FIRST QUARTER FINANCIAL REPORT

For the three months ended March 31, 2014

SaskPower

Powering the future®

STRATEGIC DIRECTION

Our vision
A world-leading power company through innovation, performance and service

Our mission
Reliable, affordable, sustainable power

Our values
Safety, dedication and respect

Our core strategies and key priorities

People
- Customer experience
- Workforce excellence
- Stakeholder relations

Financial
- Process efficiency and cost management

Stewardship
- Supply mix diversification
- Infrastructure management, renewal and growth
- Environmental stewardship
- Technology enablement

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Revenue	**$ 558**	$ 513	$ 45
Expense	**512**	426	86
Income before unrealized market value adjustments	**46**	87	(41)
Net income	**105**	85	20
Capital expenditures	**284**	237	47
Long-term debt	**3,865**	3,174	691
Short-term advances	**698**	677	21
Finance lease obligations	**1,136**	434	702
Return on equity[1]	**8.2%**	18.1%	(9.9%)
Per cent debt ratio[2]	**69.7%**	66.2%	3.5%

1. Return on equity = (annualized income before unrealized market value adjustments)/(average equity).

2. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds– cash and cash equivalents).

Operating Statistics

	Three months ended March 31		
(GWh) [1]	**2014**	2013	Change
Saskatchewan electricity sales	**5,546**	5,339	207
Exports	**27**	106	(79)
Total electricity sales	**5,573**	5,445	128
Gross electricity supplied	**6,305**	6,143	162
Line losses	**(732)**	(698)	(34)
Net electricity supplied	**5,573**	5,445	128
Electricity trading purchases	**68**	74	(6)
Line losses	**-**	-	-
Electricity trading sales	**68**	74	(6)
Generating capacity (net MW)[2]	**4,281**	4,104	177
Peak load (net MW)[2]	**3,451**	3,379	72
Customers	**504,312**	492,448	11,864

1. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.

2. Megawatt (MW) is a unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited condensed consolidated financial statements and supporting notes for the three months ended March 31, 2014. These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The SaskPower Audit & Finance Committee of the Board of Directors has approved the condensed consolidated financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Financial results

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Revenue			
Saskatchewan electricity sales	**$ 530**	$ 478	$ 52
Exports	**3**	11	(8)
Net costs (sales) from electricity trading	**(1)**	1	(2)
Share of profit from equity accounted investees	**1**	1	-
Other revenue	**25**	22	3
	$ 558	$ 513	$ 45
Expense			
Fuel and purchased power	**$ 173**	$ 143	$ 30
Operating, maintenance and administration	**155**	137	18
Depreciation and amortization	**93**	83	10
Finance charges	**75**	49	26
Taxes	**13**	12	1
Other losses	**3**	2	1
	$ 512	$ 426	$ 86
Income before the following	**$ 46**	$ 87	$ (41)
Unrealized market value adjustments	**59**	(2)	61
Net income	**$ 105**	$ 85	$ 20
Return on equity[1]	**8.2%**	18.1%	(9.9%)

1. Return on equity = (annualized income before unrealized market value adjustments)/(average equity).

Highlights and summary of results

SaskPower's consolidated income before unrealized market value adjustments was $46 million in the first quarter of 2014 compared to $87 million in the first quarter of 2013. The decrease was due to higher operating costs offset by an increase in revenue. The return on equity was 8.2%, down 9.9 percentage points from the previous period.

Total revenue was up $45 million in the first quarter of 2014, compared to the first quarter of 2013. The improvement in revenue was attributable to a $52 million increase in Saskatchewan electricity sales due to the 5.5% system-wide average interim rate increase that became effective January 1, 2014 and higher sales volumes. Exports and electricity trading decreased $10 million as a result of lower sales volumes and profit margins in Alberta.

Total expense increased $86 million in the first quarter of 2014, compared to the first quarter of 2013. Fuel and purchased power costs increased $30 million largely as a result of higher natural gas generation which replaced less expensive coal and hydro generation. Operating, maintenance and administration (OM&A) expense was up $18 million due to higher salaries and benefits and increased overhaul and maintenance costs as compared to the first quarter of 2013. Depreciation expense increased $10 million compared to the same period in 2013 as a result of significant investments in the Corporation's property, plant and equipment. Finance charges increased $26 million due to an increase in finance lease expense as a result of the commissioning of the North Battleford Generating Station in June of 2013 and additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures.

SaskPower reported $59 million of unrealized market value net gains in the first quarter of 2014, compared to $2 million in net losses in the first quarter of 2013. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end.

Outlook

SaskPower's income before unrealized market value adjustments is expected to be $51 million in 2014, resulting in a return on equity of 2.2%.

Revenues of $2,150 million are expected to increase $105 million as a result of the system-wide average interim rate increase of 5.5% that became effective January 1, 2014, and a 349 GWh or 1.7% increase in electricity sales volumes.

The increase in revenue, however, is expected to be more than offset by a $221 million increase in expenses in 2014. The primary driver is a $90-million increase in capital-related expenses, including depreciation, finance charges, taxes and other losses. SaskPower invested $1.3 billion in capital and $700 million in new IPP generation assets in 2013, and an additional $1.2 billion is expected to be invested in 2014.

Fuel and purchased power costs are expected to increase $102 million as a result of higher generation volumes to source increased demand, rising natural gas prices and an unfavourable change in the fuel mix. OM&A expense is expected to increase $29 million due to higher salaries and benefits; and increased maintenance activities at SaskPower's generation facilities.

