2016-17
FIRST QUARTER
FINANCIAL REPORT

For the three months ended
June 30, 2016

SaskPower
Powering the future®

STRATEGIC DIRECTION

Our vision

An industry-leading company, powering Saskatchewan through innovation, performance and service

Our mission

Ensuring reliable, sustainable and cost-effective power for our customers

Our values

Safety, openness, dedication and respect

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

(in millions)	Three months ended June 30 2016-17	2015-16	Change
Revenue	**$ 547**	$ 553	$ (6)
Expense	**578**	529	49
Income before unrealized market value adjustments	**(31)**	24	(55)
Net income	**18**	6	12
Capital expenditures	**143**	251	(108)
Return on equity (operating)[1]	**-5.7%**	4.3%	-10.0%
Return on equity[2]	**3.5%**	1.1%	2.4%

	June 30 2016	March 31 2016	Change
Long-term debt	**$ 5,129**	$ 5,130	$ (1)
Short-term advances	**1,037**	981	56
Finance lease obligations	**1,132**	1,133	(1)
Per cent debt ratio[3]	**76.1%**	75.7%	0.4%

1. Return on equity (operating) = (annualized income before unrealized market value adjustments)/(average equity).
2. Return on equity = (annualized net income)/(average equity).
3. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents).

Operating Statistics

(GWh) [1]	Three months ended June 30 2016-17	2015-16	Change
Saskatchewan electricity sales	**5,255**	5,181	74
Exports	**101**	25	76
Total electricity sales	**5,356**	5,206	150
Gross electricity supplied	**5,666**	5,553	113
Line losses	**(310)**	(347)	37
Net electricity supplied	**5,356**	5,206	150
Generating capacity (net MW)[2]	**4,437**	4,181	256
Peak load (net MW)[2]	**3,248**	3,170	78
Customers	**524,121**	517,124	6,997

1. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.
2. Megawatt (MW) is a unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited condensed consolidated financial statements and supporting notes for the three months ended June 30, 2016. These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The SaskPower Audit & Finance Committee of the Board of Directors has approved the condensed consolidated financial statements.

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

Financial Results

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Revenue			
Saskatchewan electricity sales	**$ 522**	$ 509	$ 13
Exports	**3**	6	(3)
Net costs from electricity trading	**(1)**	-	(1)
Share of profit from equity accounted investees	**-**	-	-
Other revenue	**23**	38	(15)
	$ 547	$ 553	$ (6)
Expense			
Fuel and purchased power	**$ 155**	$ 143	$ 12
Operating, maintenance and administration	**179**	166	13
Depreciation and amortization	**122**	111	11
Finance charges	**101**	89	12
Taxes	**16**	16	-
Other expenses	**5**	4	1
	$ 578	$ 529	$ 49
Income before the following	**$ (31)**	$ 24	$ (55)
Unrealized market value adjustments	**49**	(18)	67
Net income	**$ 18**	$ 6	$ 12
Return on equity (operating)[1]	**-5.7%**	4.3%	-10.0%
Return on equity[2]	**3.5%**	1.1%	2.4%

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

2. Return on equity = (annualized net income)/(average equity).

Highlights and summary of results

SaskPower had a consolidated loss before unrealized market value adjustments of $31 million in the first quarter of 2016-17 compared to consolidated income of $24 million in the same period in 2015-16. The $55 million decrease was due to higher expenses as well as a reduction in other revenue. The operating return on equity was -5.7%, down 10 percentage points from the previous period.

Total revenue was down $6 million in the first quarter of 2016-17 compared to the same period in 2015-16. The decrease in revenue was mainly attributable to a reduction in other revenue of $15 million due to lower customer contributions, as well as a $4 million decrease in exports and trading activity as a result of lower sales volumes and profit margins in Alberta. This decline was partially offset by a $13 million increase in Saskatchewan electricity sales due to higher sales volumes and a 2% system-wide average rate increase effective September 1, 2015.

