

Chapter 19

Saskatchewan Power Corporation

1.0 MAIN POINTS

The Saskatchewan Power Corporation (SaskPower), its subsidiaries, and the Power Corporation Superannuation Plan (Superannuation Plan) complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2011 financial statements of SaskPower, its subsidiaries, and the Superannuation Plan are reliable.

SaskPower, its subsidiaries, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except that the Superannuation Plan needs to reconcile investment balances in a timely manner. Without timely reconciliations, management may not have complete and accurate financial information for plan management.

Also, the Superannuation Plan has implemented our previous recommendation and in 2011, appropriately monitored its service provider to ensure the service provider delivered the plan administration as expected.

NorthPoint Energy Solutions Inc. has implemented our previous recommendation and in 2011, completed the development and roll out of its training program for traders. This program will help ensure its traders have a sufficient understanding of market rules and processes and, in turn, will help decrease the risk of non-compliance with market rules.

2.0 INTRODUCTION

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

SaskPower's consolidated financial statements include the financial results of SaskPower and its subsidiaries (the companies it owns). SaskPower wholly owns three companies – NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Greenhouse), and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan (Superannuation Plan).

SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan each provide the Legislative Assembly with their annual financial statements. SaskPower International Inc. has no active operations beyond its joint venture interests in the Cory Cogeneration Station and the Cory Cogeneration Funding Corporation and its investment, over which it exerts significant influence, in the MRM Cogeneration Station. As such, it does not provide the Assembly with financial statements. The financial results of its joint venture interests are included in SaskPower's consolidated financial statements.

This chapter sets out the results of our 2011 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also provides the status of recommendations relevant to SaskPower made by the Standing Committee on Crown and Central Agencies.



3.0 AUDIT CONCLUSIONS AND FINDINGS

Deloitte & Touche LLP is the appointed auditor of SaskPower, NorthPoint, and the Superannuation Plan. MNP LLP is the appointed auditor of Greenhouse. Our Office and the appointed auditors work together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca).

In our opinion, for the year ended December 31, 2011:

- › **SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except for the matter reported in this chapter**

- › **SaskPower, NorthPoint, Greenhouse, SaskPower International Inc., and the Superannuation Plan complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

SaskPower:

The Power Corporation Act and related regulations
The Power Corporation Superannuation Act
The Superannuation (Supplementary Provisions) Act
The Crown Corporations Act, 1993 and related regulations
The Crown Employment Contracts Act

NorthPoint, Greenhouse, and SaskPower International:

The Business Corporations Act (Saskatchewan)

Superannuation Plan:

The Power Corporation Act
The Power Corporation Superannuation Act
The Superannuation (Supplementary Provisions) Act
The Superannuation Acts Uniform Regulations
The Pension Benefits Act, 1992
The Pension Benefit Regulations, 1993
The Pension Benefit Standards Regulations (Canada)
The Financial Administration Act, 1993
Income Tax Act (Canada) – Sections 147.1, 147.2, 147.3
Income Tax Regulations (Canada) – Sections 8501-8504, 8506, 8512 and 8514

Related Orders in Council

- › **The financial statements of SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan are reliable**

4.0 POWER CORPORATION SUPERANNUATION PLAN

4.1 Introduction

The Superannuation Plan is a closed defined benefit pension plan for those employees (and beneficiaries) who SaskPower hired prior to October 1, 1977. At December 31, 2011, the Superannuation Plan had over 2,000 current members including over 200 active members. At December 31, 2011, the Superannuation Plan had accrued pension obligations estimated at \$988.4 million, and managed total assets of \$728.1 million of which the majority was invested in equities, bonds, real estate, and infrastructure.

4.2 Timeliness of Investment Reconciliations

To ensure it records all of its investments, the Superannuation Plan has established control procedures for its investments. These procedures require staff to reconcile investment balances reported by the Superannuation Plan's custodian to those reported by each investment manager as at December 31, 2011, and investigate differences.

At December 31, 2011, management did not carry out its reconciliation procedures on a timely basis. This resulted in the Plan not recording about \$6 million of plan assets in its financial records. The Plan corrected its financial records and its financial statements prior to their finalization.

1. We recommend that the Power Corporation Superannuation Plan reconcile investment balances between the custodian and the investment managers' reports on a timely basis.

4.3 Service Provider Monitored

We recommended that the Power Corporation Superannuation Plan monitor the Public Employee Benefits Agency's fulfillment of assigned administrative responsibilities related to the Plan. (2011 Report – Volume 1)

Status – Implemented.

During 2011, management implemented a comprehensive review process to improve monitoring of Public Employee Benefits Agency's (PEBA) fulfillment of assigned administrative responsibilities. This review process includes review of PEBA control process documentation, review of PEBA's system for calculation of pension benefits, and a periodic reconciliation of PEBA's transaction information.



5.0 NORTHPOINT ENERGY SOLUTIONS INC.

5.1 Introduction

NorthPoint provides electrical energy marketing and trading services as well as natural gas management to SaskPower. In addition, it engages in wholesale electrical energy trading in markets across Canada and the United States.¹

For 2011, NorthPoint had revenues of \$21.7 million including \$7.8 million in service fees from SaskPower and a net income of \$21 million. At December 31, 2011, it had total assets of \$46.1 million.

5.2 Training on Electricity Trading Market Rules

We recommended that NorthPoint Energy Solutions Inc. establish a training program that provides its staff with ongoing training on market rules and on NorthPoint's processes to monitor compliance with those rules. (2010 Report – Volume 1)

Status – Implemented.

During 2011, management substantially completed its trader training program. The program provides initial training to traders on key information about market rules and processes to maintain compliance with them prior to traders receiving authority to trade. It provides ongoing training to traders for changes in compliance processes and training on any general compliance issues identified. Furthermore, staff specifically responsible for monitoring compliance actively identify changes to market rules and promptly communicates these changes to traders.

¹ Additional information on NorthPoint is available on its website at www.northpointenergy.com.