Capital expenditures in 2014 are forecast to be approximately $1.2 billion. This includes $470 million in costs to improve and expand the Corporation's transmission and distribution infrastructure, including the new I1K transmission line and connecting new customers to SaskPower's grid; $365 million on new generation initiatives, including the repowering of Queen Elizabeth Power Station and maintaining and refurbishing the existing generation fleet; and $170 million to complete the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended March 31 2014	2013	Change
Saskatchewan electricity sales	**$ 530**	$ 478	$ 52

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the province. These sales are subject to the effects of general economic conditions, number of customers, weather and electrical rates.

Saskatchewan electricity sales for the first quarter of 2014 were $530 million, up $52 million from the first quarter of 2013. The increase was due to the system-wide average interim rate increase of 5.5% that became effective January 1, 2014 and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers for the first three months of 2014 were 5,546 GWh, up 207 GWh or 4% from the same period in 2013. The Corporation experienced growth in demand from almost all customer classes with the exception of oilfield customers.

Exports

(in millions)	Three months ended March 31 2014	2013	Change
Exports	**$ 3**	$ 11	$ (8)

Exports represent the sale of SaskPower's available generation to other regions in Canada and the United States. The bulk of SaskPower's exports are traditionally made to the neighbouring Alberta and Midcontinent Independent System Operator (MISO) markets. Export pricing is not subject to the rate review process but is determined based on market conditions in other jurisdictions. Export sales volumes are dependent on the availability of SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were $3 million in the first quarter of 2014, down $8 million from the first quarter of 2013. Exports were down due to a decrease in sales volumes due to fewer opportunities in Alberta and reduced available generation capacity. Export sales volumes decreased 79 GWh or 75% during the first three months of 2014, compared to the first three months of 2013.

Net (costs) sales from electricity trading

(in millions)	Three months ended March 31 2014	2013	Change
Electricity trading revenue	**$ 4**	$ 5	$ (1)
Electricity trading costs	**(5)**	(4)	(1)
Net (costs) sales from electricity trading	**$ (1)**	$ 1	$ (2)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other derivatives in regions outside Saskatchewan. The trading activities include both real time as well as short- to long-term physical and financial trades in the North American market. The trading activities are intended to deliver positive gross margins to SaskPower's bottom line while operating within an acceptable level of risk.

Electricity trading revenue was $4 million in the first quarter of 2014, down $1 million from the first quarter of 2013. The decline in revenues was due to lower pool prices in Alberta. At the same time, NorthPoint was committed to electricity purchase and transmission contracts in British Columbia. As a result, the gross margin, or net sales after deducting purchased power and transmission costs was negative $1 million in the first three months of 2014, compared to a positive $1 million in the first three months of 2013.

Share of profit from equity accounted investees

(in millions)	2014	2013	Change
	Three months ended March 31		
Share of profit from equity accounted investees	**$ 1**	$ 1	$ -

SaskPower accounts for its 30% ownership in the MRM Cogeneration Station using the equity method. The MRM Cogeneration Station is a 172-megawatt (MW) natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The electricity generated by the facility is used by the mine, with excess energy delivered to the Alberta power grid.

SaskPower's share of profit from its investment in the MRM Cogeneration Station was $1 million for the first quarter of 2014, consistent with the prior year.

Other revenue

(in millions)	2014	2013	Change
	Three months ended March 31		
Other revenue	**$ 25**	$ 22	$ 3

Other revenue includes various non-electricity products and services. Other revenue was $25 million in the first quarter of 2014, up $3 million from the first quarter of 2013. The $3 million increase was due to higher gas and electrical inspection revenue and customer contributions. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for use.

Expense

Fuel and purchased power

(in millions)	2014	2013	Change
	Three months ended March 31		
Fuel and purchased power	**$ 173**	$ 143	$ 30

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities and through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have a low incremental cost per unit of generation. Hydro generation is dependent upon water levels and river flow at SaskPower's hydro facilities and coal generation is a product of the availability of our coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.

Fuel and purchased power costs were $173 million in the first quarter of 2014, up $30 million from the first quarter of 2013. The $30 million increase is a result of an unfavourable fuel mix, price and volume variance.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. During the first quarter of 2014, the Corporation's coal and hydro generation accounted for 58% of total generation compared to 69% from the same period in 2013. The decreased coal and hydro generation was replaced by more expensive natural gas generation and imports. This unfavourable change in the fuel mix resulted in an estimated $15 million increase in fuel and purchased power costs.

The average price of fuel increased as a result of higher average costs for coal as well as rising natural gas prices. The increased fuel prices caused an $11 million increase in fuel and purchased power costs.

Total generation and purchased power was 6,305 GWh in the first three months of 2014, an increase of 162 GWh or 2.6% compared to the same period in 2013. The higher demand resulted in an estimated $4 million increase in fuel and purchased power costs.

Operating, maintenance and administration (OM&A)

	Three months ended March 31		
(in millions)	**2014**	2013	Change
OM&A	**$ 155**	$ 137	$ 18

OM&A expense was $155 million in the first quarter of 2014, up $18 million from the first quarter of 2013. The rise in operating costs was largely due to an increase in salaries and benefits as a result of merit increases; job evaluation and collective bargaining settlements. In addition, the Corporation incurred higher maintenance costs as a result of the major overhauls at Boundary Dam Power Station Unit #5 and Poplar River Power Station Unit #1.

