective moving forward and will measure our success accordingly.

OBJECTIVE: Maintain leadership in corporate social responsibility and environmental stewardship.

STRONG RELATIONSHIPS WITH SASKATCHEWAN BUSINESS

Measures	2003 Actual	2004 Actual	2005 Actual	2005 Target	2006 Target	2007 Target	2008 Target
Percentage of goods and services sourced in Saskatchewan	73	75	70	81	75	75	75
Total contracts – percentage of Aboriginal labour content	19	13	13	12	12	13	13
Salvage program savings (\$)	120,000	84,139	102,395	90,000	90,000	90,000	90,000
Purchasing savings (\$)	667,000	856,493	1,326,000	350,000	350,000	350,000	350,000

MEASURES

Support for Saskatchewan's business sector has been a mainstay of our company for many years. Our targets and our measurement of this objective help us ensure that we are not only purchasing cost-efficient products and services right here at home, but also are helping support the local and provincial economy. Going forward, we have set a target of 75% of goods and services to be sourced in Saskatchewan, as this represents a realistic expectation of the percentage of purchases available in the Province.

Considering the growth of the Aboriginal business sector in Saskatchewan, SaskEnergy has taken a leadership role among Crown corporations in developing mutually beneficial relationships that fill a specific business need for our company, while helping us support the Aboriginal community. This measure has been part of our reporting for 10 years, and will remain a focus as the demographic shift continues in this province in the coming decade.

Salvage and Purchasing savings have also been a component of our reporting for eight years. Purchasing savings are generated through the formal bidding process, which provides SaskEnergy with a fair and effective tool to manage major procurement opportunities and maximize cost savings. Salvage savings allow us to maximize the value of goods we purchase.

ANALYSIS

SaskEnergy was unable to achieve our target for Saskatchewan content in 2005 because a significant number of specialized purchases were not available from Saskatchewan vendors.

In 2005, the Aboriginal labour content measure was also adjusted to realistically provide a true benchmark and target for these activities. Previously the target was 32%, but did not include a measurement of Aboriginal content in all contracts for the year. We strongly believe that our supplier development efforts provided additional opportunities for Saskatchewan and Aboriginal suppliers to do business with SaskEnergy.

Following a “Lean Thinking” approach, SaskEnergy’s Salvage team, customers and senior management implemented an initiative to enhance our Salvage operations through process improvement and employee engagement. One of the

highlights of this process for the year involved our long-standing partnership with the Saskatoon Tribal Council (STC). Through our relationship with the STC, we were able to recruit several Aboriginal people to entry-level positions in our Salvage Operations. Not only does this partnership provide a great career opportunity for these individuals, it also helps SaskEnergy develop a skilled trade workforce while achieving our diversity targets of 75% within Salvage Operations.

OUTLOOK

During 2006 Salvage Operations will implement more “Lean Thinking” ideas in our new pilot program of manufacturing pipe nipples. Local management will also work with Salvage Operations staff, customers, and senior management to provide more training opportunities through industry-leading site visits.

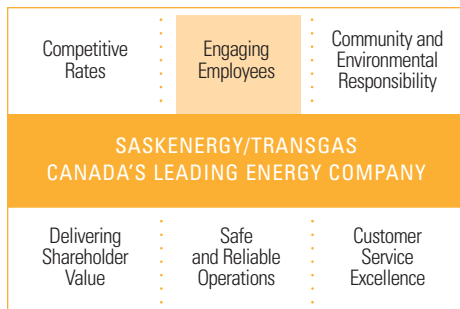
SaskEnergy will also maintain or even slightly increase our strategic measures where possible. To achieve these results, SaskEnergy, together with our vendors, will need to expand the scope of products and services. This targeted, capacity-building approach provides the most promise in maintaining and increasing our Saskatchewan and Aboriginal content.

SaskEnergy has reported its procurement practices since 1994.

Only 4% of the top 300 companies in Canada surveyed publicly report on the use of local suppliers in procurement.¹

¹*Conference Board of Canada, The National Corporate Social Responsibility Report, 2004.*

Engaging Employees



OBJECTIVE: Employees will be fully engaged in the success of the organization by working in a safe, healthy and rewarding environment.

