THIRD QUARTER FINANCIAL REPORT

For the nine months ended

December 31, 2019

SaskPower
Powering the future®

2019-20

STRATEGIC DIRECTION

Our vision

Powering Saskatchewan to a cleaner energy future through innovation, performance and service.

Our mission

Ensuring reliable, sustainable and cost-effective power for our customers and the communities we serve.

Our values

Safety, openness, collaboration and accountability.

Our corporate pillars

- Customer experience and stakeholder relations
- Workforce excellence
- Efficiency, quality and cost management
- Sustainable infrastructure and reliability

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL INDICATORS

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Revenue	**$ 684**	$ 693	$ (9)	**$ 2,026**	$ 2,011	$ 15
Expense	**658**	631	27	**1,874**	1,855	19
Net income	**26**	62	(36)	**152**	156	(4)
Capital expenditures	**190**	227	(37)	**549**	648	(99)
Net cash from operating activities	**189**	165	24	**617**	467	150
Return on equity[1]				**7.7%**	8.3%	-0.6%

	December 31 2019	March 31 2019	Change
Total net debt	**$ 7,290**	$ 7,347	$ (57)
Per cent debt ratio[2]	**73.0%**	74.1%	-1.1%

1. Return on equity = (annualized net income)/(average equity), where equity = (retained earnings + equity advances).
2. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + lease liabilities – debt retirement funds – cash and cash equivalents) and equity = (retained earnings + equity advances).

OPERATING STATISTICS

	Three months ended December 31			Nine months ended December 31		
(GWh)[1]	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Saskatchewan electricity sales	**5,774**	6,033	(259)	**17,001**	17,360	(359)
Exports	**55**	51	4	**170**	305	(135)
Total electricity sales	**5,829**	6,084	(255)	**17,171**	17,665	(494)
Gross electricity supplied	**6,521**	6,583	(62)	**18,392**	18,831	(439)
Line losses	**(692)**	(499)	(193)	**(1,221)**	(1,166)	(55)
Net electricity supplied	**5,829**	6,084	(255)	**17,171**	17,665	(494)
Generating capacity (net MW)[2]				**4,884**	4,493	391
Peak load (net MW)[2]				**3,513**	3,617	(104)
Summer peak load (net MW)[2]				**3,437**	3,524	(87)
Customers				**539,821**	536,946	2,875

1. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical households 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 nine months ended December 31, 2019. 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; new and changing regulations; and market conditions in other jurisdictions.

FINANCIAL RESULTS

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Revenue						
Saskatchewan electricity sales	**$ 656**	$ 656	$ -	**$ 1,926**	$ 1,908	$ 18
Exports and electricity trading	**3**	4	(1)	**11**	19	(8)
Other revenue	**25**	33	(8)	**89**	84	5
Total revenue	**$ 684**	$ 693	$ (9)	**$ 2,026**	$ 2,011	$ 15
Expense						
Fuel and purchased power	**$ 194**	$ 186	$ 8	**$ 521**	$ 494	$ 27
Operating, maintenance and administration	**174**	177	(3)	**519**	531	(12)
Depreciation and amortization	**146**	139	7	**424**	415	9
Finance charges	**116**	102	14	**325**	310	15
Taxes	**19**	20	(1)	**60**	57	3
Other expenses	**9**	7	2	**25**	48	(23)
Total expense	**$ 658**	$ 631	$ 27	**$ 1,874**	$ 1,855	$ 19
Net income	**$ 26**	$ 62	$ (36)	**$ 152**	$ 156	$ (4)
Return on equity[1]				**7.7%**	8.3%	-0.6%

1. Return on equity = (annualized net income)/(average equity), where equity = (retained earnings + equity advances).

Highlights and summary of results

Third Quarter

SaskPower reported consolidated net income of $26 million in the third quarter of 2019-20 compared to $62 million in the same period in 2018-19. The $36 million decrease was primarily due to a $27 million increase in expenses coupled with a $9 million decrease in revenue.

The $27 million increase in total expense was mainly attributable to capital-related expenses – such as depreciation, finance charges and taxes – which increased $20 million during the quarter as a result of additional investments in the Corporation's capital program. Fuel and purchased power costs also increased $8 million due to the introduction of the federal carbon charge offset by increased use of lower-cost fuel sources as well as lower demand. These additional expenses were partially offset by a $3 million reduction in OM&A expense as a result of decreased emergency corrective work on our transmission and distribution infrastructure due to less storm activity during the period.

The $9 million decrease in total revenue was mainly attributable to an $8 million decrease in other revenue as a result of reduced customer contributions and CO_2 sales.

Year-to-Date

SaskPower reported consolidated net income of $152 million in the first nine months of 2019-20 compared to $156 million in the same period in 2018-19. The $4 million decrease was primarily due to a $19 million increase in expenses offset by a $15 million increase in revenue. The return on equity was 7.7%, down 0.6% from the previous period.

The $19 million increase in total expense was attributable to higher fuel and purchased power costs of $27 million. Fuel and purchased power costs increased largely as a result of the introduction of the federal carbon charge offset by increased use of lower-cost fuel sources as well as lower demand. Capital-related expenses – such as depreciation, finance charges, and taxes – increased $27 million due to additional investments in the Corporation's capital program. These increases in expense were partially offset by other expenses which decreased $23 million mainly as a result of an adjustment to the environmental remediation provision recognized in the first quarter of 2018-19. OM&A expense also decreased $12 million primarily as a result of lower materials and contract services costs related to transmission and distribution infrastructure as a result of less storm activity during the period. In addition, due to the adoption of the new accounting standard for leases, expenses that were previously recognized in OM&A are now captured in finance charges and depreciation of right-of-use leased assets.

The $15 million increase in total revenue was mainly attributable to higher Saskatchewan electricity sales of $18 million due to the impact of the federal carbon charge effective April 1, 2019, partially offset by lower sales volumes. The revenue associated with the federal carbon charge is being set aside and will be used to fund the federal carbon tax payment for the 2019 calendar year. Other revenue also increased $5 million due to higher customer contributions and fly ash revenue during the period. These increases were partially offset by an $8 million decrease in exports and electricity trading profits as a result of limited opportunities to sell into Alberta.

Outlook

SaskPower's net income is forecast to be $206 million in 2019-20, resulting in a return on equity of 7.8%.

Revenues of $2,772 million are expected to increase $47 million compared to the 2018-19 fiscal year. The main cause is an increase of $53 million in Saskatchewan electricity sales largely due to the federal carbon charge. Other revenue is also expected to increase $6 million due to additional customer contributions. These increases are expected to be partially offset by a $12 million decrease in exports and electricity trading activities due to limited opportunities to sell into Alberta at favorable prices.

This increase in revenue, however, is expected to be partially offset by an additional $38 million of expenses in 2019-20. The primary driver is a $34 million increase in fuel and purchased power costs as a result of the federal carbon charge partially offset by expected decreases in generation volumes. Capital-related expenses, including depreciation, finance charges, taxes and other expenses, are also expected to increase $13 million as a result of additional investment in the Corporation's property, plant and equipment. OM&A expense is expected to decrease $9 million primarily due to reductions in contract and consulting services as well as vehicles.