Depreciation and amortization

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Depreciation and amortization	**$ 93**	$ 83	$ 10

Depreciation represents a charge to income for the capital expenditures of SaskPower. The capital expenditures are amortized to income on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation rates are established based on periodic depreciation studies.

Depreciation expense was $93 million in the first quarter of 2014, up $10 million from the first quarter of 2013. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures. In addition, following the completion of an internal depreciation study in 2013, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective January 1, 2014, and resulted in approximately a $1 million increase to depreciation expense in the first quarter of 2014.

Finance charges

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Finance charges	**$ 75**	$ 49	$ 26

Finance charges include the net of interest on long-term and short-term debt; interest on finance leases; interest on employee benefit plans; interest on provisions; interest capitalized; debt retirement fund earnings; and interest income.

Finance charges were $75 million in the first quarter of 2014, up $26 million from the first quarter of 2013. The increase in finance charges was attributable to a $33 million increase in both finance lease expense as a result of the commissioning of the North Battleford Generating Station in June of 2013 and additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. In addition, debt retirement fund earnings also decreased $3 million compared to the prior year. These amounts were offset by a $9 million increase in interest capitalized and $1 million reduction in interest related to its employee benefit plans.

Taxes

(in millions)	Three months ended March 31 2014	2013	Change
Taxes	**$ 13**	$ 12	$ 1

Taxes represent the payment of corporation capital tax to the Province of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan. Taxes were $13 million in the first quarter of 2014, up $1 million compared to the first quarter of 2013 as a result of higher in grants-in-lieu of taxes paid due to rising Saskatchewan electricity sales.

Other losses

(in millions)	Three months ended March 31 2014	2013	Change
Other losses	**$ 3**	$ 2	$ 1

Other losses include the net losses on asset disposals and retirements, foreign exchange and environmental remediation activities. Other losses were $3 million in the first quarter of 2014, up $1 million compared to the first quarter of 2013. Additional losses were incurred on the disposal and retirement of distribution assets in 2014.

Unrealized market value adjustments

(in millions)	Three months ended March 31 2014	2013	Change
Natural gas contracts	**$ 39**	$ (4)	$ 43
Natural gas inventory revaluation	**(1)**	2	(3)
Electricity contracts	**10**	5	5
Debt retirement funds	**11**	(5)	16
Unrealized market value adjustments	**$ 59**	$ (2)	$ 61

Unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end. These non-cash transactions resulted in a net market value gain for the first quarter of 2014 of $59 million compared to a net loss of $2 million in the first quarter of 2013.

SaskPower had outstanding natural gas hedges of approximately 77 million notional gigajoules (GJs) to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the remainder of 2014 through 2023. The unrealized market value gains on these outstanding natural gas hedges and forward natural gas contracts were $39 million. The gains are the result of an improvement in the value of the outstanding natural gas hedges. These unrealized gains are subject to significant volatility based on movements in the forward price of natural gas.

In February, natural gas prices spiked which caused the Corporation's weighted average cost of natural gas inventory held in storage to increase. As such, SaskPower recorded a $1 million write-down of our natural gas inventory to reflect the current net realizable value.

Unrealized market value gains related to SaskPower's outstanding electricity derivative contracts were $10 million, a $5 million increase from the prior year.

The Corporation also recorded $11 million in market value gains related to its debt retirement funds, which represents a $16 million improvement compared to the same period in 2013.

Financial Condition

The following chart outlines changes in the condensed consolidated statement of financial position from December 31, 2013, to March 31, 2014:

(in millions)	**Increase / (decrease)**	**Explanation of change**
Cash and cash equivalents (bank indebtedness)	**$ (2)**	Refer to the Condensed Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	**28**	Higher electricity sales in March 2014 compared to December 2013.
Inventory	**-**	
Prepaid expenses	**9**	Increase in prepaid employee benefits.
Property, plant and equipment	**194**	Capital additions offset by depreciation expense and asset disposals and retirements.
Intangible assets	**(4)**	Amortization expense offset by the capitalization of new software costs.
Debt retirement funds	**25**	Instalments, earnings and market value adjustments.
Investments accounted for using equity method	**(1)**	MRM equity investment distribution less income.
Other assets	**-**	
Accounts payable and accrued liabilities	**21**	Timing of payments.
Accrued interest	**(13)**	Timing of interest payments.
Risk management liabilities (net of risk management assets)	**(49)**	Improvement in the fair value of the natural gas hedges and electricity derivative contracts.
Short-term advances	**(106)**	Repayment of short-term advances as a result of long-term borrowings.
Long-term debt (including current portion)	**297**	New long-term borrowings.
Finance lease obligations (including current portion)	**(1)**	Lease principal repayments.
Employee benefits	**19**	Actuarial losses on the defined benefit pension plan.
Provisions	**-**	
Equity	**85**	2014 comprehensive income.