REPRESENTATIVE WORKFORCE

Measures	2003 Actual	2004 Actual	2005 Actual	2005 Target	2006 Target	2007 Target	2008 Target
Percentage of diversity hires	47.1	45.6	45.6	35	35	35	35
Representative workforce (%)							
- Aboriginal	8.9	9.5	10.0	10.5	11.0	11.5	12.0
- Women	41.6	40.8	40.2	40.0	40.5	41.0	41.5
- People with Disabilities	3.5	3.3	3.6	5.0	5.5	6.0	6.5
- Visible Minorities	1.7	1.6	1.8	2.5	3.0	3.5	4.0

MEASURES

SaskEnergy's goal is to become an employer of choice in Saskatchewan. Our hiring practices and commitment to creating a diverse and skilled workforce helps us move towards this objective. Our yearly measurement and target-setting provides us with the tools to evaluate our progress and help us develop strategies to create the representative workforce balance we seek.

Representative workforce measures provide quantitative data for the employment of the four equity groups recognized by the Saskatchewan Human Rights Commission as being either underemployed or minimally employed within the Province. Monthly, quarterly and annual percentages and evaluation provide a basis for establishing realistic targets.

A closer analysis of our progress in diversity hiring provides insight into where members of the diversity groups are located within SaskEnergy and TransGas (for example, in Executive, Professional, Management, Technical/Trades and Clerical/Administrative), and their employment status (permanent full-time, permanent part-time, temporary full time, or temporary part-time).

GROUPING OF SASKENERGY EMPLOYEES BY REPRESENTATIVE WORKFORCE

	ABORIGINAL	WOMEN	PEOPLE WITH DISABILITIES	VISIBLE MINORITIES
Executive	0	1	0	0
Professional	2	13	1	2
Management	11	70	5	8
Technical/Trades	44	26	14	3
Clerical/Administrative	41	285	15	5

ANALYSIS

Like many companies in Saskatchewan, if not in the rest of Canada, SaskEnergy is facing the prospects of an aging workforce and the challenges this reality brings to our employment strategies. Within the next five years, 42% of our workforce will be eligible for retirement. Understanding the complexities inherent within this scenario, SaskEnergy has been, and continues to be, committed to developing solutions to ensure we will build the workforce of tomorrow.

Crown Investments Corporation's Gradworks program helps new post-secondary graduates gain quality, relevant experience in a one-year internship within the Crown sector. In 2005 – the third year of this five-year program – SaskEnergy provided 13 interns with positions in Marketing and Sales, *Sask 1st Call*, Corporate Affairs, Financial Planning, Support Services, System Integrity, Human Resources, and Audit Services. Of these, four interns have successfully competed for permanent/temporary positions with SaskEnergy.

Typically we experience a less than 2% workforce turnover rate each year. Considering this reality, we have faced some difficulty in reaching our hiring targets in the areas of people with disabilities and visible minorities. However, strides were made in the area of hiring of women – we achieved our target of 40%. Most notably, SaskEnergy's Aboriginal workforce reached a significant milestone, as 10% of our employees in 2005 were of Aboriginal ancestry.

As a complement to our Aboriginal hiring strategy, we also maximized our partnership with the Prince Albert Grand Council to support the Credenda Virtual High School – an e-learning program focused on math and sciences for youth in

On average, only 4% of top 300 Canadian companies publicly report on programs that focus on employment development for: Youth, People with Disabilities, Women, Visible Minorities, and First Nations people.¹

¹Conference Board of Canada, The National Corporate Social Responsibility Report, 2004.

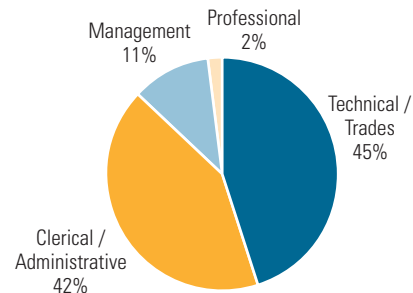
the northern areas of the Province: Wollaston Lake, Pelican Narrows, Deschambault, Stanley Mission and Little Red. Plans are to expand this program in 2006 with additional courses available to students in other northern areas.

OUTLOOK

SaskEnergy's ability to alter the composition of its future workforce is promising as more employees prepare for retirement, leaving opportunities to hire externally. Specific programs are in place to attract younger and more diverse individuals into the organization, with the Gradworks program as one initiative that will expand throughout the company in 2006.