Capital expenditures in 2019-20 are forecast to be approximately $714 million. This includes $25 million to complete the new Chinook Power Station; $82 million in costs to improve and expand the Corporation's transmission and distribution infrastructure; $156 million to connect new customers to SaskPower's grid; $162 million to sustain our existing transmission and distribution assets; and $136 million to maintain the existing generation fleet.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended December 31 2019-20	2018-19	Change	Nine months ended December 31 2019-20	2018-19	Change
Residential	**$ 144**	$ 146	$ (2)	**$ 414**	$ 422	$ (8)
Farm	**52**	51	1	**142**	142	-
Commercial	**134**	131	3	**384**	384	-
Oilfield	**110**	105	5	**325**	302	23
Power	**191**	200	(9)	**586**	584	2
Reseller	**25**	23	2	**75**	74	1
Saskatchewan electricity sales	**$ 656**	$ 656	$ -	**$ 1,926**	$ 1,908	$ 18

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 electricity rates.

Saskatchewan electricity sales for the first nine months of 2019-20 were $1,926 million, up $18 million from the same period in 2018-19. The increase was due to the implementation of the federal carbon charge effective April 1, 2019. The revenue associated with the federal carbon charge is being set aside and will be used to fund the federal carbon tax payment for the 2019 calendar year. The increase in federal carbon charges was partially offset by lower sales volumes. Electricity sales volumes to Saskatchewan customers for the first nine months of 2019-20 were 17,001 GWh, down 359 GWh or 2.1% from the same period in 2018-19. Demand decreased in all customer classes except for oilfields customers.

Q3 YTD ELECTRICITY SALES (IN MILLIONS)

Exports and electricity trading

(in millions)	Three months ended December 31 2019-20	2018-19	Change	Nine months ended December 31 2019-20	2018-19	Change
Exports and electricity trading	**$ 3**	$ 4	$ (1)	**$ 11**	$ 19	$ (8)

Exports represent the sale of SaskPower's available generation to other regions in Canada and the United States. 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.

Exports and electricity trading were $11 million in the first nine months of 2019-20, down $8 million from the same period in 2018-19. Exports were down $7 million due to decreased opportunities to sell into Alberta as a result of the Saskatchewan-Alberta tie-line outage from June through August. Export sales volumes were 170 GWh, down 135 GWh from volumes sold in the first nine months of 2018-19. However, the average export sales price increased $8 per megawatt hour compared to the same period in the prior year. Net margins from electricity trading were down $1 million compared to the same period in 2018-19 due to decreased opportunities to sell into Alberta.

Other revenue						
	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Other revenue	**$ 25**	$ 33	$ (8)	**$ 89**	$ 84	$ 5

Other revenue includes SaskPower's equity investment in the MRM Cogeneration Station (MRM) and various non-electricity products and services. Other revenue was $89 million in the first nine months of 2019-20, up $5 million compared to the same period in 2018-19. This increase was mainly due to higher customer contributions, which increased $4 million from the same period in the prior year. Customer contributions are funds received from certain customers towards the cost of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for its intended use and the Corporation's performance obligations are complete.

Fly ash and CO_2 sales contributed an additional $2 million increase in other revenue offset by a $1 million decrease in equity investment income.

Expense

Fuel and purchased power						
	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Gas	**$ 96**	$ 80	$ 16	**$ 221**	$ 212	$ 9
Coal	**74**	73	1	**227**	202	25
Wind	**8**	6	2	**23**	16	7
Hydro	**5**	4	1	**16**	15	1
Imports	**6**	17	(11)	**20**	34	(14)
Other	**5**	6	(1)	**14**	15	(1)
Fuel and purchased power	**$ 194**	$ 186	$ 8	**$ 521**	$ 494	$ 27

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, costs associated with 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 favorable 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. Included in the incremental cost is the federal price of carbon on generation that exceeds the allowable emission thresholds.

Fuel and purchased power costs were $521 million in the first nine months of 2019-20, up $27 million from the same period in 2018-19. The $27 million increase is a result of unfavourable price variance offset by favourable fuel mix and volume variances.

Fuel prices were up $44 million compared to the same period in the prior year as a result of the introduction of the federal carbon charge. In addition, the average price of fuel increased due to higher import prices with average prices increasing approximately $9 per MWh. The higher fuel prices resulted in an overall increase of approximately $54 million in fuel and purchased power costs.

SaskPower accumulates differences between the federal carbon charge revenue collected from customers and the federal carbon tax owing to the federal government in a Federal Carbon Tax Variance Account (FCTVA). The balance in the FCTVA, which is not included in SaskPower's financial statements, is either recovered from, or refunded to, customers as part of future federal carbon charge rates. For the calendar year ended December 31, 2019, the FCTVA has a shortage of $12 million owing from customers which will be collected through increased federal carbon charge rates effective January 1, 2020.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy generated from lower incremental cost units such as hydro, the more favourable the impact on fuel and purchased power costs. During the first nine months of 2019-20, the Corporation's hydro generation accounted for 15.0% of total generation compared to 14.2% for the same period in 2018-19. The increased lower cost hydro generation replaced more expensive generation sources. This favourable change in the fuel mix resulted in an estimated $16 million decrease in fuel and purchased power costs.

Total generation and purchased power was 18,392 GWh in the first nine months of 2019-20, a decrease of 439 GWh or 2.3% compared to the same period in 2018-19. The lower demand resulted in an estimated $11 million decrease in fuel and purchased power costs.

Operating, maintenance and administration (OM&A)

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
OM&A	**$ 174**	$ 177	$ (3)	**$ 519**	$ 531	$ (12)

OM&A expense includes salaries and benefits; external services; materials and supplies; and other operating costs.

OM&A expense was $519 million in the first nine months of 2019-20, down $12 million from the same period in 2018-19. The decrease in OM&A was primarily due to lower materials and contract services costs related to transmission and distribution infrastructure as a result of less storm activity during the period. In addition, due to the adoption of the new accounting standard for leases, expenses that were previously recognized in OM&A are now captured in finance charges and depreciation of right-of-use leased assets.

Depreciation and amortization

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Depreciation and amortization	**$ 146**	$ 139	$ 7	**$ 424**	$ 415	$ 9

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 $424 million in the first nine months of 2019-20, up $9 million from the same period in 2018-19. The increase 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 2018-19, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective April 1, 2019.

Finance charges

(in millions)	Three months ended December 31 2019-20	2018-19	Change	Nine months ended December 31 2019-20	2018-19	Change
Finance charges	**$ 116**	$ 102	$ 14	**$ 325**	$ 310	$ 15

Finance charges include net interest on long-term and short-term debt; interest on lease liabilities; interest on employee benefit plans; interest on provisions; interest capitalized; debt retirement fund earnings; and interest income.