Total expense increased $49 million in the first quarter of 2016-17 compared to the same period in 2015-16. Fuel and purchased power costs increased $12 million largely as a result of more expensive natural gas generation replacing lower cost hydro generation. Higher electricity demand and sales volumes also contributed to the increase in fuel and purchased power costs. Operating, maintenance and administration (OM&A) expense was up $13 million due to increased costs as a result of the timing of overhaul activity at our generation facilities. Depreciation expense increased $11 million compared to the same period in 2015-16 as a result of a higher capital base due to investments in the Corporation's property, plant and equipment in the past year. Finance charges increased $12 million due to additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures, as well as a decrease in interest capitalized.

SaskPower reported $49 million of unrealized market value net gains in the first quarter of 2016-17, compared to $18 million in net losses in the same period in 2015-16. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end.

The net impact of SaskPower's operating results plus unrealized market value adjustments was a consolidated net income of $18 million compared to $6 million in the prior year.

Outlook

SaskPower's net income is forecast to be $161 million in 2016-17, resulting in a return on equity of 7.2%.

Revenues of $2,440 million are expected to increase $144 million as a result of a 5.0% system-wide average rate increase effective July 1, 2016, and a subsequent system-wide average rate increase of 5.0% effective January 1, 2017. These increases are subject to approval by the Saskatchewan Rate Review Panel and cabinet.

The increase in revenue, however, is expected to be partially offset by a $153 million increase in expenses in 2016-17. The primary driver is an $88 million increase in capital-related expenses, including depreciation, finance charges, taxes and other expenses. SaskPower invested $1,178 million in capital for the fiscal period ended March 31, 2016.

Capital expenditures in 2016-17 are forecast to be approximately $847 million. This includes $196 million in costs to improve and expand the Corporation's transmission and distribution infrastructure; $134 million connecting new customers to SaskPower's grid; $173 million to sustain our existing transmission and distribution assets; and $172 million to maintain the existing generation fleet.

Revenue

Saskatchewan electricity sales

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Saskatchewan electricity sales	**$ 522**	$ 509	$ 13

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 quarter of 2016-17 were $522 million, up $13 million from the same period in 2015-16. The increase was due to the 2% system-wide average rate increase which became effective September 1, 2015, as well as a rise in sales volumes. Electricity sales volumes to Saskatchewan customers for the first three months of 2016-17 were 5,255 GWh, up 74 GWh or 1.4% from the same period in 2015-16. The Corporation experienced growth in demand from the oilfield, power and commercial customer classes.

Exports

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Exports	**$ 3**	$ 6	$ (3)

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

Exports were $3 million in the first quarter of 2016-17, down $3 million from the same period in 2015-16. Exports were down due to lower Alberta Power Pool prices and limited opportunities to trade into Alberta. The lower sales prices were partially offset by an increase in sales volumes primarily to the SPP market, up 76 GWh from the first three months of 2015-16.

Net costs from electricity trading

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Electricity trading revenue	**$ -**	$ 2	$ (2)
Electricity trading costs	**(1)**	(2)	1
Net costs from electricity trading	**$ (1)**	$ -	$ (1)

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

Net costs from electricity trading were $1 million in the first quarter of 2016-17 compared to net costs of nil in the same period in 2015-16. SaskPower's low trading earnings are the result of decreased Power Pool prices in Alberta, which prevent the Corporation from making profitable trades into that market.

Share of profit from equity accounted investees

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Share of profit from equity accounted investees	**$ -**	$ -	$ -

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

SaskPower's share of profit from its investment in the MRM Cogeneration Station was nil for the first quarter of 2016-17, consistent with the prior year.

Other revenue

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Other revenue	**$ 23**	$ 38	$ (15)

Other revenue includes various non-electricity products and services. Other revenue was $23 million in the first quarter of 2016-17, down $15 million from the same period in 2015-16. The $15 million decrease was mainly due to lower customer contributions as well as a decline in wind power incentives received from the Government of Canada. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for use and the Corporation's performance obligations are complete.

Expense

Fuel and purchased power

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Fuel and purchased power	**$ 155**	$ 143	$ 12

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 favourable conditions exist.

