

THIRD QUARTER FINANCIAL REPORT

For the nine months ended
December 31, 2020



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 and strategic priorities

- Customer experience and stakeholder relations
STRATEGIC PRIORITY: Deliver improved value for our customers
- Workforce excellence
STRATEGIC PRIORITY: Develop our workforce to meet the needs of the utility of the future
- Efficiency, quality and cost management
STRATEGIC PRIORITY: Ensure our financial health in a transitioning industry
- Sustainable infrastructure and reliability
STRATEGIC PRIORITY: Build a cleaner, reliable, modernized electricity system

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL INDICATORS

| (in millions) | Three months ended December 31 | | | Nine months ended December 31 | | |
|------------------------------------|--------------------------------|---------|--------|-------------------------------|----------------|----------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Revenue | \$ 712 | \$ 684 | \$ 28 | \$ 2,008 | \$ 2,026 | \$ (18) |
| Expense | 636 | 658 | (22) | 1,913 | 1,874 | 39 |
| Net income | 76 | 26 | 50 | 95 | 152 | (57) |
| Capital expenditures | 213 | 190 | 23 | 514 | 549 | (35) |
| Net cash from operating activities | 252 | 189 | 63 | 555 | 617 | (62) |
| Return on equity ¹ | | | | 4.5% | 7.7% | -3.2% |
| | | | | Dec 31 2020 | Mar 31 2020 | Change |
| Total net debt ² | | | | \$ 7,071 | \$ 7,179 | \$ (108) |
| Per cent debt ratio ³ | | | | 71.8% | 72.6% | -0.8% |

1. Return on equity = (annualized net income)/(average equity), where equity = (retained earnings + equity advances).
2. Total net debt is a non-GAAP financial measure and calculated by deducting debt retirement funds and cash and cash equivalents from total debt.
3. 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

| (GWh) ¹ | Three months ended December 31 | | | Nine months ended December 31 | | |
|---|--------------------------------|--------------|-----------|-------------------------------|----------------|--------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Saskatchewan electricity sales | 5,833 | 5,774 | 59 | 16,384 | 17,001 | (617) |
| Exports | 46 | 55 | (9) | 372 | 170 | 202 |
| Total electricity sales | 5,879 | 5,829 | 50 | 16,756 | 17,171 | (415) |
| Gross electricity supplied | 6,407 | 6,521 | (114) | 17,896 | 18,392 | (496) |
| Line losses | (528) | (692) | 164 | (1,140) | (1,221) | 81 |
| Net electricity supplied | 5,879 | 5,829 | 50 | 16,756 | 17,171 | (415) |
| | | | | Dec 31 2020 | Mar 31 2020 | Change |
| Available generating capacity (net MW) ² | | | | 4,993 | 4,893 | 100 |
| Customer accounts | | | | 544,085 | 540,727 | 3,358 |

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, 2020. 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 the COVID-19 pandemic; natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; regulations; and market conditions in other jurisdictions.

FINANCIAL RESULTS

| (in millions) | Three months ended December 31 | | | Nine months ended December 31 | | |
|---|--------------------------------|---------------|----------------|-------------------------------|-----------------|----------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Revenue | | | | | | |
| Saskatchewan electricity sales | \$ 678 | \$ 656 | \$ 22 | \$ 1,919 | \$ 1,926 | \$ (7) |
| Exports and electricity trading | 3 | 3 | - | 13 | 11 | 2 |
| Other revenue | 31 | 25 | 6 | 76 | 89 | (13) |
| Total revenue | \$ 712 | \$ 684 | \$ 28 | \$ 2,008 | \$ 2,026 | \$ (18) |
| Expense | | | | | | |
| Fuel and purchased power | \$ 197 | \$ 194 | \$ 3 | \$ 570 | \$ 521 | \$ 49 |
| Operating, maintenance and administration | 186 | 174 | 12 | 525 | 519 | 6 |
| Depreciation and amortization | 151 | 146 | 5 | 444 | 424 | 20 |
| Finance charges | 107 | 116 | (9) | 320 | 325 | (5) |
| Taxes | 21 | 19 | 2 | 62 | 60 | 2 |
| Other (income) expenses | (26) | 9 | (35) | (8) | 25 | (33) |
| Total expense | \$ 636 | \$ 658 | \$ (22) | \$ 1,913 | \$ 1,874 | \$ 39 |
| Net income | \$ 76 | \$ 26 | \$ 50 | \$ 95 | \$ 152 | \$ (57) |
| Return on equity¹ | | | | 4.5% | 7.7% | -3.2% |

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 \$76 million in the third quarter of 2020-21 compared to \$26 million in the same period in 2019-20. The improved financial results were largely due to an arbitral award received during the quarter related to a contractual dispute of which \$38 million was recognized in other (income) expenses. The remaining improvement in earnings was due to an increase in revenues partially offset by higher operating, maintenance and administration (OM&A) expense and fuel and purchased power costs.

Revenues increased by \$28 million due to higher Saskatchewan electricity sales of \$22 million resulting from an increase in the federal carbon charge rate rider as well as higher demand. Other revenue also increased \$6 million due to higher customer contributions during the period.

Expenses, not including the arbitral award, increased \$16 million due to higher OM&A expense of \$12 million as a result of increased spending on technology and security initiatives, vegetation management and increased overhaul hours at our generation facilities. Fuel and purchased power costs also increased \$3 million due to reduced hydro generation replaced by more expensive generation sources, partially offset by lower volumes. Finally, other capital-related expenses during the quarter – such as depreciation, finance charges, and taxes – decreased \$2 million as a result of lower interest on borrowings offset by additional investments in the Corporation's capital program.

Year-to-Date

SaskPower reported consolidated net income of \$95 million in the first nine months of 2020-21 compared to \$152 million in the same period in 2019-20. Included in the current year's earnings is \$38 million from an arbitral award received related to a contractual dispute which was recognized in other (income) expenses. Expenses, not including the arbitral award, were up \$77 million while revenues were down \$18 million from the prior period. The return on equity including the arbitral award was 4.5%, down more than three percentage points from the previous period.

Expenses, not including the arbitral award, increased \$77 million mainly attributable to higher fuel and purchased power costs of \$49 million which increased largely as a result of higher fuel prices and an increase in the federal carbon charge. Other capital-related expenses – such as depreciation, finance charges, and taxes – increased \$17 million due to additional investments in the Corporation's capital program. OM&A expense increased \$6 million primarily due to increased spending on technology and security initiatives, vegetation management and increased overhaul hours at our generation facilities.

The \$18 million decrease in total revenue was primarily due to a \$13 million decrease in other revenue as a result of lower customer contributions during the period. In addition, Saskatchewan electricity sales decreased \$7 million primarily due to a 3.6% decrease in demand compared to the same period in the prior year. This was partially offset by an increase in the federal carbon charge rate rider. These decreases were slightly offset by a \$2 million increase in exports and electricity trading as a result of increased opportunities to sell into Alberta and the Southwest Power Pool.

Outlook

Due to the economic uncertainty resulting from the COVID-19 pandemic, forward-looking information has not been reported as it is no longer an accurate representation of expectations for 2020-21. SaskPower is monitoring developments and will revise its budget, performance targets and corporate plans as circumstances dictate.