Liquidity and Capital Resources

Cash flow highlights

(in millions)	March 31 2014	December 31 2013	Change
Bank indebtedness	**$ -**	$ (2)	$ 2

The Corporation's cash position increased $2 million from December 31, 2013. The $2 million increase was the result of $86 million provided by operating activities and $180 million provided by financing activities, offset by $264 million used in investing activities.

a) Operating activities

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Cash provided by operating activities	**$ 86**	$ 123	$ (37)

Cash provided by operating activities was $86 million in the first quarter of 2014, down $37 million from the first quarter of 2013. The decrease was primarily the result of decline in income before unrealized market value adjustments due to higher operating and capital related costs.

b) Investing activities

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Generation	**$ 126**	$ 142	$ (16)
Transmission & Distribution	**132**	76	56
Other	**26**	19	7
Total capital expenditures	**$ 284**	$ 237	$ 47
Less: Interest capitalized	**(19)**	(10)	(9)
Net costs of removal of assets	**1**	1	-
Distributions from equity accounted investees	**(2)**	-	(2)
Cash used in investing activities	**$ 264**	$ 228	$ 36

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower invested $284 million in the first quarter of 2014 on various capital projects. This includes $65 million invested in the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. The Corporation also invested $40 million to connect customers to the SaskPower electric system; $32 million on the I1K transmission line; $52 million on increasing capacity and sustaining transmission and distribution infrastructure; $27 million on the repowering of the Queen Elizabeth Power Station; $14 million on Service Delivery Renewal projects and $6 million on Information Technology projects.

c) Financing activities

(in millions)	Three months ended March 31 2014	2013	Change
Net repayment of short-term advances	**$ (106)**	$ (86)	$ (20)
Net proceeds from long-term debt	**297**	194	103
Debt retirement fund instalments	**(10)**	(6)	(4)
Principal repayment of finance lease obligations	**(2)**	(1)	(1)
Net increase in finance lease obligations	**1**	-	1
Realized gains on cash flow hedges	**-**	9	(9)
Cash provided by financing activities	**$ 180**	$ 110	$ 70

In the first quarter of 2014, $180 million of cash was provided by financing activities, up $70 million compared to the first quarter of 2013. The cash was used to finance the Corporation's capital program.

Capital management

(in millions)	March 31 2014	December 31 2013	Change
Long-term debt	**$ 3,865**	$ 3,568	$ 297
Short-term advances	**698**	804	(106)
Finance lease obligations	**1,136**	1,137	(1)
Total debt	**5,699**	5,509	190
Debt retirement funds	**(393)**	(368)	(25)
Bank indebtedness	**-**	2	(2)
Total net debt	**$ 5,306**	$ 5,143	$ 163
Retained earnings	**1,566**	1,461	105
Accumulated other comprehensive income	**82**	102	(20)
Equity advances	**660**	660	-
Total capital	**$ 7,614**	$ 7,366	$ 248
Per cent debt ratio[1]	**69.7%**	69.8%	(0.1%)

1. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds– cash and cash equivalents).

SaskPower's total debt position (including finance lease obligations) was $5,699 million at March 31, 2014, up $190 million from December 31, 2013. The increase in total debt was the result of:

- On January 10, 2014, the Corporation borrowed $200 million of long-term debt at a discount of $1.7 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 3.95% and matures on June 2, 2045.
- On March 6, 2014, the Corporation borrowed $100 million of long-term debt at a discount of $0.3 million. The debt issue has a coupon rate of 3.75%, an effective interest rate of 3.76% and matures on March 5, 2054.
- This increase in debt was offset by the repayment of $106 million of short-term advances; $1 million in non-recourse debt; and $1 million principal repayment of the Corporation's finance lease obligations.

The Corporation's per cent debt ratio has decreased slightly from 69.8% at the end of 2013 to 69.7% as at March 31, 2014.

Debt retirement fund instalments

	Three months ended March 31		
(in millions)	**2014**	2013	Change
Debt retirement fund instalments	**$ 10**	$ 6	$ 4

Debt retirement funds are monies set aside to retire outstanding long-term debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Government of Saskatchewan's General Revenue Fund.

During the first quarter of 2014, the Corporation made $10 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. SaskPower also earned $4 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

Historically, SaskPower has paid dividends to Crown Investments Corporation (CIC) of Saskatchewan based on the CIC Dividend Policy. CIC has determined that SaskPower will not be required to pay dividends in 2014 due to the significant investments in property, plant and equipment of the Corporation.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at March 31, 2014, which will impact cash flows in 2014 and beyond:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Long-term debt (including principal and interest)	$ 217	$ 964	$ 6,720
Debt retirement fund instalments	34	135	560
Future minimum lease payments	165	695	2,628

SaskPower's financing requirements for the next 12 months will include $217 million in principal and interest payments, $34 million of debt retirement fund instalments, and $165 million in minimum lease payments under existing power purchase agreements. Included in the future minimum lease payments above, is the availability payments related to the power purchase agreements which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

Condensed Consolidated Statement of Income

(in millions)	(Unaudited) Three months ended March 31 **2014**	**2013** (Restated - Note 3)
Revenue		
Saskatchewan electricity sales	**$ 530**	$ 478
Exports	**3**	11
Net (costs) sales from electricity trading	**(1)**	1
Share of profit from equity accounted investees	**1**	1
Other revenue	**25**	22
	558	513
Expense		
Fuel and purchased power	**173**	143
Operating, maintenance and administration	**155**	137
Depreciation and amortization	**93**	83
Finance charges	**75**	49
Taxes	**13**	12
Other losses	**3**	2
	512	426
Income before the following	**46**	87
Unrealized market value adjustments	**59**	(2)
Net income	**$ 105**	$ 85