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

Fuel and purchased power costs were $155 million in the first quarter of 2016-17, up $12 million from the same period in 2015-16. The $12 million increase is a result of an unfavourable mix and volume variance, slightly offset by a favourable price variance.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. During the first quarter of 2016-17, the Corporation's hydro generation accounted for 13% of total generation compared to 18% for the same period in 2015-16. The decreased hydro generation was replaced by more expensive natural gas generation. This unfavourable change in the fuel mix resulted in an estimated $10 million increase in fuel and purchased power costs.

Total generation and purchased power was 5,666 GWh in the first three months of 2016-17, an increase of 113 GWh or 2% compared to the same period in 2015-16. The higher demand resulted in an estimated $3 million increase in fuel and purchased power costs.

The average price of fuel decreased as a result of lower natural gas prices, with average prices decreasing approximately $0.37 per gigajoule. The lower fuel prices resulted in an overall decrease of approximately $1 million in fuel and purchased power costs.

Operating, maintenance and administration (OM&A)

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
OM&A	**$ 179**	$ 166	$ 13

OM&A expense was $179 million in the first quarter of 2016-17, up $13 million from the same period in 2015-16. The rise in operating expenditures was largely due to increased costs as a result of the timing of overhaul maintenance activities at our generation facilities.

Depreciation and amortization

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Depreciation and amortization	**$ 122**	$ 111	$ 11

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 $122 million in the first quarter of 2016-17, up $11 million from the same period in 2015-16. 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 2015-16, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective April 1, 2016, and resulted in an approximate $3 million increase to depreciation expense in the first quarter of 2016-17.

Finance charges

	Three months ended June 30		
(in millions)	**2016-17**	2015-16	Change
Finance charges	**$ 101**	$ 89	$ 12

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

Finance charges were $101 million in the first quarter of 2016-17, up $12 million from the same period in 2015-16. The increase in finance charges was attributable to an additional $5 million in interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. In addition, interest capitalized decreased by approximately $5 million, and debt retirement fund earnings decreased by $2 million compared to the prior year.

Taxes

(in millions)	2016-17	2015-16	Change
	Three months ended June 30		
Taxes	**$ 16**	$ 16	$ -

Taxes represent the payment of corporation capital tax to the Province of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan. Taxes were $16 million in the first quarter of 2016-17, consistent with the same period in 2015-16.

Other expenses

(in millions)	2016-17	2015-16	Change
	Three months ended June 30		
Other expenses	**$ 5**	$ 4	$ 1

Other expenses include asset impairment losses; net losses on asset disposals and retirements; inventory variance adjustments; foreign exchange gains/losses; and environmental remediation activities. Other expenses were $5 million in the first quarter of 2016-17, up $1 million compared to the same period in 2015-16. This increase is mainly attributable to an increase in environmental expenditures in the first three months of 2016-17 compared to the same period in 2015-16.

Unrealized market value adjustments

(in millions)	2016-17	2015-16	Change
	Three months ended June 30		
Natural gas contracts gains (losses)	**$ 31**	$ (1)	$ 32
Natural gas inventory revaluation	**2**	-	2
Electricity contracts gains (losses)	**(1)**	2	(3)
Debt retirement funds gains (losses)	**17**	(19)	36
Unrealized market value adjustments	**$ 49**	$ (18)	$ 67

Unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end. These non-cash transactions resulted in net market value gains of $49 million for the first quarter of 2016-17 compared to a net loss of $18 million in the same period in 2015-16.

SaskPower had outstanding natural gas hedges of approximately 113 million notional gigajoules (GJ) to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the remainder of 2016-17 through fiscal 2025-26. The market value of these outstanding natural gas hedges increased $31 million in the first quarter of 2016-17. The gains are the result of an increase in the forward price of natural gas and the settlement of natural gas hedge contracts. Market value adjustments on natural gas hedges are subject to significant volatility based on movements in the forward price of natural gas.

The net realizable value of the Corporation's natural gas inventory held in storage has also increased due to rising natural gas prices. As a result, SaskPower recognized a $2 million write-up of its natural gas inventory in the first quarter of 2016-17.

Unrealized market value losses related to SaskPower's outstanding electricity derivative contracts were $1 million, compared to gains of $2 million in the prior year as a result of the settlement of electricity derivative contracts.