Revenue

| Saskatchewan electricity sales | | | | | | |
|---------------------------------------|--------------------------------|---------------|--------------|-------------------------------|-----------------|---------------|
| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Residential | \$ 151 | \$ 142 | \$ 9 | \$ 423 | \$ 407 | \$ 16 |
| Farm | 49 | 51 | (2) | 141 | 139 | 2 |
| Commercial | 128 | 130 | (2) | 362 | 375 | (13) |
| Oilfield | 104 | 107 | (3) | 282 | 316 | (34) |
| Power | 191 | 186 | 5 | 550 | 567 | (17) |
| Reseller | 23 | 24 | (1) | 70 | 73 | (3) |
| Federal carbon charge | 32 | 16 | 16 | 91 | 49 | 42 |
| Saskatchewan electricity sales | \$ 678 | \$ 656 | \$ 22 | \$ 1,919 | \$ 1,926 | \$ (7) |

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. Included in Saskatchewan electricity sales is the federal carbon charge which is being recovered by SaskPower from its customers through a rate rider. The rate rider is adjusted on January 1 of each year to reflect any changes in the estimated carbon tax for the calendar year. The revenue associated with the federal carbon charge is set aside and used to fund the federal carbon tax payments.

SaskPower has not had a general rate increase since March 1, 2018. However, during that period SaskPower has implemented a rate rider to recover the federal carbon tax. The federal carbon charge rate rider resulted in general increases of 2.7% effective April 1, 2019 and 2.4% effective January 1, 2020. Another increase of 0.6% will take effect January 1, 2021.

On December 1, 2020, the Government of Saskatchewan's Economic Recovery Rebate Program took effect. This is a one-year program that provides all SaskPower customers with a 10% rebate on the cost of electrical charges – basic monthly charge, energy charge and demand charge. The program is fully funded by the Province of Saskatchewan and has no impact on SaskPower's financial results.

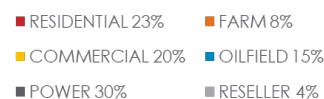
Saskatchewan electricity sales for the first nine months of 2020-21 were \$1,919 million, down \$7 million from the same period in 2019-20. The decrease was primarily due to reduced demand attributed to the COVID-19 pandemic. Electricity sales volumes to Saskatchewan customers for the first nine months of 2020-21 were 16,384 GWh, down 617 GWh or 3.6% from the same period in 2019-20. Demand decreased in all customer classes except residential and farm customers.

The largest declines in electricity sales occurred in the oilfield, commercial, and power customer classes. Oilfield and commercial sales were down 455 GWh due to economic conditions, including the volatility of global oil prices. Consumption in the power customer class declined 257 GWh from the same period in the prior year as a result of operational slowdowns and reduced production in the pipeline, steel, refinery and chemical processing industries. These reductions were offset by higher residential and farm consumption.

The decline in sales revenue was partially offset by an increase in the federal carbon charge rate rider. The rate rider was increased 2.4% effective January 1, 2020. This was to account for a \$10 per tonne increase in the federal carbon tax and a decrease in the allowable CO₂ emission threshold for coal generation.



Q3 YTD ELECTRICITY SALES (IN MILLIONS)



Exports and electricity trading

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|--|--------------------------------|-------------|-------------|-------------------------------|--------------|-------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Exports and electricity trading | \$ 3 | \$ 3 | \$ - | \$ 13 | \$ 11 | \$ 2 |

Exports represent the sale of SaskPower's available generation to neighbouring Alberta, Southwest Power Pool and Midcontinent Independent System Operator markets. Export pricing is not subject to the rate review process. Export sales are dependent on the availability of SaskPower generation and transmission, as well as market conditions in other jurisdictions.

Electricity trading activities include the purchase and resale of electricity and other derivatives in regions outside Saskatchewan. Electricity trading revenue is reported on a net basis upon delivery of electricity to customers and receipt of electricity purchased from external parties.

Exports and electricity trading were \$13 million in the first nine months of 2020-21, up \$2 million from the same period in 2019-20. Exports were up \$2 million due to increased sales volumes into Alberta and the Southwest Power Pool partially offset by lower prices per megawatt hour (MWh). Export sales volumes were 372 GWh, up 202 GWh from the volumes sold in the first nine months of 2019-20. The average export sales price decreased \$32 per MWh compared to the same period in the prior year.

Other revenue

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|----------------------|--------------------------------|--------------|-------------|-------------------------------|--------------|----------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Other revenue | \$ 31 | \$ 25 | \$ 6 | \$ 76 | \$ 89 | \$ (13) |

Other revenue includes various non-electricity products and services, including fly ash and carbon dioxide (CO₂) sales, which are recorded upon delivery of the related good or service. Also included in other revenue are customer contributions which are funds received from certain customers towards the cost of service connections. These contributions are recognized immediately in profit or loss as other revenue when the related property, plant and equipment is available for its intended use and the Corporation's performance obligations are complete.

Other revenue was \$76 million in the first nine months of 2020-21, down \$13 million compared to the same period in 2019-20. This decrease was mainly due to lower customer contributions, which decreased \$9 million from the same period in the prior year. In addition, late payment charges and electrical and gas permits were down \$4 million.

Expense

| Fuel and purchased power | | | | | | |
|---------------------------------|--------------------------------|---------------|-------------|-------------------------------|---------------|--------------|
| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Coal | \$ 81 | \$ 74 | \$ 7 | \$ 245 | \$ 227 | \$ 18 |
| Gas | 82 | 96 | (14) | 224 | 221 | 3 |
| Imports | 16 | 6 | 10 | 45 | 20 | 25 |
| Wind | 10 | 8 | 2 | 27 | 23 | 4 |
| Hydro | 4 | 5 | (1) | 19 | 16 | 3 |
| Other | 4 | 5 | (1) | 10 | 14 | (4) |
| Fuel and purchased power | \$ 197 | \$ 194 | \$ 3 | \$ 570 | \$ 521 | \$ 49 |

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 (PPAs), as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

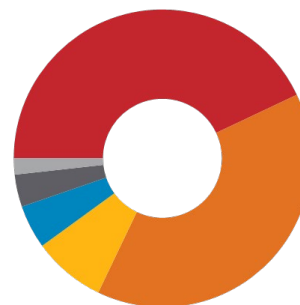
SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. Included in the incremental cost is the federal price of carbon on generation that exceeds the allowable emission thresholds.

Fuel and purchased power costs were \$570 million in the first nine months of 2020-21, up \$49 million from the same period in 2019-20. The \$49 million increase resulted from an unfavourable price variance offset by favourable volume and fuel mix variances.

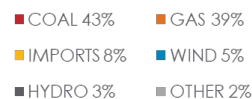
The average price of fuel increased due to higher contracted coal and natural gas prices. The higher fuel prices resulted in an overall increase of approximately \$64 million in fuel and purchased power costs, which includes \$16 million related to the federal carbon charge.

Total generation and purchased power was 17,896 GWh in the first nine months of 2020-21, a decrease of 496 GWh or 2.7% compared to the same period in 2019-20. The lower demand resulted in an estimated \$13 million decrease in fuel and purchased power costs.

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 2020-21, the Corporation's hydro generation accounted for 19% of total generation compared to 15% for the same period in 2019-20. The increased lower cost hydro generation replaced more expensive generation sources. This favourable change in the fuel mix resulted in an estimated \$2 million decrease in fuel and purchased power costs.