Finance charges were $325 million in the first nine months of 2019-20, up $15 million compared to the same period in 2018-19. Additional finance charges of $9 million were incurred related to the repayment of the non-recourse debt associated with the Cory Cogeneration Station as well as higher interest of $5 million due to additional long-term borrowings required to finance SaskPower's capital expenditures. In addition, interest capitalized decreased by $4 million. However, these increases were offset by an increase in debt retirement fund earnings of $3 million.

Taxes

(in millions)	Three months ended December 31 2019-20	2018-19	Change	Nine months ended December 31 2019-20	2018-19	Change
Taxes	**$ 19**	$ 20	$ (1)	**$ 60**	$ 57	$ 3

Taxes represent the payment of corporate capital tax to the Province of Saskatchewan, payments to the General Revenue Fund and grants-in-lieu of property taxes. Taxes were $60 million in the first nine months of 2019-20, up $3 million compared to the same period in 2018-19. The increase was mainly attributable to higher corporate capital tax due to an increase in paid-up capital.

Other expenses

(in millions)	Three months ended December 31 2019-20	2018-19	Change	Nine months ended December 31 2019-20	2018-19	Change
Other expenses	**$ 9**	$ 7	$ 2	**$ 25**	$ 48	$ (23)

Other expenses include net losses on asset disposals and retirements; inventory variance adjustments; foreign exchange gains and losses; and environmental remediation activities. Other expenses were $25 million in the first nine months of 2019-20, down $23 million compared to the same period in 2018-19. The decrease is mainly a result of an adjustment to SaskPower's environmental remediation provision based on proposed estimated settlement costs for past activities recognized in the first quarter of 2018-19 offset by higher losses on asset disposals and retirements in 2019-20.

Financial Condition

The following table outlines changes in the condensed consolidated statement of financial position from March 31, 2019, to December 31, 2019:

Financial Condition *(in millions)*	Change ($)	Change (%)	
Cash and cash equivalents	$ (7)	-70%	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(51)	-10%	Decrease in margin deposits on natural gas derivatives and timing of receipts.
Inventory	2	1%	Increase in natural gas inventory offset by decrease in maintenance supplies and increase in the allowance for obsolescence.
Prepaid expenses	(5)	-20%	Recognition of prepaid employee benefits.
Property, plant and equipment	(486)	-5%	Reclassification of leased assets to right-of-use assets under IFRS 16.
Right-of-use assets	626	-	Reclassification and additions of leased assets under IFRS 16.
Intangible assets	4	7%	Capitalization of new software costs offset by amortization expense.
Debt retirement funds	72	10%	Instalments, earnings, and market value gains.
Investments accounted for using equity method	1	3%	MRM cash contributions and investment income offset by cash distributions.
Other assets	4	400%	Increased long-term maintenance service costs.
Accounts payable and accrued liabilities	22	5%	Timing of accruals and payments.
Accrued interest	-	0%	
Deferred revenue	(2)	-7%	Recognition of related revenue.
Dividend payable	(16)	-80%	Timing of payments.
Risk management liabilities (net of risk management assets)	(43)	-33%	Settlement of natural gas hedges and increase in forward natural gas prices.
Short-term advances	(207)	-21%	Repayment of short-term advances as a result of long-term borrowings.
Long-term debt (including current portion)	305	5%	New borrowings from General Revenue Fund offset by repayment of non-recourse debt.
Lease liabilities (including current portion)	(90)	-8%	Derecognition of PPA lease liability due to purchase of the Cory Cogeneration Station and principal repayments offset by additional lease liabilities under IFRS 16.
Employee benefits	(9)	-4%	Actuarial gains on the defined benefit pension plan offset by interest expense.
Provisions	14	5%	Increase in decommissioning provisions due to commissioning of Chinook Power Station and purchase of the Cory Cogeneration Station.
Equity	186	7%	2019-20 comprehensive income less dividends.

Liquidity and Capital Resources

Cash flow highlights

(in millions)	December 31 2019	March 31 2019	Change
Cash and cash equivalents	**$ 3**	$ 10	$ (7)

The Corporation's cash position decreased $7 million from March 31, 2019. The $7 million decrease was the result of $617 million provided by operating activities offset by $529 million used in investing activities and $95 million used in financing activities.

a) Operating activities

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Cash provided by operating activities	**$ 189**	$ 165	$ 24	**$ 617**	$ 467	$ 150

Cash provided by operating activities was $617 million in the first nine months of 2019-20, up $150 million from the same period in 2018-19. The change was primarily the result of changes in non-cash working capital.

b) Investing activities

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2019-20**	2018-19	Change	**2019-20**	2018-19	Change
Generation	**$ 42**	$ 34	$ 8	**$ 104**	$ 101	$ 3
Transmission	**12**	7	5	**44**	35	9
Distribution	**29**	31	(2)	**82**	83	(1)
Other	**20**	15	5	**55**	33	22
Sustainment	**103**	87	16	**285**	252	33
Generation	**5**	13	(8)	**24**	75	(51)
Transmission	**19**	50	(31)	**49**	129	(80)
Distribution	**4**	8	(4)	**10**	24	(14)
Customer connects	**51**	59	(8)	**123**	133	(10)
Growth and compliance	**79**	130	(51)	**206**	361	(155)
Strategic and other investments	**8**	10	(2)	**58**	35	23
Total capital expenditures	**$ 190**	$ 227	$ (37)	**$ 549**	$ 648	$ (99)
Less: Interest capitalized	**(5)**	(10)	5	**(23)**	(27)	4
Reimbursements/proceeds from sale and disposal	**-**	-	-	**(2)**	(2)	-
Costs of removal of assets	**2**	1	1	**5**	4	1
Contributions to equity accounted investees	**-**	-	-	**4**	-	4
Distributions from equity accounted investees	**-**	(3)	3	**(4)**	(4)	-
Cash used in investing activities	**$ 187**	$ 215	$ (28)	**$ 529**	$ 619	$ (90)

To ensure a reliable, sustainable and cost-effective supply of electricity for its customers, SaskPower invested $549 million in the first nine months of 2019-20 on various capital projects. This includes $23 million for the newly commissioned Chinook Power Station; $104 million on generation sustainment activities; $123 million to connect customers to the SaskPower electric system; and $185 million on increasing capacity and sustaining transmission and distribution infrastructure.

c) Financing activities

(in millions)	Three months ended December 31 2019-20	2018-19	Change	Nine months ended December 31 2019-20	2018-19	Change
Net repayments of short-term advances	**$ 89**	$ 72	$ 17	**$ (207)**	$ (176)	$ (31)
Proceeds from long-term debt	**-**	-	-	**344**	389	(45)
Repayments of non-recourse debt	**(84)**	(1)	(83)	**(88)**	(4)	(84)
Debt retirement fund instalments	**(10)**	(11)	1	**(44)**	(41)	(3)
Principal repayment of lease liabilities	**(7)**	(5)	(2)	**(15)**	(11)	(4)
Net decrease in liabilities	**-**	-	-	**(54)**	-	(54)
Dividends paid	**(4)**	-	(4)	**(31)**	-	(31)
Cash (used in) provided by financing activities	**$ (16)**	$ 55	$ (71)	**$ (95)**	$ 157	$ (252)

In the first nine months of 2019-20, $95 million of cash was used in financing activities, down $252 million compared to the same period in 2018-19. As part of the purchase of the remaining 50% of the Cory Cogeneration Station Joint Venture, the Corporation derecognized the net lease liability of $96 million related to the power purchase agreement between SaskPower and the joint venture and recognized an additional $42 million of non-recourse debt. On November 7, 2019, the Corporation repaid the outstanding balance of non-recourse debt in full. Additional net repayments of short-term advances, lower proceeds from long-term debt, principal repayment of lease liabilities as well as dividend payments to the Corporation's shareholder based on 10% of 2018-19 net income and 2019-20 first and second quarter income contributed to the change in cash used in financing activities.