Saskatchewan's growing Aboriginal population points to a significant demographic shift that will change the make-up of the Province's workforce in the coming years. SaskEnergy has developed and expanded a number of unique strategies to help engage Aboriginal people in to our workforce today, while preparing to welcome more of them to our company in the future. One key initiative for 2006 involves a partnership agreement with the Saskatchewan Indian Institute of Technologies to help identify and build future talent. This three-week pilot program will provide candidates with pre-employment training with SaskEnergy and subsequent assessment. We anticipate that candidates who successfully complete this training will be pre-qualified to fill vacancies throughout the Province.

OCCUPATIONAL GROUPING
OF ABORIGINAL EMPLOYEES
(as of December 31, 2005)



OBJECTIVE: Employees will be fully engaged in the success of the organization by working in a safe, healthy and rewarding environment.

INVESTING IN OUR PEOPLE

Measures	2003 Actual	2004 Actual	2005 Actual	2005 Target	2006 Target	2007 Target	2008 Target
Lost time frequency rate (incidents per 100 employees)	1.28	3.05	2.95	0	Top quartile ¹	Top quartile ¹	Top quartile ¹
Preventable vehicle collision rate	2.73	2.14	2.71	0	Top quartile ¹	Top quartile ¹	Top quartile ¹
Competitive compensation and benefits package - 50th percentile of prairie market	New in 2004	41	12% below market ²	75	75/ median	75/ median	75/ median
Percentage of employees receiving enhanced training	80	99	100	80	Not used for 2006 onward		
Average amount invested per employee on training and development initiatives (dollars)	New in 2005		925	838	1,000	1,000	1,000
Percentage of objective-setting and reviews completed by due date	New in 2004	91	92.7	100	Not used for 2006 onward		
Hewitt survey Best Canadian Employers (bi-annual)	New in 2004	85th	Survey not undertaken in 2005	Top 50	Not used for 2006 onward		

¹Established by the Canadian Gas Association and Canadian Energy Pipeline Association.

²On average. This percentage reflects base salary only and not total compensation, which would include salary and benefits.

 **MEASURES**

Strategic investments in our employees help benefit the workforce we have today, while positioning us to be an employer of choice for the workforce of tomorrow. A number of objectives are designed specifically to help us reach this goal: employee safety; competitive compensation and benefits; and training for career growth and professional development.

EMPLOYEE SAFETY

Considering SaskEnergy is a natural gas utility, safety is not only a priority in what we do every day, but essentially, it is what we do. Without the safety of our employees and our customers, we would not exist. Our commitment to reducing our lost time frequency rate and preventable vehicle collision rate is one way we can measure our health and safety performance to that of other Canadian natural gas utilities. These rates were established for us by the Canadian Gas Association and the Canadian Energy Pipeline Association.

Measurement is based on a yearly system of tracking the lost time injuries and preventable vehicle collisions and normalizing the numbers so that company comparisons are equated to workforce size or kilometres driven.

The lost time frequency rate is determined by identifying the total number of incidents that have occurred and multiplying the number by a given standard; that number is then divided by the total number of corporate hours worked for the period. To determine the preventable collision rate, the number of preventable collisions is multiplied by a given standard; that number is then divided by the total number of kilometres driven corporately for the period.

COMPENSATION AND BENEFITS

SaskEnergy has also designed a Total Rewards Strategy, with specific objectives and measures to ensure we can attract and retain top talent to our organization. Compensation and benefits are two critical, multi-faceted elements necessary for us to achieve our goal, and are measured against packages offered by similar companies in the Saskatchewan marketplace.

The job evaluation system currently used within our organization is strictly an internal process whereby determining the value of a position within the organization is measured relative to all other positions within the organization – there is no measurement for external comparators. As a result, to benchmark where we are relative to the marketplace, a determination has to be made about where we are drawing our talent pool from, and which external market we can accurately compare to. We have concluded that the prairie market, which encompasses Alberta, Saskatchewan, and Manitoba, is best suited for our purposes.

ANALYSIS

EMPLOYEE SAFETY

In terms of safety, our efforts for the year were focused on education and prevention. Throughout the Province, employees participated in sessions to increase their awareness and understanding of hazards and near misses. SaskEnergy also began raising the accountability of employees and supervisors in reducing the lost time frequency rate and preventable vehicle collision rate whenever possible. Although our Lost Time Frequency Rate was 2.95, it was down from 2004, indicating that our employees are becoming more safety-conscious.