Q3 YTD FUEL & PURCHASED POWER (IN MILLIONS)



| <i>(in millions)</i> | Fuel and purchased power |
|--|--------------------------|
| Nine months ended December 31, 2019 | \$ 521 |
| Price variance | 64 |
| Volume variance | (13) |
| Fuel mix variance | (2) |
| Nine months ended December 31, 2020 | \$ 570 |

Operating, maintenance and administration (OM&A)

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|----------------------|--------------------------------|---------|--------|-------------------------------|---------|--------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| OM&A | \$ 186 | \$ 174 | \$ 12 | \$ 525 | \$ 519 | \$ 6 |

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

OM&A expense was \$525 million in the first nine months of 2020-21, up \$6 million from the same period in 2019-20. The increase in OM&A was primarily due to increased spending on technology and security initiatives, vegetation management and increased overhaul hours at our generation facilities, partially offset by reduced operating and maintenance costs related to the Corporation's power purchase agreements and reduced customer programs due to the COVID-19 pandemic.

Depreciation and amortization

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|--------------------------------------|--------------------------------|---------|--------|-------------------------------|---------|--------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Depreciation and amortization | \$ 151 | \$ 146 | \$ 5 | \$ 444 | \$ 424 | \$ 20 |

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

Depreciation and amortization expense was \$444 million in the first nine months of 2020-21, up \$20 million from the same period in 2019-20. 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 2019-20, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective April 1, 2020.

Finance charges

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|------------------------|--------------------------------|---------|--------|-------------------------------|---------|--------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Finance charges | \$ 107 | \$ 116 | \$ (9) | \$ 320 | \$ 325 | \$ (5) |

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

Finance charges were \$320 million in the first nine months of 2020-21, down \$5 million compared to the same period in 2019-20. The decrease is mainly attributable to lower interest on borrowings and lease liabilities of \$16 million. Debt retirement fund earnings also increased \$5 million, including \$2 million in realized gains upon redemption of long-term debt. However, these decreases were partially offset by lower interest capitalized of \$16 million.

| Taxes | | | | | | |
|----------------------|--------------------------------|---------|--------|-------------------------------|---------|--------|
| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Taxes | \$ 21 | \$ 19 | \$ 2 | \$ 62 | \$ 60 | \$ 2 |

Taxes represent the payment of corporate capital tax to the Province of Saskatchewan and grants-in-lieu of taxes.

Taxes were \$62 million in the first nine months of 2020-21, up \$2 million compared to the same period in 2019-20 due to higher corporate capital tax.

| Other (income) expenses | | | | | | |
|--------------------------------|--------------------------------|---------|---------|-------------------------------|---------|---------|
| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Other (income) expenses | \$ (26) | \$ 9 | \$ (35) | \$ (8) | \$ 25 | \$ (33) |

Other (income) expenses include net losses on asset disposals and retirements; asset impairment losses; inventory variance adjustments; foreign exchange gains and losses; and environmental remediation activities.

Other income was \$8 million in the first nine months of 2020-21, compared to \$25 million in other expenses in the same period in 2019-20. The increase is a result of an arbitral award in relation to a contractual dispute partially recognized in income offset by the write-down of gas and electrical inspection assets that will be transferred to the Technical Safety Authority of Saskatchewan on January 31, 2021.

Federal Carbon Tax Variance Account (FCTVA)

| <i>(in millions)</i> | Federal carbon charge collected | Federal carbon charge expense | Other recoveries (expense) | Over (under) collected |
|---------------------------------|--|--------------------------------------|-----------------------------------|-------------------------------|
| Total 2019 calendar year | \$ 49 | \$ (59) | \$ (3) | \$ (13) |
| January 1 to March 31, 2020 | | 34 | (28) | 1 |
| April 1 to December 31, 2020 | | 91 | (60) | 2 |
| Total 2020 calendar year | \$ 125 | \$ (88) | \$ 3 | \$ 40 |
| Cumulative balance | \$ 174 | \$ (147) | \$ - | \$ 27 |

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 the federal carbon charge rate rider. The rate rider is adjusted on January 1 of each year to reflect any changes in the estimated carbon tax for the calendar year. The other recoveries (expense) relates to interest earned on the monies in the account; federal carbon charges associated with exported generation; and federal carbon charges on natural gas purchased for the Chinook Power Station prior to it becoming a registered facility. As at December 31, 2020, the FCTVA has a balance of \$27 million owing to customers.

Financial Condition

The following table outlines changes in the condensed consolidated statement of financial position from March 31, 2020, to December 31, 2020:

| Financial Condition | | |
|--|----------------|--|
| <i>(in millions)</i> | Change (\$) | Change (%) |
| Cash and cash equivalents | \$ (22) | -9% Refer to Consolidated Statement of Cash Flows. |
| Accounts receivable and unbilled revenue | (15) | -3% Decrease in margin deposits on natural gas derivatives and receipt of an insurance claim partially offset by increase in trade receivables due to deferral programs. |
| Inventory | 25 | 11% Increase in maintenance supplies and natural gas inventory. |
| Prepaid expenses | (7) | -29% Recognition of prepaid employee benefits. |
| Property, plant and equipment | 66 | 1% Additions offset by arbitral award, depreciation expense and asset disposals and retirements. |
| Right-of-use assets | (37) | -6% Depreciation and termination of right-of-use assets offset by additions. |
| Intangible assets | (7) | -10% Amortization expense offset by capitalization of new software costs. |
| Debt retirement funds | 50 | 6% Instalments, earnings, and market value gains offset by redemptions. |
| Other assets | - | 0% |
| Accounts payable and accrued liabilities | 31 | 6% Timing of accruals and payments. |
| Accrued interest | - | 0% |
| Deferred revenue | - | 0% |
| Dividend payable | 17 | 340% Timing of payments and increased dividend rate. |
| Risk management liabilities (net of risk management assets) | (18) | -23% Settlement of natural gas and electricity derivatives and change in fair value of natural gas contracts. |
| Short-term advances | (498) | -53% Repayment of short-term advances as a result of long-term borrowings. |
| Long-term debt (including current portion) | 433 | 7% New borrowings offset by repayments and amortization of debt premiums net of discounts. |
| Lease liabilities (including current portion) | (15) | -1% Principal repayments offset by increase in lease liabilities. |
| Employee benefits | 76 | 36% Actuarial losses on the defined benefit pension plan and interest expense. |
| Provisions | 1 | 0% Interest and additional decommissioning provision offset by expenditures incurred. |
| Equity | 26 | 1% 2020-21 comprehensive income less dividends. |

Liquidity and Capital Resources

Cash flow highlights

| <i>(in millions)</i> | Dec 31 2020 | Mar 31 2020 | Change |
|----------------------------------|----------------|----------------|----------------|
| Cash and cash equivalents | \$ 214 | \$ 236 | \$ (22) |

As at December 31, 2020, SaskPower had \$214 million in cash and cash equivalents. The Corporation's cash position decreased \$22 million from March 31, 2020. The \$22 million decrease was the result of \$479 million used in investing activities and \$98 million used in financing activities offset by \$555 million provided by operating activities.

a) Operating activities

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|--|--------------------------------|---------------|--------------|-------------------------------|---------------|----------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Cash provided by operating activities | \$ 252 | \$ 189 | \$ 63 | \$ 555 | \$ 617 | \$ (62) |