Capital management

(in millions)	December 31 2019	March 31 2019	Change
Long-term debt	**$ 6,309**	$ 6,004	$ 305
Short-term advances	**789**	996	(207)
Lease liabilities	**1,015**	1,105	(90)
Total debt	**8,113**	8,105	8
Debt retirement funds	**820**	748	72
Cash and cash equivalents	**3**	10	(7)
Total net debt	**$ 7,290**	$ 7,347	$ (57)
Retained earnings	**2,075**	1,938	137
Equity advances	**626**	626	-
Total capital	**$ 9,991**	$ 9,911	$ 80
Per cent debt ratio[1]	**73.0%**	74.1%	-1.1%

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

SaskPower's total debt position (including lease liabilities) was $8,113 million at December 31, 2019, up $8 million from March 31, 2019. The increase in total debt was the result of:

- On April 2, 2019, the Corporation borrowed $150 million of long-term debt at a premium of $9 million. The debt issue has a coupon rate of 3.10%, an effective interest rate of 2.81%, and matures on June 2, 2050.
- On June 14, 2019, the Corporation borrowed $175 million of long-term debt at a premium of $10 million. The debt issue has a coupon rate of 3.05%, an effective interest rate of 2.34%, and matures on December 2, 2028.
- The Corporation adopted IFRS 16 effective April 1, 2019 and recognized $21 million in additional lease liabilities with a weighted average interest rate of 2.50%.
- Effective July 11, 2019, SaskPower, through its subsidiary SaskPower International, purchased the remaining 50% ownership interest in the Cory Cogeneration Station Joint Venture and the remaining 50% ownership interest in the Cory Cogeneration Funding Corporation, of which it was already part-owner with ATCO Power Canada Ltd. As a result, the consolidated entity assumed an additional $37 million of non-recourse debt at a premium of $5 million and derecognized the net lease liability of $96 million related to the power purchase agreement between SaskPower and the joint venture. Subsequently, on November 7, 2019, the Corporation repaid the outstanding balance of non-recourse debt in full.
- The increase in total debt was offset by the net repayment of $207 million in short-term advances; $2 million in amortization of debt premiums; and $15 million principal repayment of the Corporation's lease liabilities.

The Corporation's per cent debt ratio has decreased slightly from 74.1% as at March 31, 2019, to 73.0% as at December 31, 2019.

Debt retirement funds

(in millions)	Nine months ended December 31 2019-20	2018-19
Balance, April 1	**$ 748**	$ 658
Debt retirement fund instalments	**44**	41
Debt retirement fund earnings	**15**	12
Debt retirement fund market value gains	**13**	(4)
Balance, December 31	**$ 820**	$ 707

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 nine months of 2019-20, the Corporation made $44 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 $15 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the period. The debt retirement funds are classified as fair value through other comprehensive income. As a result, the $13 million in market value gains in the first nine months of 2019-20 was recognized in other comprehensive income (loss).

Dividends

SaskPower pays dividends to Crown Investments Corporation (CIC) of Saskatchewan based on the CIC Dividend Policy. For the 2018-19 year, SaskPower paid $20 million in dividends to CIC. CIC has determined that SaskPower will be required to pay a 10% dividend based on 2019-20 net income. The dividend will be paid in quarterly instalments during 2019-20. To date, $11 million in dividends have been paid.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at December 31, 2019, which will impact cash flows in the following year and beyond:

(in millions)	**1 year**	**2 - 5 years**	**More than 5 years**
Long-term debt (including principal and interest)	$ 418	$ 1,500	$ 9,530
Planned capital expenditures	874	5,673	4,348
Power purchase agreements[1]	132	1,656	5,819
Debt retirement fund instalments	63	236	1,037
Coal purchase contracts	224	915	289
Natural gas purchase contracts	38	382	107
Lease contracts (land and buildings)	4	10	6
Transmission purchase contracts	6	3	-

1. The long-term contractual obligations related to power purchase agreements include lease liabilities.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(in millions)	(Unaudited) Three months ended December 31 2019-20	2018-19	(Unaudited) Nine months ended December 31 2019-20	2018-19
Revenue				
Saskatchewan electricity sales	**$ 656**	$ 656	**$ 1,926**	$ 1,908
Exports and electricity trading	**3**	4	**11**	19
Other revenue	**25**	33	**89**	84
Total revenue	**684**	693	**2,026**	2,011
Expense				
Fuel and purchased power	**194**	186	**521**	494
Operating, maintenance and administration	**174**	177	**519**	531
Depreciation and amortization	**146**	139	**424**	415
Finance charges	**116**	102	**325**	310
Taxes	**19**	20	**60**	57
Other expenses	**9**	7	**25**	48
Total expense	**658**	631	**1,874**	1,855
Net income	**$ 26**	$ 62	**$ 152**	$ 156

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)	(Unaudited) Three months ended December 31 **2019-20**	2018-19	(Unaudited) Nine months ended December 31 **2019-20**	2018-19
Net income	**$ 26**	$ 62	**$ 152**	$ 156
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income:				
Derivatives designated as cash flow hedges:				
Natural gas hedges:				
Change in fair value during the period	**2**	(11)	**18**	(7)
Realized net losses during the period	**(9)**	(9)	**(36)**	(34)
Reclassification to income	**9**	9	**36**	34
Debt instruments designated as FVOCI:				
Debt retirement funds:				
Change in fair value during the period	**(7)**	5	**13**	(4)
Items that will not be reclassified to net income:				
Defined benefit pension plans:				
Net actuarial gains (losses)	**28**	(36)	**18**	11
	23	(42)	**49**	-
Total comprehensive income	**$ 49**	$ 20	**$ 201**	$ 156