See accompanying notes

Condensed Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended March 31 2014	2013 (Restated - Note 3)
Net income	**$ 105**	$ 85
Other comprehensive (loss) income		
Items that may be reclassified subsequently to net income:		
Realized gains (losses) on derivatives designated as cash flow hedges	**-**	9
Change in fair value of derivatives designated as cash flow hedges	**-**	9
Items that will not be reclassified to net income:		
Net actuarial (losses) gains on defined benefit pension plans	**(20)**	24
	(20)	42
Total comprehensive income	**$ 85**	$ 127

See accompanying notes

Condensed Consolidated Statement of Financial Position

(in millions) As at		(Unaudited) March 31 2014		(Audited *) December 31 2013
Assets				
Current assets				
Accounts receivable and unbilled revenue	**$**	**296**	$	268
Inventory		**187**		187
Prepaid expenses		**17**		8
Risk management assets *(Note 7)*		**28**		9
		528		472
Property, plant and equipment *(Note 4)*		**7,835**		7,641
Intangible assets		**72**		76
Debt retirement funds		**393**		368
Investments accounted for using equity method		**39**		40
Other assets		**7**		7
Total assets	**$**	**8,874**	$	8,604
Liabilities and equity				
Current liabilities				
Bank indebtedness	**$**	**-**	$	2
Accounts payable and accrued liabilities		**464**		443
Accrued interest		**40**		53
Risk management liabilities *(Note 7)*		**33**		63
Short-term advances		**698**		804
Current portion of long-term debt *(Note 5)*		**5**		5
Current portion of finance lease obligations *(Note 6)*		**7**		6
		1,247		1,376
Long-term debt *(Note 5)*		**3,860**		3,563
Finance lease obligations *(Note 6)*		**1,129**		1,131
Employee benefits		**172**		153
Provisions		**158**		158
Total liabilities		**6,566**		6,381
Equity				
Retained earnings		**1,566**		1,461
Accumulated other comprehensive income		**82**		102
Equity advances		**660**		660
Total equity		**2,308**		2,223
Total liabilities and equity	**$**	**8,874**	$	8,604

See accompanying notes

*As presented in the audited December 31, 2013, consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

(in millions)	Retained earnings	Accumulated other comprehensive income (loss): Net gains (losses) on derivatives designated as cash flow hedges	Accumulated other comprehensive income (loss): Net actuarial gains (losses) on defined benefit pension plans	Equity advances	**(Unaudited) Total**
Equity	(Restated - Note 3)				(Restated - Note 3)
Balance, January 1, 2013, as previously reported	$ 1,347	$ (6)	$ (143)	$ 660	**$ 1,858**
Net income	85	-	-	-	**85**
Other comprehensive income (loss)	-	18	24	-	**42**
Balance, March 31, 2013	**$ 1,432**	**$ 12**	**$ (119)**	**$ 660**	**$ 1,985**
Net income	29	-	-	-	**29**
Other comprehensive income (loss)	-	35	174	-	**209**
Balance, December 31, 2013	**$ 1,461**	**$ 47**	**$ 55**	**$ 660**	**$ 2,223**
Net income	105	-	-	-	**105**
Other comprehensive income (loss)	-	-	(20)	-	**(20)**
Balance, March 31, 2014	**$ 1,566**	**$ 47**	**$ 35**	**$ 660**	**$ 2,308**

See accompanying notes

Condensed Consolidated Statement of Cash Flows

	(Unaudited) Three months ended March 31	
(in millions)	**2014**	2013
		(Restated - Note 3)
Operating activities		
Net income	**$ 105**	$ 85
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	**93**	83
Finance charges	**75**	49
Other losses	**3**	2
Unrealized market value adjustments	**(59)**	2
Employee benefits	**(3)**	(2)
Share of profit from equity accounted investees	**(1)**	(1)
Environmental remediation expenditures	**(2)**	-
	211	218
Net change in non-cash working capital	**(17)**	(15)
Interest paid	**(108)**	(80)
Cash provided by operating activities	**86**	123
Investing activities		
Property, plant and equipment additions	**(263)**	(226)
Intangible assets additions	**(2)**	(1)
Net costs of removal of assets	**(1)**	(1)
Distributions from equity accounted investees	**2**	-
Cash used in investing activities	**(264)**	(228)
Decrease in cash before financing activities	**(178)**	(105)
Financing activities		
Net repayment of short-term advances	**(106)**	(86)
Net proceeds from long-term debt	**297**	194
Debt retirement fund instalments	**(10)**	(6)
Principal repayment of finance lease obligations	**(2)**	(1)
Net increase in finance lease obligations	**1**	-
Realized gains on derivatives designated as cash flow hedges	**-**	9
Cash provided by financing activities	**180**	110
Increase in cash	**2**	5
(Bank indebtedness) cash and cash equivalents, beginning of period	**(2)**	2
Cash and cash equivalents, end of period	**$ -**	$ 7

See accompanying notes

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Description of business

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's head office is located at 2025 Victoria Avenue in Regina, Saskatchewan, Canada, S4P 0S1.

By virtue of *The Crown Corporations Act, 1993,* SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal and provincial income taxes.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting.* These condensed consolidated financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

The accounting policies used in the preparation of these condensed consolidated financial statements conform with those used in the Corporation's most recent annual consolidated financial statements with the exception of the change in accounting polices discussed in Note 3.

The condensed consolidated financial statements were authorized for issue by the Audit & Finance Committee of the Board of Directors on May 2, 2014.