Cash provided by operating activities was \$555 million in the first nine months of 2020-21, down \$62 million from the same period in 2019-20. The change was primarily the result of a decrease in net income.

b) Investing activities

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|---|--------------------------------|---------------|---------------|-------------------------------|---------------|----------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Generation | \$ 37 | \$ 42 | \$ (5) | \$ 105 | \$ 104 | \$ 1 |
| Transmission | 9 | 12 | (3) | 27 | 44 | (17) |
| Distribution | 30 | 29 | 1 | 81 | 82 | (1) |
| Other | 22 | 20 | 2 | 69 | 55 | 14 |
| Sustainment | 98 | 103 | (5) | 282 | 285 | (3) |
| Generation | 41 | 5 | 36 | 48 | 24 | 24 |
| Transmission | 10 | 19 | (9) | 32 | 49 | (17) |
| Distribution | 4 | 4 | - | 10 | 10 | - |
| Customer connects | 43 | 51 | (8) | 108 | 123 | (15) |
| Growth and compliance | 98 | 79 | 19 | 198 | 206 | (8) |
| Strategic and other investments | 17 | 8 | 9 | 34 | 58 | (24) |
| Total capital expenditures | \$ 213 | \$ 190 | \$ 23 | \$ 514 | \$ 549 | \$ (35) |
| Less: Interest capitalized | (2) | (5) | 3 | (7) | (23) | 16 |
| Arbitral award | (32) | - | (32) | (32) | - | (32) |
| Proceeds from sale and disposal of assets | (1) | - | (1) | (2) | (2) | - |
| Costs of removal of assets | 3 | 2 | 1 | 6 | 5 | 1 |
| Contributions to equity accounted investees | - | - | - | - | 4 | (4) |
| Distributions from equity accounted investees | - | - | - | - | (4) | 4 |
| Cash used in investing activities | \$ 181 | \$ 187 | \$ (6) | \$ 479 | \$ 529 | \$ (50) |

To ensure a reliable, sustainable and cost-effective supply of electricity for its customers, SaskPower invested \$514 million in the first nine months of 2020-21 on various capital projects. This includes \$105 million on generation sustainment activities; \$48 million on new generation; \$108 million to connect customers to the SaskPower electric system; and \$150 million on increasing capacity and sustaining transmission and distribution infrastructure. In the third quarter of 2020-21, the Corporation received a favourable ruling from an arbitral panel in relation to a contractual dispute comprised of a \$56 million cash award as well as \$14 million in forgiven payables. The portion of the award allocated to property, plant and equipment was \$32 million. The remaining \$38 million awarded was recorded in profit or loss as other income (expenses).

c) Financing activities

| <i>(in millions)</i> | Three months ended December 31 | | | Nine months ended December 31 | | |
|--|--------------------------------|----------------|-------------|-------------------------------|----------------|---------------|
| | 2020-21 | 2019-20 | Change | 2020-21 | 2019-20 | Change |
| Net repayments of short-term advances | \$ 100 | \$ 89 | \$ 11 | \$ (498) | \$ (207) | \$ (291) |
| Proceeds from long-term debt | - | - | - | 566 | 344 | 222 |
| Repayments of long-term debt | (129) | (84) | (45) | (129) | (88) | (41) |
| Debt retirement fund instalments | (12) | (10) | (2) | (48) | (44) | (4) |
| Debt retirement fund redemptions | 42 | - | 42 | 42 | - | 42 |
| Principal repayment of lease liabilities | (8) | (7) | (1) | (17) | (15) | (2) |
| Net decrease in liabilities | - | - | - | - | (54) | 54 |
| Dividends paid | (4) | (4) | - | (14) | (31) | 17 |
| Cash used in financing activities | \$ (11) | \$ (16) | \$ 5 | \$ (98) | \$ (95) | \$ (3) |

In the first nine months of 2020-21, \$98 million of cash was used in financing activities compared to \$95 million of cash used in the same period in 2019-20. The majority of the change was caused by a net repayment of debt, partially offset by a net decrease in liabilities recognized in the same period in 2019-20 related to the purchase of the Cory Cogeneration Station. The timing of dividend payments to the Corporation's shareholder accounted for the remainder of the change.

Coronavirus (COVID-19) impact assessment

The COVID-19 pandemic has caused material disruption to businesses and has resulted in an economic slowdown. The Corporation has assessed and continues to monitor the impact of COVID-19 on its operations. The magnitude and duration of COVID-19 is uncertain and, if it causes significant disruption for an extended period of time, the impacts to the Corporation will increase. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce, and potential asset impairment.

SaskPower continues to deliver and support its customers during this crisis. On March 18, 2020, SaskPower announced that it would provide financial relief to customers by waiving late payment charges and suspending collection activities for six months. Upon expiry on September 18, 2020, customers were eligible to apply for a 12-month deferral program. The deferral program allows for the repayment of outstanding customer receivable balances over a maximum of 12 equal monthly instalments. At the end of December 2020, over 8,900 customers have applied for this program. As a result of this relief program, electricity trade receivables have increased \$59 million from March 31, 2020 balances. As a result, SaskPower has increased its allowance for doubtful accounts provision to \$17 million from \$14 million at year-end.

To support the province's economic recovery from COVID-19, the Government of Saskatchewan's Economic Recovery Rebate Program was implemented effective December 1, 2020. This is a one-year program that provides all SaskPower customers with a 10% rebate on the cost of electrical charges – basic monthly charge, energy charge and demand charge. The program is fully funded by the Province of Saskatchewan and has no impact on SaskPower's financial results.

Capital management

| <i>(in millions)</i> | Dec 31 2020 | Mar 31 2020 | Change |
|--|-----------------|-----------------|-----------------|
| Long-term debt | \$ 6,742 | \$ 6,309 | \$ 433 |
| Short-term advances | 448 | 946 | (498) |
| Lease liabilities | 993 | 1,008 | (15) |
| Total debt | 8,183 | 8,263 | (80) |
| Debt retirement funds | 898 | 848 | 50 |
| Cash and cash equivalents | 214 | 236 | (22) |
| Total net debt¹ | \$ 7,071 | \$ 7,179 | \$ (108) |
| Retained earnings | 2,187 | 2,123 | 64 |
| Equity advances | 593 | 593 | - |
| Total capital | \$ 9,851 | \$ 9,895 | \$ (44) |
| Per cent debt ratio² | 71.8% | 72.6% | -0.8% |

1. Total net debt is a non-GAAP financial measure and calculated by deducting debt retirement funds and cash and cash equivalents from total debt.

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).