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions) As at	Notes	**(Unaudited)** **December 31** **2019**	(Audited *) March 31 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 3**	$ 10
Accounts receivable and unbilled revenue		**454**	505
Inventory		**233**	231
Prepaid expenses		**20**	25
Risk management assets	8	**7**	5
		717	776
Property, plant and equipment	5	**9,704**	10,190
Right-of-use assets	3	**626**	-
Intangible assets		**62**	58
Debt retirement funds		**820**	748
Investments accounted for using equity method		**40**	39
Other assets		**5**	1
Total assets		**$ 11,974**	$ 11,812
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 442**	$ 420
Accrued interest		**64**	64
Deferred revenue		**27**	29
Dividend payable		**4**	20
Risk management liabilities	8	**96**	137
Short-term advances		**789**	996
Current portion of long-term debt	6	**129**	5
Current portion of lease liabilities	7	**26**	24
		1,577	1,695
Long-term debt	6	**6,180**	5,999
Lease liabilities	7	**989**	1,081
Employee benefits		**205**	214
Provisions		**297**	283
Total liabilities		**9,248**	9,272
Equity			
Retained earnings		**2,075**	1,938
Accumulated other comprehensive income (loss)		**25**	(24)
Equity advances		**626**	626
Total equity		**2,726**	2,540
Total liabilities and equity		**$ 11,974**	$ 11,812

See accompanying notes

*As presented in the audited March 31, 2019, 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 gains (losses) on debt instruments designated as FVOCI	Accumulated other comprehensive income (loss): Net actuarial gains (losses) on defined benefit pension plans	Equity advances	(Unaudited) Total
Equity						
Balance, April 1, 2018	$ 1,761	$ (56)	$ (10)	$ 23	$ 660	**$ 2,378**
Net income	156	-	-	-	-	**156**
Other comprehensive income (loss)	-	(7)	(4)	11	-	**-**
Balance, December 31, 2018	**$ 1,917**	**$ (63)**	**$ (14)**	**$ 34**	**$ 660**	**$ 2,534**
Net income	41	-	-	-	-	**41**
Other comprehensive income (loss)	-	12	21	(14)	-	**19**
Dividends	(20)	-	-	-	-	**(20)**
Equity advances repayment	-	-	-	-	(34)	**(34)**
Balance, March 31, 2019	**$ 1,938**	**$ (51)**	**$ 7**	**$ 20**	**$ 626**	**$ 2,540**
Net income	152	-	-	-	-	**152**
Other comprehensive income (loss)	-	18	13	18	-	**49**
Dividends	(15)	-	-	-	-	**(15)**
Balance, December 31, 2019	**$ 2,075**	**$ (33)**	**$ 20**	**$ 38**	**$ 626**	**$ 2,726**

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)	(Unaudited) Three months ended December 31 2019-20	2018-19	(Unaudited) Nine months ended December 31 2019-20	2018-19
Operating activities				
Net income	**$ 26**	$ 62	**$ 152**	$ 156
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**146**	139	**424**	415
Finance charges	**116**	102	**325**	310
Net losses on asset disposals and retirements	**6**	6	**19**	15
Unrealized market value adjustments	**5**	(2)	**2**	(1)
Natural gas inventory market revaluation	**1**	(1)	**(2)**	1
Reclassification of natural gas hedges transitional market value losses	**(8)**	(6)	**(26)**	(19)
Employee benefits current service cost	**1**	5	**4**	6
Employee benefits paid	**(1)**	(4)	**(4)**	(6)
Share of profit from equity accounted investees	**-**	(1)	**(1)**	(2)
Allowance for obsolescence	**-**	-	**2**	-
Environmental provisions	**-**	-	**5**	28
Environmental expenditures	**(3)**	(4)	**(8)**	(9)
	289	296	**892**	894
Net change in non-cash working capital	**15**	(18)	**69**	(92)
Interest paid	**(115)**	(113)	**(344)**	(335)
Cash provided by operating activities	**189**	165	**617**	467
Investing activities				
Property, plant and equipment additions	**(181)**	(210)	**(505)**	(607)
Intangible asset additions	**(4)**	(8)	**(21)**	(14)
Proceeds from sale and disposal of assets	**-**	1	**2**	2
Costs of removal of assets	**(2)**	(1)	**(5)**	(4)
Contributions to equity accounted investees	**-**	-	**(4)**	-
Distributions from equity accounted investees	**-**	3	**4**	4
Cash used in investing activities	**(187)**	(215)	**(529)**	(619)
Increase (decrease) in cash before financing activities	**2**	(50)	**88**	(152)
Financing activities				
Net repayments of short-term advances	**89**	72	**(207)**	(176)
Proceeds from long-term debt	**-**	-	**344**	389
Repayments of non-recourse debt	**(84)**	(1)	**(88)**	(4)
Debt retirement fund instalments	**(10)**	(11)	**(44)**	(41)
Principal repayment of lease liabilities	**(7)**	(5)	**(15)**	(11)
Net decrease in liabilities	**-**	-	**(54)**	-
Dividends paid	**(4)**	-	**(31)**	-
Cash (used in) provided by financing activities	**(16)**	55	**(95)**	157
(Decrease) increase in cash	**(14)**	5	**(7)**	5
Cash and cash equivalents, beginning of period	**17**	7	**10**	7
Cash and cash equivalents, end of period	**$ 3**	$ 12	**$ 3**	$ 12

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 International Financial Reporting Standard 16, *Leases* (IFRS 16), which was adopted effective April 1, 2019, the impacts of which are disclosed in Note 3.

The condensed consolidated financial statements were authorized for issue by the Audit & Finance Committee of the Board of Directors on February 28, 2020.

(b) Interim measurement

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the third 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:

(i) Inventory at lower of cost and net realizable value.

(ii) Provisions at discounted expected future cash flows.

(iii) Financial instruments that are accounted for at fair value through profit or loss and at fair value through other comprehensive income.

(iv) Employee benefit plans recognized at the fair value of plan assets less the present value of the 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 8) 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 and other variables.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. As at December 31, 2019, the Corporation does not have any financial instruments classified as Level 3.

(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.
- Net realizable value and allowance for inventory obsolescence.
- Underlying estimates of useful lives and related depreciation and accumulated depreciation.
- Carrying amounts of right-of-use assets and lease liabilities and underlying estimates of future cash flows.
- Carrying amounts of decommissioning and environmental remediation provisions and underlying estimates of future cash flows.
- Fair value of financial instruments.
- Carrying amounts of employee benefits and underlying actuarial assumptions.
- Federal carbon charge applicable to CO_2 emissions from coal and natural gas generation.

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 April 1, 2019, and is expected to result in an approximate $13 million increase to depreciation expense in 2019-20.

Areas of judgment 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.
- Determination of the lease term for contracts that include renewal options for which SaskPower is lessee.
- Revenue recognition of customer contributions.

3. Application of new and revised International Financial Reporting Standards

(a) IFRS 16, *Leases*

Effective April 1, 2019, SaskPower adopted the new accounting standard for leases, IFRS 16, which provides principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the distinction between operating and finance leases and introduced a single, on-balance sheet accounting model requiring lessees to recognize right-of-use assets and lease liabilities. Previously, at contract inception, SaskPower determined whether an arrangement was or contained a lease under IAS 17, *Leases* (IAS 17), or International Financial Reporting Interpretations Committee Interpretation 4, *Determining whether an arrangement contains a lease* (IFRIC 4).