The Corporation also recorded $17 million in market value gains related to its debt retirement funds, which represents a $36 million increase compared to the same period in 2015-16. The increase in the market value of the debt retirement funds is primarily due to a decrease in long-term interest rates which positively impacts the value of the bonds in the debt retirement fund portfolio.

Financial Condition

The following table outlines changes in the condensed consolidated statement of financial position from March 31, 2016, to June 30, 2016:

Financial Condition	
(in millions)	**Increase / (Decrease)**
Cash and cash equivalents Refer to consolidated statement of cash flows.	**$ (27)**
Accounts receivable and unbilled revenue Decrease in margin deposits on natural gas derivatives, and timing of receipts.	**(46)**
Inventory Increase in maintenance supplies and market value of natural gas inventory.	**10**
Prepaid expenses Decrease in prepaid employee benefits.	**(1)**
Property, plant and equipment Capital additions, offset by depreciation, disposals, and retirements.	**25**
Intangible assets Amortization expense.	**(7)**
Debt retirement funds Instalments, earnings, and market value gains.	**37**
Investments accounted for using equity method	**-**
Other assets	**-**
Accounts payable and accrued liabilities Timing of payments.	**(60)**
Accrued interest Timing of interest payments.	**7**
Risk management liabilities (net of risk management assets) Gains on natural gas hedges offset by a decrease in fair value of bond forwards.	**(21)**
Short-term advances Increase in short-term advances to finance SaskPower's capital expenditures.	**56**
Long-term debt (including current portion) Repayments on non-recourse debt.	**(1)**
Finance lease obligations (including current portion) Lease principal repayments.	**(1)**
Employee benefits Actuarial losses on the defined benefit pension plan.	**41**
Provisions Expenditures incurred offset by accretion expense.	**(1)**
Equity 2016-17 comprehensive loss.	**(29)**

Liquidity and Capital Resources

Cash flow highlights

(in millions)	June 30 2016	March 31 2016	Change
Cash and cash equivalents	**$ 1**	$ 28	$ (27)

The Corporation's cash position decreased $27 million from March 31, 2016. The $27 million decrease was the result of $75 million provided by operating activities and $37 million provided by financing activities, offset by $139 million used in investing activities.

a) Operating activities

	Three months ended June 30		
(in millions)	2016-17	2015-16	Change
Cash provided by operating activities	**$ 75**	$ 141	$ (66)

Cash provided by operating activities was $75 million in the first quarter of 2016-17, down $66 million from the same period in 2015-16. The decrease was primarily the result of lower income before unrealized net market value adjustments in 2016-17.

b) Investing activities

	Three months ended June 30		
(in millions)	2016-17	2015-16	Change
Generation	**$ 32**	$ 20	$ 12
Transmission	**13**	13	-
Distribution	**13**	11	2
Other	**19**	31	(12)
Sustainment	**77**	75	2
Generation	**4**	58	(54)
Transmission	**18**	49	(31)
Distribution	**5**	25	(20)
Customer connects	**29**	41	(12)
Growth and compliance	**56**	173	(117)
Strategic and other investments	**10**	3	7
Total capital expenditures	**$ 143**	$ 251	$ (108)
Less: Interest capitalized	**(4)**	(9)	5
Proceeds from sale and disposal of assets	**(1)**	(1)	-
Costs of removal of assets	**1**	1	-
Distribution from equity accounted investees	**-**	-	-
Cash used in investing activities	**$ 139**	$ 242	$ (103)

In order to ensure a reliable, sustainable and cost-effective supply of electricity for its customers, SaskPower invested $143 million in the first quarter of 2016-17 on various capital projects. The Corporation invested $29 million to connect customers to the SaskPower electric system; $32 million on generation sustainment activities; and $49 million on increasing capacity and sustaining transmission and distribution infrastructure.

c) Financing activities

(in millions)	Three months ended June 30 2016-17	2015-16	Change
Net proceeds from (repayment of) short-term advances	**$ 56**	$ (78)	$ 134
Proceeds from long-term debt	**-**	184	(184)
Repayments of long-term debt	**(1)**	(1)	-
Debt retirement fund instalments	**(17)**	(18)	1
Principal repayment of finance lease obligations	**(2)**	(2)	-
Increase in finance lease obligations	**1**	2	(1)
Realized losses on cash flow hedges	**-**	(7)	7
Cash provided by financing activities	**$ 37**	$ 80	$ (43)

In the first quarter of 2016-17, $37 million of cash was provided by financing activities, down $43 million compared to the same period in 2015-16. The funds were used to finance the Corporation's capital program.