SaskPower's total debt position (including lease liabilities) was \$8,183 million at December 31, 2020, down \$80 million from March 31, 2020. The decrease in total debt was the result of:

- On April 1, 2020, the Corporation borrowed \$150 million of floating rate debt maturing April 1, 2023. The coupon rate for the floating rate debt is the 3-month Canadian Dealer Offer Rate plus a margin of 48 basis points.
- On April 8, 2020, the Corporation borrowed \$200 million of long-term debt at a premium of \$11 million. The debt issue has a coupon rate of 3.20%, an effective interest rate of 1.79%, and matures on June 3, 2024.
- On June 25, 2020, the Corporation borrowed \$100 million of long-term debt at a premium of \$6 million. The debt issue has a coupon rate of 2.20%, an effective interest rate of 1.53%, and matures on June 2, 2030.
- On July 27, 2020, the Corporation borrowed \$100 million of long-term debt at a discount of \$1 million. The debt issue has a coupon rate of 0.80%, an effective interest rate of 0.93%, and matures September 2, 2025.
- On December 15, 2020, the Corporation repaid \$129 million of long-term debt. The debt had an effective interest rate of 11.23%.
- The net increase in total debt was more than offset by the net repayment of \$498 million in short-term advances; \$17 million in principal repayments offset by a \$2 million increase in the Corporation's lease liabilities; and \$4 million in amortization of debt premiums.

The Corporation's per cent debt ratio has decreased slightly from 72.6% as at March 31, 2020, to 71.8% as at December 31, 2020.

Debt retirement funds

| <i>(in millions)</i> | Nine months ended December 31 | |
|--|-------------------------------|---------------|
| | 2020-21 | 2019-20 |
| Balance, April 1 | \$ 848 | \$ 748 |
| Debt retirement fund instalments | 48 | 44 |
| Debt retirement fund redemptions | (42) | - |
| Debt retirement fund earnings | 18 | 15 |
| Debt retirement fund unrealized market value gains | 24 | 13 |
| Debt retirement fund realized market value gains | 2 | - |
| Balance, December 31 | \$ 898 | \$ 820 |

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 third quarter of 2020-21, the Corporation redeemed \$42 million of debt retirement funds upon repayment of \$129 million of long-term debt which matured on December 15, 2020. Associated with the redemption of debt retirement funds, SaskPower realized \$2 million in market value gains which were recognized in finance charges. SaskPower also made \$48 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. In addition, the Corporation earned \$18 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 \$24 million in unrealized market value gains in the first nine months of 2020-21 was recognized in other comprehensive income (loss).

Dividends

SaskPower pays dividends to Crown Investments Corporation (CIC) of Saskatchewan based on the CIC Dividend Policy. During the 2020-21 year, SaskPower paid \$5 million in dividends to CIC related to the 2019-20 year. CIC has determined that SaskPower will be required to pay a 30% dividend based on 2020-21 net income. The dividend will be paid in quarterly instalments during 2020-21. For the nine months ended December 31, 2020, a dividend of \$31 million has been declared. To date, \$9 million in dividends have been paid related to the fiscal 2020-21 year.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at December 31, 2020, which will impact cash flows in the following year and beyond:

| <i>(in millions)</i> | 1 year | 2 - 5 years | More than 5 years |
|---|--------|-------------|-------------------|
| Power purchase agreements ¹ | \$ 422 | \$ 2,270 | \$ 9,400 |
| Long-term debt (including principal and interest) | 287 | 2,027 | 9,313 |
| Debt retirement fund instalments | 62 | 235 | 985 |
| Coal purchase contracts | 224 | 746 | 205 |
| Natural gas purchase contracts | 34 | 300 | 61 |
| Transmission purchase contracts | 3 | - | - |

1. The contractual obligations related to PPAs include lease liabilities, operating agreements and long-term import agreements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

| <i>(in millions)</i> | (Unaudited) Three months ended December 31 | | (Unaudited) Nine months ended December 31 | |
|---|---|----------------|--|----------------|
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| Revenue | | | | |
| Saskatchewan electricity sales | \$ 678 | \$ 656 | \$ 1,919 | \$ 1,926 |
| Exports and electricity trading | 3 | 3 | 13 | 11 |
| Other revenue | 31 | 25 | 76 | 89 |
| Total revenue | 712 | 684 | 2,008 | 2,026 |
| Expense | | | | |
| Fuel and purchased power | 197 | 194 | 570 | 521 |
| Operating, maintenance and administration | 186 | 174 | 525 | 519 |
| Depreciation and amortization | 151 | 146 | 444 | 424 |
| Finance charges | 107 | 116 | 320 | 325 |
| Taxes | 21 | 19 | 62 | 60 |
| Other (income) expenses | (26) | 9 | (8) | 25 |
| Total expense | 636 | 658 | 1,913 | 1,874 |
| Net income | \$ 76 | \$ 26 | \$ 95 | \$ 152 |

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| <i>(in millions)</i> | (Unaudited) Three months ended December 31 | | (Unaudited) Nine months ended December 31 | |
|--|---|---------|--|---------|
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| Net income | \$ 76 | \$ 26 | \$ 95 | \$ 152 |
| Other comprehensive (loss) income | | | | |
| Items that may be reclassified subsequently to net income: | | | | |
| Derivatives designated as cash flow hedges: | | | | |
| Change in fair value during the period | (15) | 2 | 5 | 18 |
| Realized losses during the period | (3) | (9) | (14) | (36) |
| Reclassification to income | 3 | 9 | 14 | 36 |
| Debt instruments designated as FVOCI: | | | | |
| Change in fair value during the period | (4) | (7) | 24 | 13 |
| Realized gains during the period | 2 | - | 2 | - |
| Reclassification to income | (2) | - | (2) | - |
| Items that will not be reclassified to net income: | | | | |
| Defined benefit pension plans: | | | | |
| Net actuarial (losses) gains | (12) | 28 | (67) | 18 |
| | (31) | 23 | (38) | 49 |
| Total comprehensive income | \$ 45 | \$ 49 | \$ 57 | \$ 201 |

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>(in millions)</i> | | (Unaudited) December 31 2020 | (Audited *) March 31 2020 |
|---|-------|---|--|
| As at | Notes | | |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 214 | \$ 236 |
| Accounts receivable and unbilled revenue | | 441 | 456 |
| Inventory | | 252 | 227 |
| Prepaid expenses | | 17 | 24 |
| Risk management assets | 8 | 5 | 7 |
| | | 929 | 950 |
| Property, plant and equipment | 4 | 9,778 | 9,712 |
| Right-of-use assets | 5 | 578 | 615 |
| Intangible assets | | 63 | 70 |
| Debt retirement funds | | 898 | 848 |
| Other assets | | 8 | 8 |
| Total assets | | \$ 12,254 | \$ 12,203 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 525 | \$ 494 |
| Accrued interest | | 65 | 65 |
| Deferred revenue | | 22 | 22 |
| Dividend payable | | 22 | 5 |
| Risk management liabilities | 8 | 66 | 86 |
| Short-term advances | | 448 | 946 |
| Current portion of long-term debt | 6 | - | 129 |
| Current portion of lease liabilities | 7 | 34 | 28 |
| | | 1,182 | 1,775 |
| Long-term debt | 6 | 6,742 | 6,180 |
| Lease liabilities | 7 | 959 | 980 |
| Employee benefits | | 286 | 210 |
| Provisions | | 312 | 311 |
| Total liabilities | | 9,481 | 9,456 |
| Equity | | | |
| Retained earnings | | 2,187 | 2,123 |
| Accumulated other comprehensive (loss) income | | (7) | 31 |
| Equity advances | | 593 | 593 |
| Total equity | | 2,773 | 2,747 |
| Total liabilities and equity | | \$ 12,254 | \$ 12,203 |