The Corporation elected to adopt IFRS 16 using the modified retrospective approach on transition. Comparative information has not been restated and continues to be reported under IAS 17. There was no impact to opening retained earnings upon adoption. Refer to the Corporation's most recent annual report for information on its prior accounting policies for leases. In adopting IFRS 16, the Corporation elected to apply the following practical expedients permitted by the standard:

(i) Electing to grandfather the assessment of which transactions are leases by applying the standard to contracts previously identified as leases and not reassessing contracts not previously identified as containing a lease under IAS 17 and IFRIC 4;

(ii) Exemption to not recognize right-of-use assets and lease liabilities for short-term leases that have a remaining lease term of less than 12 months as at April 1, 2019, and for low value leases;

(iii) Measuring the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application;

(iv) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

(v) Using hindsight to determine the lease term where the contract contains options to extend or terminate the lease; and

(vi) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Adoption of IFRS 16 did not result in any material impact to net earnings for the nine months ended December 31, 2019.

Upon adoption of IFRS 16, the Corporation changed its accounting policy for leases, which is outlined below.

<u>Impact of the new definition of a lease</u>

The Corporation now assesses whether a contract is or contains a lease based on the new definition of a lease. The change in the definition mainly relates to the concept of control. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation applied the definition of a lease and related guidance under IFRS 16 to all existing lease contracts as at April 1, 2019.

Impact on lessor accounting

The accounting policies applicable to the Corporation as a lessor under IFRS 16 remain largely unchanged from those under IAS 17.

Impact on lessee accounting

IFRS 16 changes how SaskPower accounts for leases previously classified as operating leases under IAS 17 and IFRIC 4. For contracts meeting the definition of a lease under IFRS 16, but not meeting the exemption for short-term or low value leases, the Corporation:

- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the remaining lease payments discounted at the Corporation's incremental borrowing rate or the rate implicit in the lease;
- Recognizes depreciation on the right-of-use assets and interest expense on the lease liabilities in the consolidated statement of income; and
- Recognizes principal repayments on lease liabilities as financing activities and interest payments on lease liabilities as operating activities in the consolidated statement of cash flows.

For short-term and low value leases, the Corporation recognizes the lease payments as an operating expense. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

For new leases beginning on or after April 1, 2019, a right-of-use asset and lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at an amount equal to the lease liability and is adjusted for any payments made at or before the commencement date, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at commencement and are discounted using the Corporation's incremental borrowing rate or the rate implicit in the lease.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Corporation's estimate or assessment of whether it will exercise an extension, termination, or purchase option. A corresponding adjustment is made to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets are depreciated over the related lease term. The Corporation has applied judgment to determine the lease term for contracts that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Power purchase agreements

SaskPower is party to a number of power purchase agreements (PPAs). Certain take-or-pay PPAs which, in management's judgment, give SaskPower the exclusive right to use specific production assets were classified as finance leases under IAS 17 and IFRIC 4. For these leases, the carrying amount of the right-of-use assets and lease liabilities at April 1, 2019, were recognized at the carrying amount of the leased assets and finance lease liabilities under IAS 17 immediately before adoption. Any new PPAs entered into after April 1, 2019, have been assessed under the new IFRS 16 standard.

Impact on transition

SaskPower presents right-of-use assets and lease liabilities as separate line items on the consolidated statement of financial position. The impact on initial application of IFRS 16 on April 1, 2019, is shown below:

Condensed consolidated statement of financial position

(in millions)	March 31 2019	IFRS 16 adjustment	**April 1 2019**
Property, plant and equipment (net book value)	$ 10,190	$ (724)	**$ 9,466**
Right-of-use assets (net book value)	-	745	**745**
Current portion of lease liabilities	(24)	(4)	**(28)**
Lease liabilities	(1,081)	(17)	**(1,098)**

During the nine months ended December 31, 2019, SaskPower recognized $117 million of interest costs on these lease liabilities.

For the nine months ended December 31, 2019, right-of-use asset activities included the following:

(in millions)	Power purchase agreements[1]	Buildings	Land	**Total**
Cost or deemed cost				
Balance, April 1, 2019	$ -	$ -	$ -	**$ -**
IFRS 16 adjustment	1,243	14	7	**1,264**
Purchase of Cory Cogeneration Station (Note 4)	(228)	-	-	**(228)**
Additions	-	-	-	**-**
Disposals and/or retirements	-	-	-	**-**
Balance, December 31, 2019	$ 1,015	$ 14	$ 7	**$ 1,036**
Accumulated depreciation				
Balance, April 1, 2019	$ -	$ -	$ -	**$ -**
IFRS 16 adjustment	519	-	-	**519**
Depreciation	40	3	-	**43**
Purchase of Cory Cogeneration Station (Note 4)	(152)	-	-	**(152)**
Disposals and/or retirements	-	-	-	**-**
Balance, December 31, 2019	$ 407	$ 3	$ -	**$ 410**
Net book value				
Balance, April 1, 2019	$ 724	$ 14	$ 7	**$ 745**
Balance, December 31, 2019	$ 608	$ 11	$ 7	**$ 626**

1. The net book value of the PPA right-of-use assets was previously included in property, plant and equipment.

Upon adoption of IFRS 16, SaskPower recognized additional right-of-use assets and lease liabilities. As at March 31, 2019, SaskPower's commitment to future lease payments, which is now included in the initial amount of lease liabilities, was $15 million. SaskPower has recognized $21 million of lease liabilities on the initial application of IFRS 16 on April 1, 2019.

(in millions)		
Operating lease commitment, March 31, 2019	$	15
Present value impact		(2)
Extension and termination options reasonably certain to be exercised		8
Lease liabilities on adoption of IFRS 16	$	21
Lease liabilities recognized as at March 31, 2019		1,105
Lease liabilities recognized as at April 1, 2019	**$**	**1,126**

4. SaskPower International Inc.

Cory Cogeneration Station

Effective July 11, 2019, SaskPower, through its subsidiary SaskPower International, purchased the remaining 50% ownership interest in the Cory Cogeneration Station Joint Venture and the remaining 50% ownership interest in the Cory Cogeneration Funding Corporation (CCFC), of which it was already part-owner with ATCO Power Canada Ltd. The joint venture owned and operated a 249-MW natural gas-fired cogeneration station near Saskatoon, Saskatchewan. Upon purchase, the joint venture was dissolved and the power purchase agreement (PPA) between SaskPower and the joint venture was terminated.

SaskPower accounted for the PPA as a finance lease given its exclusive right to use the Cory Cogeneration Station Joint Venture assets (Cory Cogeneration Station). The right-of use asset (net book value – $76 million) relating to the Cory Cogeneration Station has been reclassified to property, plant and equipment as SaskPower now owns these assets directly. The related PPA lease liability has also been derecognized.

Upon purchase of the remaining 50% ownership interest in CCFC, SaskPower assumed an additional $37 million of non-recourse debt at a premium of $5 million. On November 7, 2019, the Corporation repaid the outstanding balance of non-recourse debt in full. Additional finance charges of $9 million were incurred upon repayment of this debt.

5. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, April 1, 2018	$ 6,681	$ 1,233	$ 2,258	$ 3,999	$ 865	$ 853	**$ 15,889**
Additions	74	-	121	206	28	648	**1,077**
Disposals and/or retirements	(22)	-	(6)	(12)	(7)	-	**(47)**
Transfers	-	-	-	-	-	(443)	**(443)**
Balance, December 31, 2018	**$ 6,733**	**$ 1,233**	**$ 2,373**	**$ 4,193**	**$ 886**	**$ 1,058**	**$ 16,476**
Additions	60	10	82	57	31	185	**425**
Disposals and/or retirements	(6)	-	(5)	(18)	(7)	-	**(36)**
Transfers	-	-	-	-	-	(215)	**(215)**
Balance, March 31, 2019	**$ 6,787**	**$ 1,243**	**$ 2,450**	**$ 4,232**	**$ 910**	**$ 1,028**	**$ 16,650**
IFRS 16 adjustment	-	(1,243)	-	-	-	-	**(1,243)**
Purchase of Cory Cogeneration Station assets (Note 4)	76	-	-	-	-	-	**76**
Additions	708	-	256	188	52	549	**1,753**
Disposals and/or retirements	(15)	-	(8)	(16)	(9)	-	**(48)**
Transfers	-	-	-	-	-	(1,211)	**(1,211)**
Balance, December 31, 2019	**$ 7,556**	**$ -**	**$ 2,698**	**$ 4,404**	**$ 953**	**$ 366**	**$ 15,977**
Accumulated depreciation							
Balance, April 1, 2018	$ 2,907	$ 462	$ 624	$ 1,622	$ 379	$ -	**$ 5,994**
Depreciation expense	190	43	41	87	36	-	**397**
Disposals and/or retirements	(16)	-	(4)	(8)	(6)	-	**(34)**
Transfers	-	-	-	-	-	-	**-**
Balance, December 31, 2018	**$ 3,081**	**$ 505**	**$ 661**	**$ 1,701**	**$ 409**	**$ -**	**$ 6,357**
Depreciation expense	62	14	14	30	13	-	**133**
Disposals and/or retirements	(5)	-	(2)	(17)	(6)	-	**(30)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2019	**$ 3,138**	**$ 519**	**$ 673**	**$ 1,714**	**$ 416**	**$ -**	**$ 6,460**
IFRS 16 adjustment	-	(519)	-	-	-	-	**(519)**
Depreciation expense	188	-	47	91	38	-	**364**
Disposals and/or retirements	(9)	-	(6)	(11)	(6)	-	**(32)**
Transfers	-	-	-	-	-	-	**-**
Balance, December 31, 2019	**$ 3,317**	**$ -**	**$ 714**	**$ 1,794**	**$ 448**	**$ -**	**$ 6,273**
Net book value							
Balance, December 31, 2018	**$ 3,652**	**$ 728**	**$ 1,712**	**$ 2,492**	**$ 477**	**$ 1,058**	**$ 10,119**
Balance, March 31, 2019	**$ 3,649**	**$ 724**	**$ 1,777**	**$ 2,518**	**$ 494**	**$ 1,028**	**$ 10,190**
Balance, December 31, 2019	**$ 4,239**	**$ -**	**$ 1,984**	**$ 2,610**	**$ 505**	**$ 366**	**$ 9,704**

In the first nine months of 2019-20, interest costs totaling $23 million (2018-19 – $27 million) were capitalized at the weighted average cost of borrowings rate of 4.30% (2018-19 – 4.20%).

The Corporation is forecasting to spend $714 million on capital projects in 2019-20.

6. Long-term debt

(in millions)		
Balance, April 1, 2018	$	5,621
Long-term debt issues		389
Long-term debt repayments		(4)
Amortization of debt premiums net of discounts		-
Balance, December 31, 2018	**$**	**6,006**
Long-term debt issues		-
Long-term debt repayments		(1)
Amortization of debt premiums net of discounts		(1)
Balance, March 31, 2019	**$**	**6,004**
Assumption of Cory Cogeneration Station non-recourse debt (Note 4)		42
Long-term debt issues		344
Long-term debt repayments		(79)
Amortization of debt premiums net of discounts		(2)
	$	6,309
Less: current portion of long-term debt		(129)
Balance, December 31, 2019	**$**	**6,180**

Upon purchase of the remaining 50% ownership interest in the Cory Cogeneration Funding Corporation on July 11, 2019, SaskPower, through its subsidiary, SaskPower International, assumed an additional $37 million of non-recourse debt at a premium of $5 million. On November 7, 2019, the Corporation repaid the outstanding balance of non-recourse debt in full (Note 4).

7. Lease liabilities

(in millions)		**December 31 2019**		March 31 2019
Total future minimum lease payments	**$**	**2,391**	$	2,654
Less: future finance charges on leases		**(1,376)**		(1,549)
Present value of lease liabilities	**$**	**1,015**	$	1,105
Less: current portion of lease liabilities		**(26)**		(24)
	$	**989**	$	1,081

In the second quarter of 2019-20, the net lease liability of $96 million relating to the Cory Cogeneration Station PPA was derecognized (Note 4). The weighted average discount rate applied to leases previously classified as operating leases is 2.54%, while the weighted average discount rate applied to leases previously classified as finance leases (PPAs) is 14.92%.

As at December 31, 2019, scheduled future minimum lease payments and the present value of lease liabilities are as follows:

(in millions)		**1 year**		**2 - 5 years**		**More than 5 years**
Future minimum lease payments	$	174	$	727	$	1,490
Present value of lease liabilities		26		186		803

8. Financial instruments

			December 31 2019		March 31 2019	
(in millions)			**Asset (liability)**		Asset (liability)	
Financial instruments	**Classification**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	FVTPL[1]	1	**$ 3**	**$ 3**	$ 10	$ 10
Accounts receivable and unbilled revenue	AC[2]	N/A	**454**	**454**	505	505
Debt retirement funds	FVOCI - debt instrument[3]	2	**820**	**820**	748	748
Other assets - long-term receivables	AC[2]	N/A	**1**	**1**	1	1
Financial liabilities						
Accounts payable and accrued liabilities	OL[4]	N/A	**$ (442)**	**$ (442)**	$ (420)	$ (420)
Accrued interest	OL[4]	N/A	**(64)**	**(64)**	(64)	(64)
Dividend payable	OL[4]	N/A	**(4)**	**(4)**	(20)	(20)
Short-term advances	OL[4]	N/A	**(789)**	**(789)**	(996)	(996)
Long-term debt	OL[4]	2	**(6,309)**	**(7,586)**	(6,004)	(7,159)

Risk management assets and liabilities			**December 31 2019**		March 31 2019	
(in millions)	**Classification**	**Level[5]**	**Asset**	**Liability**	Asset	Liability
Natural gas contracts						
Fixed price swap instruments used for hedging[6]	FVTPL[1]	2	**$ 2**	**$ (94)**	$ 1	$ (137)
Fixed price swap instruments	FVTPL[1]	2	**-**	**(2)**	-	-
Electricity contracts	FVTPL[1]					
Forward agreements[7]	FVTPL[1]	2	**5**	**-**	4	-
			$ 7	**$ (96)**	$ 5	$ (137)