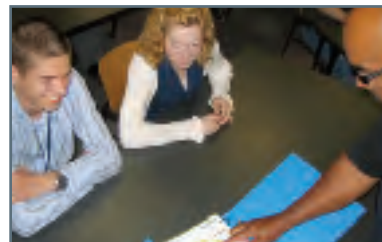
Our preventable vehicle collision rate was higher in 2005 than in 2004, as the company continues educating staff and building in accountability to our health and safety culture.

COMPENSATION AND BENEFITS

Our studies regarding our 2005 compensation and benefits package indicate that on average we were approximately 12% below the prairie market. It should be noted however, that these percentages are reflective of base salary only and not total compensation, which would include salary and benefits. In 2005, 40% of our employees' total compensation was attributed to benefits.

PROFESSIONAL DEVELOPMENT

Supporting the growth and development of our employees through learning has always been a priority at SaskEnergy. 2005 was a particularly strong performance year for this objective, as we continued with our safety, technology and technical training, while leveraging e-learning. Corporate-wide e-learning occurred in 2005 on the Code of Conduct Policy, Privacy, and over 140 other courses as part of our e-learning partnership with SaskTel. Developmental training for supervisory and listening skills were also provided, while SaskEnergy launched its sixth Leadership Development Program – an award-winning, comprehensive training opportunity to help build and nurture the future leaders in our company. Seventeen employees from around the company, including three individuals from key private sector supplier partnerships and key account customers will participate in this 18-month program.



SaskEnergy is focused on learning and leadership opportunities for staff across the Province. Year after year, the majority of our employees benefit from the programs we offer.

PERFORMANCE MANAGEMENT

Over the years our Human Resources area has raised the profile and functionality of the Performance Management System, an internal mechanism that creates the framework for management salary planning and merit increases, while helping employees develop individual goals that align with the company's overall objectives.

The first area of focus was the creation of an on-line system that provided efficient, seamless workflow and essentially improved the entire planning and reporting process. Performance Management forms became easily accessible by the employee, the supervisor and the Vice President, while the system allowed for immediate access to current and historical information.

Secondly, a decision was made to provide management salary increases based solely on performance. This was done to highlight the importance of individual performance to the success of the organization.

In conjunction with these initiatives was a critical component: communication. Ongoing communication with all levels of the organization is essential to the overall success of the Performance Management System. Workshops were introduced in 2005 to train employees and ensure they understand the system.

All of these enhancements demonstrate the importance of a first-rate Performance Management System which in turn supports SaskEnergy's corporate objectives.

Various studies show strong links between learning investments in your people and turnover, retention, employee engagement, and financial performance of the organization. Basically, if you invest in your people, your people will in turn invest back in your organization. Further research from the American Society for Training and Development confirms that strong learning practices translate directly into strong financial performances for organizations across all industries.

The Conference Board of Canada and the American Society for Training and Development both state that the single best measure an organization can use to track and benchmark people investments is the measure of "average training dollars invested per employee per year" which will become SaskEnergy's primary measure of learning investments in 2006 and beyond, replacing the previous measure of the percentage of people who received training in a year.

■ OUTLOOK

Additional safety training for supervisors, more effective management of hazards, and emphasis on having all employees adopt the view that “working safely is a condition of employment,” are just some of the key activities for 2006 that will bring SaskEnergy closer to its safety goal.

Compensation surveys will allow us to continue to monitor our external comparators and recognize the contributions of all our employees. This data will be used to analyze internal salary levels in comparison to external markets and develop overall recommendations for all categories.

Educating employees and supervisors on the importance of the Performance Management System will also be a focus throughout 2006. As employees see the results and rewards of achieving corporate and personal objectives, the Performance Management System will be viewed as an integral component in achieving these results.

The Conference Board of Canada publication titled Training and Development Outlook 2005 shows Canadian organizations investing an average of \$914 of training per employee per year. The American Society for Training and Development publication titled State of the Industry: 2005 shows American organizations investing an average of \$1,000 per employee per year. Both figures validate the current SaskEnergy average of \$925. In the future, SaskEnergy will continue to be committed to a culture of continuous learning, and will support this commitment with funding and programs that are consistent with those of a leading organization.