(b) Interim measurement

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

(c) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of financial position:

- Inventory at lower of cost and net realizable value.
- Financial instruments that are accounted for at fair value through profit or loss.
- Provisions.
- Employee benefit plan's accrued benefit obligations.

(d) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date under current market conditions (exit price). SaskPower'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. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 *(Note 7)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Government of Saskatchewan Ministry of Finance using 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 long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the same or similar debt instruments.

Natural gas fixed price swap contract values are calculated using internal discounted cash flow models that rely on forward AECO C natural gas pricing provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Electricity contract fair values are determined using independent pricing information from external market providers.

Bond forward agreement fair values are determined using internal discounted cash flow models that rely on forward Government of Canada bond yields provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. The finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's PPAs. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

(f) Use of estimates and judgments

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates are:

- Electricity deliveries not yet billed at period-end and allowance for doubtful accounts.
- Allowance for inventory obsolescence.
- Underlying estimates of useful lives and related depreciation and accumulated depreciation.
- Carrying amounts of provisions and underlying estimates of future cash flows.
- Fair value of financial instruments.
- Carrying amounts of employee benefits and underlying actuarial assumptions.

Following the completion of an internal depreciation study, the estimated useful lives of certain assets were changed. The change in estimate was applied prospectively, effective January 1, 2014, and is expected to result in a $5 million increase to depreciation expense in 2014.

Areas of judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated financial statements include:

- Identification of arrangements which contain a lease.
- Revenue recognition of customer contributions.

(g) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2014, and have not been applied in preparing these consolidated financial statements. In particular, IFRS 9, *Financial Instruments* for which the effective date of adoption has not been determined. The Corporation is currently reviewing the new standard to determine the potential impact, if any. SaskPower does not have any plans to early adopt the new standard.

3. Application of new and revised International Financial Reporting Standards

(a) IFRS 13, *Fair Value Measurement*

Effective January 1, 2013, SaskPower prospectively adopted IFRS 13, *Fair Value Measurement.* This new standard establishes a single framework for measuring fair value. Under IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price). The fair value measurement of certain electricity contracts was revised upon adoption of the new standard. The $5 million change in the adjustment to the valuation technique is recognized in profit or loss for the three months ended March 31, 2013 as follows:

Consolidated Statement of Comprehensive Income *(in millions)*	**Increase (decrease)** **Three months ended** **March 31** **2013**
Unrealized market value adjustments	$ 5
Adjustment to net income	**$ 5**

(b) IAS 32, *Financial Instruments: Presentation* in respect of offsetting

Effective January 1, 2014, SaskPower retrospectively adopted the amendments to IAS 32, *Financial Instruments: Presentation* in respect of offsetting. The amendments clarify certain items regarding offsetting financial assets and financial liabilities. There was no impact to the consolidated statement of financial position upon adoption of the new standard.

(c) IFRIC 21, *Levies*

Effective January 1, 2014, SaskPower adopted the interpretation IFRIC 21, *Levies*. The interpretation clarifies that a liability to pay a levy to a government should only be recognized when an obligating event has occurred. There was no impact to the consolidated statement of financial position upon adoption of the new interpretation.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

4. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, January 1, 2013	$ 4,431	$ 533	$ 1,057	$ 2,849	$ 562	$ 840	**$ 10,272**
Additions	3	-	10	40	24	237	**314**
Disposals and/or retirements	-	-	-	(2)	(2)	-	**(4)**
Transfers	-	-	-	-	-	(78)	**(78)**
Balance, March 31, 2013	**$ 4,434**	**$ 533**	**$ 1,067**	**$ 2,887**	**$ 584**	**$ 999**	**$ 10,504**
Additions	21	700	85	205	51	1,081	**2,143**
Disposals and/or retirements	(121)	-	(6)	(18)	(15)	-	**(160)**
Transfers	-	-	-	-	-	(415)	**(415)**
Balance, December 31, 2013	**$ 4,334**	**$ 1,233**	**$ 1,146**	**$ 3,074**	**$ 620**	**$ 1,665**	**$ 12,072**
Additions	3	-	9	51	8	284	**355**
Disposals and/or retirements	-	-	-	(4)	(6)	-	**(10)**
Transfers	-	-	-	-	-	(73)	**(73)**
Balance, March 31, 2014	**$ 4,337**	**$ 1,233**	**$ 1,155**	**$ 3,121**	**$ 622**	**$ 1,876**	**$ 12,344**
Accumulated depreciation							
Balance, January 1, 2013	$ 2,197	$ 181	$ 437	$ 1,190	$ 237	$ -	**$ 4,242**
Depreciation expense	34	6	7	22	9	-	**78**
Disposals and/or retirements	-	-	-	(1)	(2)	-	**(3)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2013	**$ 2,231**	**$ 187**	**$ 444**	**$ 1,211**	**$ 244**	**$ -**	**$ 4,317**
Depreciation expense	98	36	23	70	28	-	**255**
Disposals and/or retirements	(110)	-	(3)	(15)	(13)	-	**(141)**
Transfers	-	-	-	-	-	-	**-**
Balance, December 31, 2013	**$ 2,219**	**$ 223**	**$ 464**	**$ 1,266**	**$ 259**	**$ -**	**$ 4,431**
Depreciation expense	33	14	7	23	10	-	**87**
Disposals and/or retirements	-	-	-	(3)	(6)	-	**(9)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2014	**$ 2,252**	**$ 237**	**$ 471**	**$ 1,286**	**$ 263**	**$ -**	**$ 4,509**
Net book value							
Balance, March 31, 2013	**$ 2,203**	**$ 346**	**$ 623**	**$ 1,676**	**$ 340**	**$ 999**	**$ 6,187**
Balance, December 31, 2013	**$ 2,115**	**$ 1,010**	**$ 682**	**$ 1,808**	**$ 361**	**$ 1,665**	**$ 7,641**
Balance, March 31, 2014	**$ 2,085**	**$ 996**	**$ 684**	**$ 1,835**	**$ 359**	**$ 1,876**	**$ 7,835**