Capital management

(in millions)	June 30 2016	March 31 2016	Change
Long-term debt	**$ 5,129**	$ 5,130	$ (1)
Short-term advances	**1,037**	981	56
Finance lease obligations	**1,132**	1,133	(1)
Total debt	**7,298**	7,244	54
Debt retirement funds	**570**	533	37
Cash and cash equivalents	**1**	28	(27)
Total net debt	**$ 6,727**	$ 6,683	$ 44
Retained earnings	**1,565**	1,547	18
Accumulated other comprehensive loss	**(108)**	(61)	(47)
Equity advances	**660**	660	-
Total capital	**$ 8,844**	$ 8,829	$ 15
Per cent debt ratio[1]	**76.1%**	75.7%	0.4%

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

SaskPower's total debt position (including finance lease obligations) was $7,298 million at June 30, 2016, up $54 million from March 31, 2016. The increase in total debt was the result of:

- The issuance of an additional $56 million in short-term advances.
- Repayment of $1 million in non-recourse debt and $1 million principal repayment of the Corporation's finance lease obligations.

The Corporation's per cent debt ratio has increased slightly from 75.7% as at March 31, 2016, to 76.1% as at June 30, 2016.

Debt retirement fund instalments

(in millions)	Three months ended June 30 2016-17	2015-16	Change
Debt retirement fund instalments	**$ 17**	$ 18	$ (1)

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

During the first quarter of 2016-17, the Corporation made $17 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 $3 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

Historically, SaskPower has paid dividends to Crown Investments Corporation (CIC) of Saskatchewan based on the CIC Dividend Policy. CIC has determined that SaskPower will not be required to pay dividends in 2016-17 due to the significant investments in property, plant and equipment of the Corporation.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at June 30, 2016, which will impact cash flows in 2016 and beyond:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Planned capital expenditures	$ 704	$ 4,802	$ 6,065
Power purchase agreements	288	1,762	6,645
Long-term debt (including principal and interest)	455	1,143	8,309
Debt retirement fund instalments	49	194	871
Coal purchase contracts	110	875	1,122
Natural gas purchase contracts	73	346	191
Transmission purchase contracts	6	22	1

Condensed Consolidated Statement of Income

	(Unaudited) Three months ended June 30	
(in millions)	**2016-17**	**2015-16**
Revenue		
Saskatchewan electricity sales	**$ 522**	$ 509
Exports	**3**	6
Net costs from electricity trading	**(1)**	-
Share of profit from equity accounted investees	**-**	-
Other revenue	**23**	38
	547	553
Expense		
Fuel and purchased power	**155**	143
Operating, maintenance and administration	**179**	166
Depreciation and amortization	**122**	111
Finance charges	**101**	89
Taxes	**16**	16
Other expenses	**5**	4
	578	529
(Loss) income before the following	**(31)**	24
Unrealized market value adjustments	**49**	(18)
Net income	**$ 18**	$ 6

See accompanying notes

Condensed Consolidated Statement of Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended June 30 **2016-17**	**2015-16**
Net income	**$ 18**	$ 6
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 year	**(9)**	42
Net realized losses during the year	**-**	(7)
Items that will not be reclassified to net income:		
Defined benefit pension plans:		
Net actuarial (losses) gains	**(38)**	40
	(47)	75
Total comprehensive (loss) income	**$ (29)**	$ 81