See accompanying notes

*As presented in the audited March 31, 2020, consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (in millions) | Accumulated other comprehensive income (loss) | | | | | | (Unaudited) Total |
|-----------------------------------|---|--|--|---|-----------------|--|----------------------|
| | Retained earnings | Net gains (losses) on derivatives designated as cash flow hedges | Net gains (losses) on debt instruments designated as FVOCI | Net actuarial gains (losses) on defined benefit pension plans | Equity advances | | |
| Equity | | | | | | | |
| Balance, April 1, 2019 | \$ 1,938 | \$ (51) | \$ 7 | \$ 20 | \$ 626 | | \$ 2,540 |
| Net income | 152 | - | - | - | - | | 152 |
| Other comprehensive income | - | 18 | 13 | 18 | - | | 49 |
| Dividends | (15) | - | - | - | - | | (15) |
| Balance, December 31, 2019 | \$ 2,075 | \$ (33) | \$ 20 | \$ 38 | \$ 626 | | \$ 2,726 |
| Net income | 53 | - | - | - | - | | 53 |
| Other comprehensive income (loss) | - | 9 | 4 | (7) | - | | 6 |
| Dividends | (5) | - | - | - | - | | (5) |
| Equity advances repayment | - | - | - | - | (33) | | (33) |
| Balance, March 31, 2020 | \$ 2,123 | \$ (24) | \$ 24 | \$ 31 | \$ 593 | | \$ 2,747 |
| Net income | 95 | - | - | - | - | | 95 |
| Other comprehensive income (loss) | - | 5 | 24 | (67) | - | | (38) |
| Dividends | (31) | - | - | - | - | | (31) |
| Balance, December 31, 2020 | \$ 2,187 | \$ (19) | \$ 48 | \$ (36) | \$ 593 | | \$ 2,773 |

See accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>(in millions)</i> | (Unaudited) Three months ended December 31 | | (Unaudited) Nine months ended December 31 | |
|---|---|----------------|--|----------------|
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| Operating activities | | | | |
| Net income | \$ 76 | \$ 26 | \$ 95 | \$ 152 |
| Adjustments to reconcile net income to cash provided by operating activities | | | | |
| Depreciation and amortization | 151 | 146 | 444 | 424 |
| Finance charges | 107 | 116 | 320 | 325 |
| Net losses on asset disposals and retirements | 9 | 6 | 23 | 19 |
| Unrealized market value adjustments | (1) | 5 | (2) | 2 |
| Natural gas inventory market revaluation | (1) | 1 | (1) | (2) |
| Reclassification of natural gas hedges | | | | |
| transitional market value losses | (5) | (8) | (15) | (26) |
| Employee benefits current service cost | 1 | 1 | 3 | 4 |
| Employee benefits paid | (1) | (1) | (3) | (4) |
| Share of profit from equity accounted investees | - | - | - | (1) |
| Allowance for obsolescence | 1 | - | 1 | 2 |
| Environmental provisions | - | - | - | 5 |
| Environmental expenditures | (2) | (3) | (4) | (8) |
| | 335 | 289 | 861 | 892 |
| Net change in non-cash working capital | 32 | 15 | 32 | 69 |
| Interest paid | (115) | (115) | (338) | (344) |
| Cash provided by operating activities | 252 | 189 | 555 | 617 |
| Investing activities | | | | |
| Property, plant and equipment additions | (208) | (181) | (495) | (505) |
| Arbitral award (Note 4) | 32 | - | 32 | - |
| Intangible asset additions | (3) | (4) | (12) | (21) |
| Proceeds from sale and disposal of assets | 1 | - | 2 | 2 |
| Costs of removal of assets | (3) | (2) | (6) | (5) |
| Contributions to equity accounted investees | - | - | - | (4) |
| Distributions from equity accounted investees | - | - | - | 4 |
| Cash used in investing activities | (181) | (187) | (479) | (529) |
| Increase in cash before financing activities | 71 | 2 | 76 | 88 |
| Financing activities | | | | |
| Net repayments of short-term advances | 100 | 89 | (498) | (207) |
| Proceeds from long-term debt | - | - | 566 | 344 |
| Repayments of long-term debt | (129) | (84) | (129) | (88) |
| Debt retirement fund instalments | (12) | (10) | (48) | (44) |
| Debt retirement fund redemptions | 42 | - | 42 | - |
| Principal repayment of lease liabilities | (8) | (7) | (17) | (15) |
| Net decrease in liabilities | - | - | - | (54) |
| Dividends paid | (4) | (4) | (14) | (31) |
| Cash used in financing activities | (11) | (16) | (98) | (95) |
| Increase (decrease) in cash | 60 | (14) | (22) | (7) |
| Cash and cash equivalents, beginning of period | 154 | 17 | 236 | 10 |
| Cash and cash equivalents, end of period | \$ 214 | \$ 3 | \$ 214 | \$ 3 |

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 amendments to International Financial Reporting Standards adopted effective April 1, 2020, which are discussed in Note 3.

The condensed consolidated financial statements were authorized for issue by the Audit & Finance Committee of the Board of Directors on February 23, 2021.

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(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, 2020, 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 expected credit losses.
- 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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, 2020, and is expected to result in an approximate \$10 million increase to depreciation expense in 2020-21.

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.
- Revenue recognition of customer contributions.

3. Application of new and revised International Financial Reporting Standards

(a) Amendments to the *Conceptual Framework for Financial Reporting*

Effective April 1, 2020, SaskPower prospectively adopted the amendments to the *Conceptual Framework for Financial Reporting (Conceptual Framework)*. The amendments provide revisions to the *Conceptual Framework*, a comprehensive set of concepts for financial reporting. There was no impact to the condensed consolidated financial statements upon adoption of the amendments to the framework.

(b) Amendments to IAS 1, *Presentation of Financial Statements* and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

Effective April 1, 2020, SaskPower prospectively adopted the amendments to IAS 1, *Presentation of Financial Statements* and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in IAS 1, *Presentation of Financial Statements* and align the definitions used across IFRS Standards and other publications. There was no impact to the condensed consolidated financial statements upon adoption of the amendments to the standards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. Property, plant and equipment