In the first three months of 2014, interest costs totaling $19 million (2013 – $10 million) were capitalized at the weighted average cost of borrowings rate of 5.00% (2013 – 5.50%)

The Corporation is forecasting to spend $1.2 billion on capital projects in 2014.

5. Long-term debt

(in millions)		
Balance, January 1, 2013	$	2,980
Issues during the period		195
Repayments during the period		(1)
Amortization of debt premium net of discounts		-
Balance, March 31, 2013	**$**	**3,174**
Issues during the period		495
Repayments during the period		(100)
Amortization of debt premium net of discounts		(1)
Balance, December 31, 2013	**$**	**3,568**
Issues during the period		298
Repayments during the period		(1)
Amortization of debt premium net of discounts		-
	$	3,865
Less: current portion of long-term debt		(5)
Balance, March 31, 2014	**$**	**3,860**

The Corporation, through the Government of Saskatchewan's General Revenue fund, transacted the following:

- On January 10, 2014, the Corporation borrowed $200 million of long-term debt at a discount of $1.7 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 3.95% and matures on June 2, 2045.
- On March 6, 2014, the Corporation borrowed $100 million of long-term debt at a discount of $0.3 million. The debt issue has a coupon rate of 3.75%, an effective interest rate of 3.76% and matures on March 5, 2054.
- Also, in March 2014, the Corporation entered into $140 million of bond forward agreements to hedge the interest rate risk on anticipated future borrowings. SaskPower has chosen to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to these derivative financial instruments have been recognized in other comprehensive income, with the fair value being recognized as risk management assets on the consolidated statement of financial position.

Included in the long-term debt balance at March 31, 2014, is $62 million of non-recourse debt related to SaskPower's joint venture interest in the Cory Cogeneration Station. The debt has effective interest rates ranging from 7.87% to 7.88% and is repayable quarterly maturing between December 31, 2025 and June 30, 2026.

6. Finance lease obligations

(in millions)		**March 31 2014**		December 31 2013
Total future minimum lease payments	**$**	**3,488**	$	3,531
Less: future finance charges on finance leases		**(2,352)**		(2,394)
Present value of finance lease obligations	**$**	**1,136**	$	1,137
Less: current portion of finance lease obligations		**(7)**		(6)
	$	**1,129**	$	1,131

Notes to the Condensed Consolidated Financial Statements (Unaudited)

7. Financial instruments

			March 31 2014		December 31 2013	
(in millions)			**Asset (liability)**		Asset (liability)	
Financial instruments	**Classification[4]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Accounts receivable and unbilled revenue	L&R[2]	N/A	**$ 296**	**$ 296**	$ 268	$ 268
Debt retirement funds	FVTPL[1]	2	**393**	**393**	368	368
Other assets - investment	FVTPL[1]	3	**2**	**2**	2	2
Financial liabilities						
Bank indebtedness	FVTPL[1]	1	**$ -**	**$ -**	$ (2)	$ (2)
Accounts payable and accrued liabilities	OL[3]	N/A	**(464)**	**(464)**	(443)	(443)
Accrued interest	OL[3]	N/A	**(40)**	**(40)**	(53)	(53)
Short-term advances	OL[3]	N/A	**(698)**	**(698)**	(804)	(804)
Long-term debt	OL[3]	2	**(3,865)**	**(4,516)**	(3,568)	(4,080)
Finance lease obligations	OL[3]	3	**(1,136)**	**(1,235)**	(1,137)	(1,214)

			March 31 2014		December 31 2013	
(in millions)	**Classification[4]**	**Level[5]**	**Asset**	**Liability**	Asset	Liability
Natural gas contracts						
Fixed price swap instruments	FVTPL[1]	2	**$ 7**	**$ (33)**	$ 1	$ (63)
Forward agreements	FVTPL[1]	2	**6**	**-**	3	-
Electricity contracts						
Contracts for differences	FVTPL[1]	2	**-**	**-**	-	-
Forward agreements	FVTPL[1]	2	**15**	**-**	5	-
			$ 28	**$ (33)**	$ 9	$ (63)

1. FVTPL – fair value through profit or loss.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as held-to-maturity.
5. Fair values are determined using a fair value hierarchy as follows:

   Level 1 – Quoted prices in active markets for identical assets or liabilities.

   Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

   Level 3 – Inputs for the asset or liability that are not based on observable market data.

   Not applicable (N/A) – Financial instruments — including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and short-term advances — are carried at values which approximate fair value.