2005 INDEXED LIST OF COMMUNITIES SUPPORTED BY SASKENERGY/TRANS GAS¹

- | | |
|----------|--|
| A | Abbey, Aberdeen, Abernethy, Air Ronge, Alameda, Allan, Anaheim, Arborfield, Archerwill, Arcola, Asquith, Assiniboia, Avonlea. |
| B | Balcarres, Battleford, Beauval, Bengough, Benson, Big River, Big River First Nation, Biggar, Birch Hills, Bjorkdale, Black Lake Denesuline Nation, Borden, Broadview, Bruno, B-Say-Tah, Burstall. |
| C | Calder, Camsell Portage, Cando, Canora, Canwood, Carlyle, Carnduff, Caronport, Carrot River, Central Butte, Choiceland, Churchbridge, Clavet, Cole Bay, Coleville, Coronach, Cudworth, Cupar, Cypress Hills. |
| D | Dalmeny, Davidson, Denzil, Dinsmore, Drake, Dundurn. |
| E | Earl Grey, Eastend, Eatonia, Edam, Edenwold, Elrose, Emerald Park, Esterhazy, Estevan, Eston, Eyebrow. |
| F | Fillmore, Flying Dust First Nation, Foam Lake, Fond du Lac, Fort Qu'Appelle, Fort San, Francis, Frenchman Butte, Frobisher, Frontier. |
| G | Glaslyn, Glenavon, Glenside, Glentworth, Golden Prairie, Goodsoil, Gordon First Nation, Govan, Gravelbourg, Grayson, Grenfell, Gull Lake. |
| H | Hanley, Harris, Hodgeville, Holdfast, Hudson Bay, Hughenden, Humboldt. |
| I | Ile a la Crosse, Indian Head, Invermay, Island Lake, Ituna. |
| K | Kahkewistahaw First Nation, Kamsack, Kawacatoose First Nation, Kayville, Kelliher, Kelvington, Kenaston, Kennedy, Kerrobert, Kincaid, Kindersley, Kinistino, Kipling, Kitscoty, Kyle. |
| L | La Ronge, Lafleche, Lake Lenore, Lang, Langenburg, Langham, Lanigan, Leader, Lebret, LeRoss, LeRoy, Lestock, Lintlaw, Little Bear Lake, Little Pine First Nation, Lloydminster, Loon Lake, Loreburn, Lumsden, Luseland. |
| M | Macklin, Maidstone, Major, Mankota, Maple Creek, Marean Lake, Marengo, Marsden, Marshall, Martensville, Maryfield, Meadow Lake, Melfort, Melville, Meota, Milden, Milestone, Montmartre, Moose Jaw, Moosomin, Morse, Mossbank, Muenster. |
| N | Neilburg, Neudorf, Nipawin, Nokomis, Norquay, North Battleford. |

2005 INDEXED LIST OF COMMUNITIES SUPPORTED BY SASKENERGY/TRANSGAS¹

O	Ogema, Okanese First Nation, One Arrow First Nation, Onion Lake First Nation, Outlook, Oxbow.
P	Pangman, Paradise Hill, Pasqua First Nation, Paynton, Pelly, Pense, Perdue, Piapot, Piapot First Nation, Pierceland, Pilot Butte, Ponteix, Porcupine Plain, Preeceville, Prince Albert, Provost, Prud'homme, Punnichy.
Q	Qu'Appelle, Quinton.
R	Radville, Raymore, Red Earth First Nation, Regina, Rocanville, Rockglen, Rockhaven, Rose Valley, Rosetown, Rosthern, Rouleau.
S	Saskatoon, Senlac, Shaunavon, Sheho, Shellbrook, Shoal Lake Cree Nation, Sinaluta, Southey, Spiritwood, Springside, Spruce Home, Standing Buffalo First Nation, Stockholm, Stony Rapids, Strasbourg, St. Louis, St. Walburg, Success, Sweetgrass First Nation, Swift Current.
T	Thompkins, Thompson Lake, Thunderchild First Nation, Tisdale, Turtleford, Tuxford.
U	Unity, Uranium City.
V	Vanscoy, Vibank, Viscount, Vonda.
W	Wadena, Wakaw, Waldeck, Watrous, Watson, Wawota, Weldon, Weyburn, White City, White Fox, Whitewood, Wilkie, Willowbrook, Windthorst, Wishart, Wollaston Lake, Wood Mountain.
Y	Yorkdale, Yorkton.

¹cash donations only



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This is part of a two-book set consisting of the 2005 Annual Report and 2005 Corporate Social Responsibility Report.