| <i>(in millions)</i> | Generation | Transmission | Distribution | Other | Construction in progress | Total |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------------|------------------|
| Cost or deemed cost | | | | | | |
| Balance, April 1, 2019 | \$ 6,787 | \$ 2,450 | \$ 4,232 | \$ 910 | \$ 1,028 | \$ 15,407 |
| Cory Cogeneration Station ¹ | 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 |
| Additions | 35 | 105 | 81 | 12 | 147 | 380 |
| Disposals and/or retirements | (4) | (6) | (21) | (5) | - | (36) |
| Transfers | - | - | - | - | (235) | (235) |
| Balance, March 31, 2020 | \$ 7,587 | \$ 2,797 | \$ 4,464 | \$ 960 | \$ 278 | \$ 16,086 |
| Additions | 135 | 50 | 203 | 64 | 514 | 966 |
| TSASK ² | - | - | - | (2) | - | (2) |
| Arbitral award ³ | (32) | - | - | - | - | (32) |
| Disposals and/or retirements | (35) | (1) | (19) | (10) | - | (65) |
| Transfers | - | - | - | - | (463) | (463) |
| Balance, December 31, 2020 | \$ 7,655 | \$ 2,846 | \$ 4,648 | \$ 1,012 | \$ 329 | \$ 16,490 |
| Accumulated depreciation | | | | | | |
| Balance, April 1, 2019 | \$ 3,138 | \$ 673 | \$ 1,714 | \$ 416 | \$ - | \$ 5,941 |
| 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 |
| Depreciation expense | 68 | 17 | 31 | 14 | - | 130 |
| Disposals and/or retirements | (2) | (3) | (19) | (5) | - | (29) |
| Transfers | - | - | - | - | - | - |
| Balance, March 31, 2020 | \$ 3,383 | \$ 728 | \$ 1,806 | \$ 457 | \$ - | \$ 6,374 |
| Depreciation expense | 201 | 51 | 95 | 39 | - | 386 |
| Disposals and/or retirements | (26) | (1) | (13) | (8) | - | (48) |
| Transfers | - | - | - | - | - | - |
| Balance, December 31, 2020 | \$ 3,558 | \$ 778 | \$ 1,888 | \$ 488 | \$ - | \$ 6,712 |
| Net book value | | | | | | |
| Balance, December 31, 2019 | \$ 4,239 | \$ 1,984 | \$ 2,610 | \$ 505 | \$ 366 | \$ 9,704 |
| Balance, March 31, 2020 | \$ 4,204 | \$ 2,069 | \$ 2,658 | \$ 503 | \$ 278 | \$ 9,712 |
| Balance, December 31, 2020 | \$ 4,097 | \$ 2,068 | \$ 2,760 | \$ 524 | \$ 329 | \$ 9,778 |

- Effective July 11, 2019, SaskPower, through its subsidiary SaskPower International, purchased the remaining 50% ownership interest in the Cory Cogeneration Station Joint Venture, of which it was already part-owner with ATCO Power Canada Ltd. The joint venture owned and operated a 246-MW natural gas-fired cogeneration station near Saskatoon, Saskatchewan. Upon purchase, the joint venture was dissolved and the power purchase agreement was terminated.
- Provincial cabinet approved the transfer of the Corporation's Gas and Electrical Inspections (GEIS) Division to the Technical Safety Authority of Saskatchewan (TSASK) effective January 31, 2021. The related net book value of the GEIS assets were written down to reflect the lower of the carrying amount and fair value less costs to sell.
- In the third quarter of 2020-21, the Corporation received a favourable ruling from an arbitral panel in relation to a contractual dispute comprised of a \$56 million cash award as well as \$14 million in forgiven payables. The portion of the award allocated to property, plant and equipment was \$32 million. The remaining \$38 million awarded was recorded in profit or loss as other income (expenses).

In the first nine months of 2020-21, interest costs totaling \$7 million (2019-20 – \$23 million) were capitalized at the weighted average cost of borrowings rate of 4.30% (2019-20 – 4.30%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. Right-of-use assets

| <i>(in millions)</i> | Power purchase agreements | Buildings | Land | Total |
|------------------------------------|------------------------------|--------------|-------------|-----------------|
| Cost | | | | |
| Balance, April 1, 2019 | \$ 1,243 | \$ 14 | \$ 7 | \$ 1,264 |
| Cory Cogeneration Station (Note 4) | (228) | - | - | (228) |
| Additions | - | - | - | - |
| Disposals and/or retirements | - | - | - | - |
| Balance, December 31, 2019 | \$ 1,015 | \$ 14 | \$ 7 | \$ 1,036 |
| Additions | 2 | - | - | 2 |
| Disposals and/or retirements | - | - | - | - |
| Balance, March 31, 2020 | \$ 1,017 | \$ 14 | \$ 7 | \$ 1,038 |
| Additions | - | 2 | - | 2 |
| Disposals and/or retirements | - | - | - | - |
| Balance, December 31, 2020 | \$ 1,017 | \$ 16 | \$ 7 | \$ 1,040 |
| Accumulated depreciation | | | | |
| Balance, April 1, 2019 | \$ 519 | \$ - | \$ - | \$ 519 |
| Cory Cogeneration Station (Note 4) | (152) | - | - | (152) |
| Depreciation expense | 40 | 3 | - | 43 |
| Disposals and/or retirements | - | - | - | - |
| Balance, December 31, 2019 | \$ 407 | \$ 3 | \$ - | \$ 410 |
| Depreciation expense | 12 | - | 1 | 13 |
| Disposals and/or retirements | - | - | - | - |
| Balance, March 31, 2020 | \$ 419 | \$ 3 | \$ 1 | \$ 423 |
| Depreciation expense | 36 | 3 | - | 39 |
| Disposals and/or retirements | - | - | - | - |
| Balance, December 31, 2020 | \$ 455 | \$ 6 | \$ 1 | \$ 462 |
| Net book value | | | | |
| Balance, December 31, 2019 | \$ 608 | \$ 11 | \$ 7 | \$ 626 |
| Balance, March 31, 2020 | \$ 598 | \$ 11 | \$ 6 | \$ 615 |
| Balance, December 31, 2020 | \$ 562 | \$ 10 | \$ 6 | \$ 578 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. Long-term debt

(in millions)

| | |
|---|-----------------|
| Balance, April 1, 2019 | \$ 6,004 |
| Assumption of Cory Cogeneration Station non-recourse debt | 42 |
| Long-term debt issues | 344 |
| Long-term debt repayments | (79) |
| Amortization of debt premiums net of discounts | (2) |
| Balance, December 31, 2019 | \$ 6,309 |
| Long-term debt issues | - |
| Long-term debt repayments | - |
| Amortization of debt premiums net of discounts | - |
| Balance, March 31, 2020 | \$ 6,309 |
| Long-term debt issues | 566 |
| Long-term debt repayments | (129) |
| Amortization of debt premiums net of discounts | (4) |
| | \$ 6,742 |
| Less: current portion of long-term debt | - |
| Balance, December 31, 2020 | \$ 6,742 |

7. Lease liabilities

| <i>(in millions)</i> | December 31 2020 | March 31 2020 |
|--|---------------------|------------------|
| Total future minimum lease payments | \$ 2,224 | \$ 2,350 |
| Less: future finance charges on leases | (1,231) | (1,342) |
| Present value of lease liabilities | \$ 993 | \$ 1,008 |
| Less: current portion of lease liabilities | (34) | (28) |
| | \$ 959 | \$ 980 |

The above lease liabilities include power purchase agreements relating to the Meridian Cogeneration Station, Spy Hill Generating Station and the North Battleford Generating Station gas-fired facilities as well as land and building leases. During the nine months ended December 31, 2020, SaskPower recognized \$112 million of interest costs on these lease liabilities.