SaskPower system map

AVAILABLE GENERATION (net capacity)

HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 111 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
13. Coteau Creek Hydroelectric Station - 186 MW

NATURAL GAS

3. Meadow Lake Power Station - 44 MW
7. Yellowhead Power Station - 138 MW
9. Ermine Power Station - 92 MW
10. Landis Power Station - 79 MW
12. Queen Elizabeth Power Station - 430 MW
15. Success Power Station - 30 MW

WIND

16. Cypress Wind Power Facility - 11 MW
18. Centennial Wind Power Facility - 150 MW

COAL

20. Poplar River Power Station - 582 MW
21. Boundary Dam Power Station - 733 MW [Site of the Integrated Carbon Capture and Storage Demonstration Project]
23. Shand Power Station - 276 MW

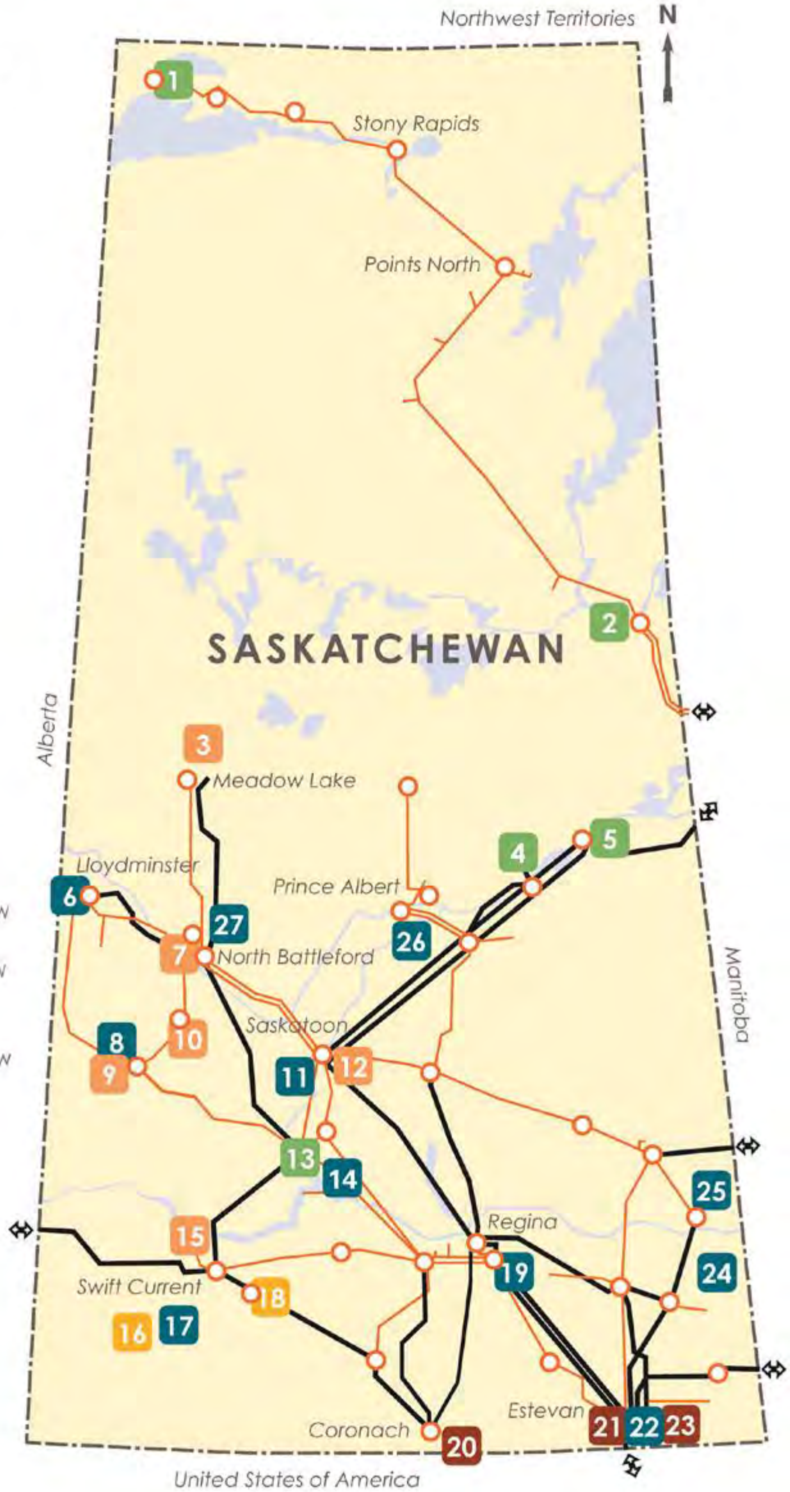
INDEPENDENT POWER PRODUCERS*

6. Meridian Cogeneration Station - 210 MW
8. NRGreen Kerrobert Heat Recovery Facility - 5 MW
11. Cory Cogeneration Station - 228 MW
14. NRGreen Loreburn Heat Recovery Facility - 5 MW
17. SunBridge Wind Power Facility - 11 MW
19. NRGreen Estlin Heat Recovery Facility - 5 MW
22. NRGreen Alameda Heat Recovery Facility - 5 MW
24. Red Lily Wind Energy Facility - 26 MW
25. Spy Hill Generating Station - 86 MW
26. Prince Albert Pulp Inc. - 10 MW
27. North Battleford Generating Station - 260 MW

*[Additional 2 MW of capacity from small independent power producers]

TRANSMISSION

- 230 kV
- 138 kV/115 kV/110 kV
- Switching station
- Interconnection



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SaskPower

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