1. FVTPL – measured mandatorily at fair value through profit or loss.
2. AC – amortized cost.
3. FVOCI – fair value through other comprehensive income (loss).
4. OL – other liabilities measured at amortized cost.
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; other assets – long-term receivables; accounts payable and accrued liabilities; accrued interest; dividend payable and short-term advances — are carried at values which approximate fair value.
6. These fixed price swap instruments have been designated as cash flow hedges. As such, the effective portion of the changes in fair value related to the derivative financial instruments are recognized in other comprehensive income (loss).
7. The fair value of this forward electricity contract was determined using a valuation technique using inputs based on pricing information from external market providers and other variables. The valuation technique used calculated a day one gain (difference between the transaction price and the fair value). Given the complexity and nature of this agreement, management concluded that the transaction price is not the best evidence of fair value. As a result, this day one gain has been deferred and recognized as deferred revenue on the statement of financial position. The day one gain will be amortized into income over the term of the contract.

SASKPOWER SYSTEM MAP

TOTAL AVAILABLE GENERATING CAPACITY - **4,884 MW**

HYDRO - TOTAL CAPACITY 889 MW

Athabasca Hydroelectric System

- H1A Wellington - 5 MW
- H1B Waterloo - 8 MW
- H1C Charlot River - 10 MW

H2 Island Falls Hydroelectric Station - 111 MW

H3 Manitoba Hydro Northern Power Purchase Agreement - 25 MW

H4 Nipawin Hydroelectric Station - 255 MW

H5 E.B. Campbell Hydroelectric Station - 289 MW

H6 Coteau Creek Hydroelectric Station - 186 MW

NATURAL GAS - TOTAL CAPACITY 2,192 MW

NG1 Meadow Lake Power Station - 44 MW

NG2 Meridian Cogeneration Station* - 228 MW

NG3 North Battleford Generating Station* - 286 MW

NG4 Yellowhead Power Station - 138 MW

NG5 Ermine Power Station - 92 MW

NG6 Landis Power Station - 79 MW

NG7 Cory Cogeneration Station - 249 MW

NG8 Queen Elizabeth Power Station - 634 MW

NG9 Spy Hill Generating Station* - 89 MW

NG10 Chinook Power Station - 353 MW

WIND - TOTAL CAPACITY 241 MW

W1 Cypress Wind Power Facility - 11 MW

W2 SunBridge Wind Power Facility* - 11 MW

W3 Centennial Wind Power Facility - 150 MW

W4 Morse Wind Energy Facility* - 23 MW

W5 Red Lily Wind Energy Facility* - 26 MW

W6 Western Lily Wind Energy Facility* - 20 MW

COAL - TOTAL CAPACITY 1,530 MW

C1 Poplar River Power Station - 582 MW

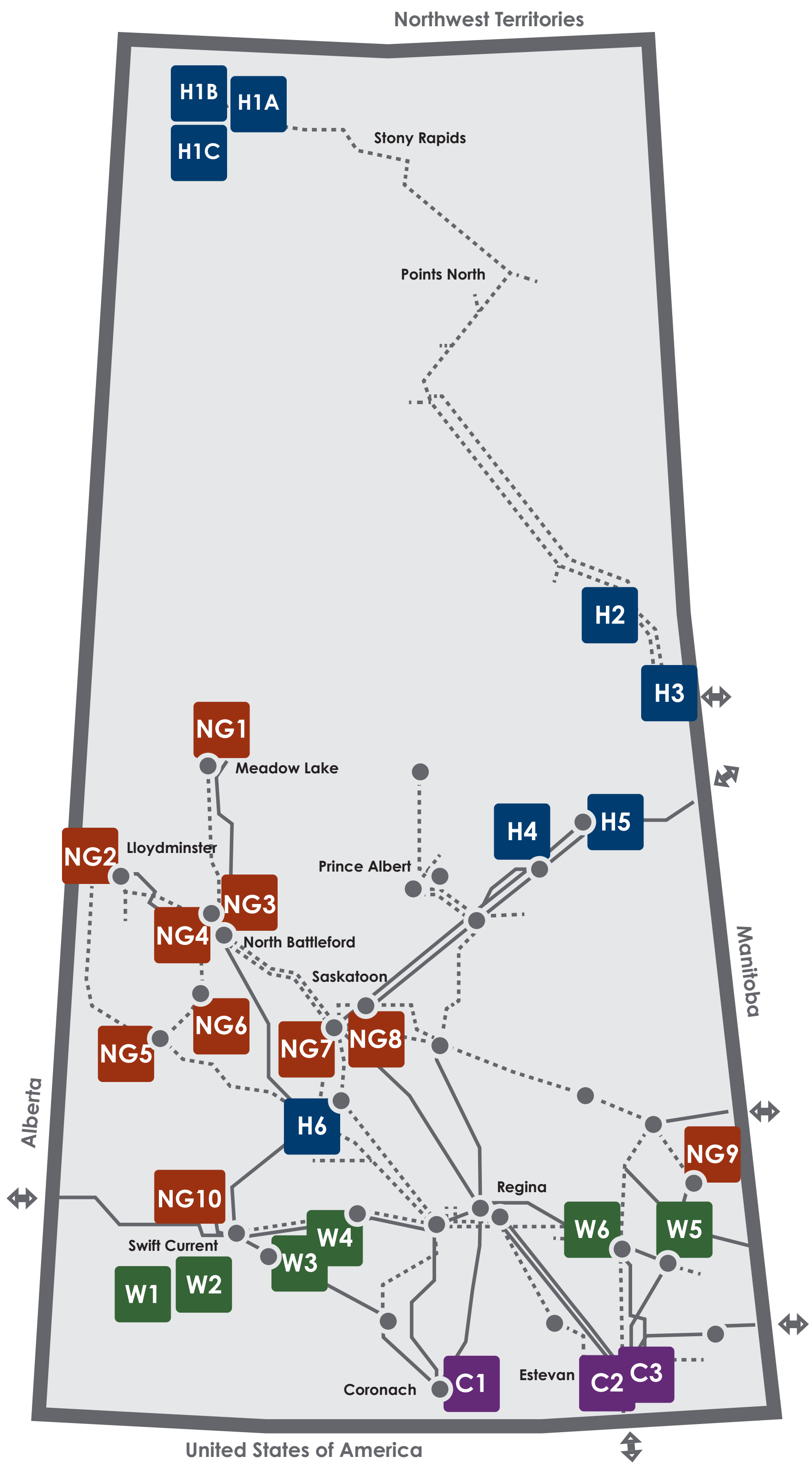
C2 Boundary Dam Power Station - 672 MW

C3 Shand Power Station - 276 MW

SMALL INDEPENDENT POWER PRODUCERS - TOTAL CAPACITY 32 MW (NOT SHOWN ON MAP)

TRANSMISSION

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



* Large Independent Power Producer

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