As at December 31, 2020, scheduled future minimum lease payments and the present value of lease liabilities are as follows:

| <i>(in millions)</i> | 1 year | 2 - 5 years | More than 5 years |
|------------------------------------|--------|-------------|----------------------|
| Future minimum lease payments | \$ 178 | \$ 709 | \$ 1,337 |
| Present value of lease liabilities | 34 | 192 | 767 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. Financial instruments

| | | | December 31 2020 | | March 31 2020 | |
|--|--------------------------------------|--------------------|---------------------|-------------|-------------------|-------------|
| <i>(in millions)</i> | | | Asset (liability) | | Asset (liability) | |
| Financial instruments | Classification | Level ⁴ | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | | |
| Cash and cash equivalents | FVTPL ¹ | 1 | \$ 214 | \$ 214 | \$ 236 | \$ 236 |
| Accounts receivable and unbilled revenue | AC ² | N/A | 441 | 441 | 456 | 456 |
| Debt retirement funds | FVOCI - debt instrument ³ | 2 | 898 | 898 | 848 | 848 |
| Other assets – long-term receivables | AC ² | N/A | 1 | 1 | 1 | 1 |
| Financial liabilities | | | | | | |
| Accounts payable and accrued liabilities | AC ² | N/A | \$ (525) | \$ (525) | \$ (494) | \$ (494) |
| Accrued interest | AC ² | N/A | (65) | (65) | (65) | (65) |
| Dividend payable | AC ² | N/A | (22) | (22) | (5) | (5) |
| Short-term advances | AC ² | N/A | (448) | (448) | (946) | (946) |
| Long-term debt | AC ² | 2 | (6,742) | (8,530) | (6,309) | (7,395) |
| Risk management assets and liabilities | | | | | | |
| <i>(in millions)</i> | | | December 31 2020 | | March 31 2020 | |
| | Classification | Level ⁴ | Asset | (Liability) | Asset | (Liability) |
| Natural gas contracts | | | | | | |
| Fixed price swap instruments used for hedging ⁵ | FVTPL ¹ | 2 | \$ 5 | \$ (65) | \$ 4 | \$ (84) |
| Fixed price swap instruments | FVTPL ¹ | 2 | - | (1) | - | (2) |
| Electricity contracts | | | | | | |
| Forward agreements ⁶ | FVTPL ¹ | 2 | - | - | 3 | - |
| | | | \$ 5 | \$ (66) | \$ 7 | \$ (86) |

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. 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 are carried at values which approximate fair value. This includes accounts receivable and unbilled revenue; other assets – long-term receivables; accounts payable and accrued liabilities; accrued interest; dividend payable; and short-term advances.

5. These natural gas 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).

6. 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. This contract expired December 31, 2020.

SASKPOWER SYSTEM MAP

TOTAL AVAILABLE GENERATING CAPACITY - 4,993 MEGAWATTS (MW)

HYDRO TOTAL CAPACITY - 989 MW

- H1** Athabasca Hydroelectric System
 - H1A** Wellington Hydroelectric Station - 5 MW
 - H1B** Waterloo Hydroelectric Station - 8 MW
 - H1C** Charlot River Hydroelectric Station - 10 MW
- H2** Island Falls Hydroelectric Station - 111 MW
- H3** Manitoba Hydro Power Purchase Agreements - 125 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 - 2,172 MW

- NG1** Meadow Lake Power Station - 41 MW
- NG2** Meridian Cogeneration Station* - 228 MW
- NG3** North Battleford Generating Station* - 289 MW
- NG4** Yellowhead Power Station - 135 MW
- NG5** Ermine Power Station - 90 MW
- NG6** Landis Power Station - 78 MW
- NG7** Cory Cogeneration Station - 246 MW
- NG8** Queen Elizabeth Power Station - 623 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

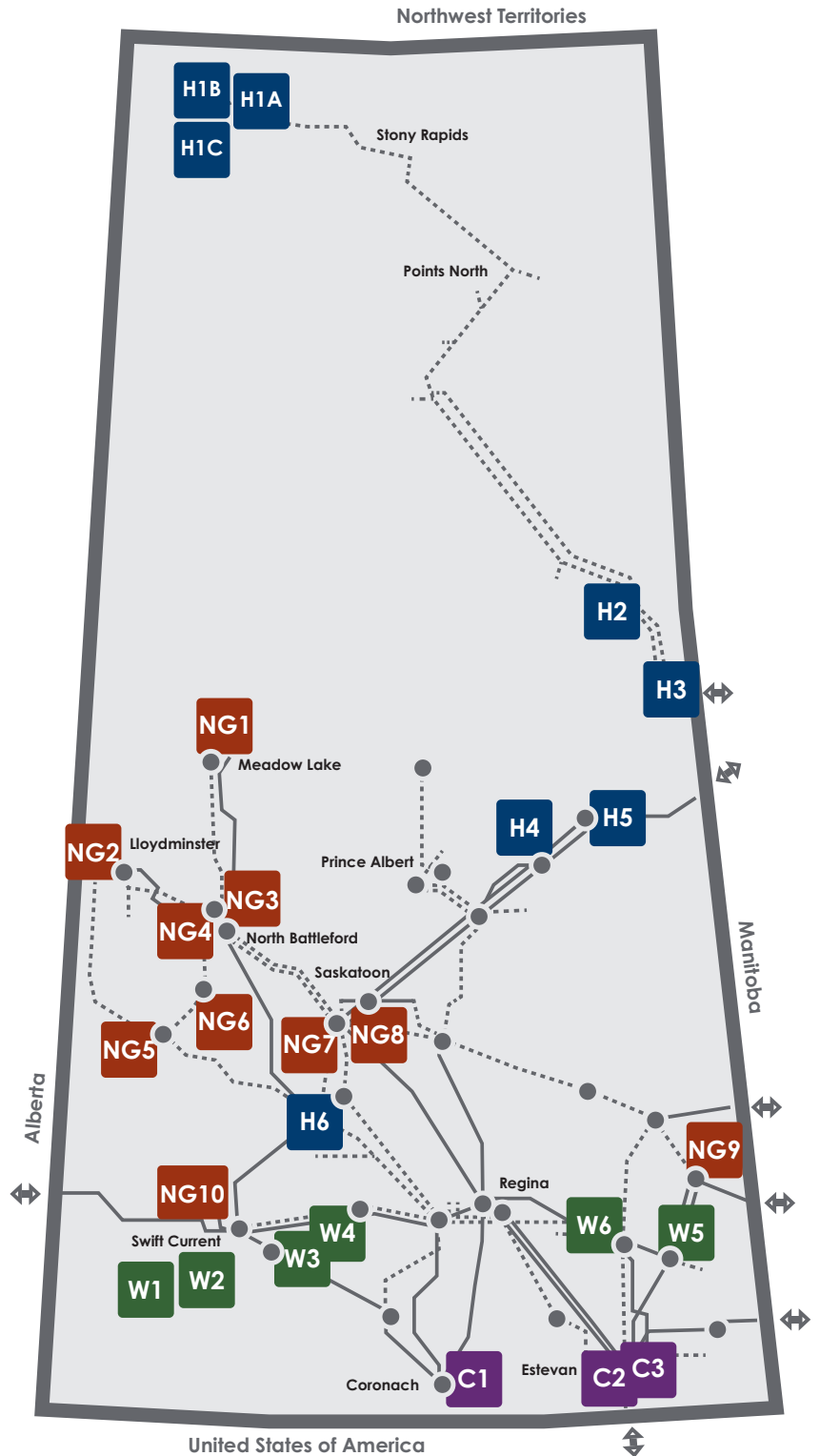
COAL TOTAL CAPACITY - 1,530 MW

- 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 - 61 MW (NOT SHOWN ON MAP)

TRANSMISSION

-  230 kilovolt (kV)
-  138 kV/115 kV/110 kV
-  Switching station
-  Interconnection



* Large Independent Power Producer

Saskatchewan Power Corporation

2025 Victoria Avenue, Regina, Saskatchewan

Canada S4P 0S1

saskpower.com