See accompanying notes

Condensed Consolidated Statement of Financial Position

(in millions) As at	Notes	(Unaudited) June 30 2016	(Audited *) March 31 2016
Assets			
Current assets			
Cash and cash equivalents		**$ 1**	$ 28
Accounts receivable and unbilled revenue		**363**	409
Inventory		**222**	212
Prepaid expenses		**15**	16
Risk management assets	7	**-**	-
		601	665
Property, plant and equipment	4	**9,165**	9,140
Intangible assets		**47**	54
Debt retirement funds		**570**	533
Investments accounted for using equity method		**38**	38
Other assets		**4**	4
Total assets		**$ 10,425**	$ 10,434
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 310**	$ 370
Accrued interest		**59**	52
Risk management liabilities	7	**136**	157
Short-term advances		**1,037**	981
Current portion of long-term debt	5	**205**	105
Current portion of finance lease obligations	6	**12**	11
		1,759	1,676
Long-term debt	5	**4,924**	5,025
Finance lease obligations	6	**1,120**	1,122
Employee benefits		**305**	264
Provisions		**200**	201
Total liabilities		**8,308**	8,288
Equity			
Retained earnings		**1,565**	1,547
Accumulated other comprehensive loss		**(108)**	(61)
Equity advances		**660**	660
Total equity		**2,117**	2,146
Total liabilities and equity		**$ 10,425**	$ 10,434

See accompanying notes

*As presented in the audited March 31, 2016, consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

(in millions)	Retained earnings	Accumulated other comprehensive income (loss): Net gains (losses) on derivatives designated as cash flow hedges	Accumulated other comprehensive income (loss): Net actuarial gains (losses) on defined benefit pension plans	Equity advances	(Unaudited) Total
Equity					
Balance, April 1, 2015	$ 1,566	$ (27)	$ (37)	$ 660	**$ 2,162**
Net income	6	-	-	-	**6**
Other comprehensive income	-	35	40	-	**75**
Balance, June 30, 2015	**$ 1,572**	**$ 8**	**$ 3**	**$ 660**	**$ 2,243**
Net loss	(25)	-	-	-	**(25)**
Other comprehensive loss	-	(24)	(48)	-	**(72)**
Balance, March 31, 2016	**$ 1,547**	**$ (16)**	**$ (45)**	**$ 660**	**$ 2,146**
Net income	18	-	-	-	**18**
Other comprehensive loss	-	(9)	(38)	-	**(47)**
Balance, June 30, 2016	**$ 1,565**	**$ (25)**	**$ (83)**	**$ 660**	**$ 2,117**

See accompanying notes

Condensed Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended June 30 2016-17	2015-16
Operating activities		
Net income	**$ 18**	$ 6
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	**122**	111
Finance charges	**101**	89
Net losses on asset disposals and retirements	**3**	4
Unrealized market value adjustments	**(49)**	18
Employee benefits	**-**	(1)
Allowance for obsolescence	**-**	1
Environmental expenditures	**(2)**	(2)
	193	226
Net change in non-working capital	**(21)**	4
Interest paid	**(97)**	(89)
Cash provided by operating activities	**75**	141
Investing activities		
Property, plant and equipment additions	**(139)**	(238)
Intangible asset additions	**-**	(4)
Proceeds from sale and disposal of assets	**1**	1
Costs of removal of assets	**(1)**	(1)
Distributions from equity accounted investees	**-**	-
Cash used in investing activities	**(139)**	(242)
Decrease in cash before financing activities	**(64)**	(101)
Financing activities		
Net proceeds from (repayment of) short-term advances	**56**	(78)
Proceeds from long-term debt	**-**	184
Repayments of long-term debt	**(1)**	(1)
Debt retirement fund instalments	**(17)**	(18)
Principal repayment of finance lease obligations	**(2)**	(2)
Increase in finance lease obligations	**1**	2
Realized losses on derivatives designated as cash flow hedges	**-**	(7)
Cash provided by financing activities	**37**	80
Decrease in cash	**(27)**	(21)
Cash and cash equivalents, beginning of period	**28**	24
Cash and cash equivalents, end of period	**$ 1**	$ 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.

The condensed consolidated financial statements were authorized for issue by the Audit & Finance Committee of the Board of Directors on August 10, 2016.

(b) Change of year-end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. Information included in the condensed consolidated financial statements reflects the first complete fiscal quarter consisting of the three months ended June 30, 2016, as compared to the three months ended June 30, 2015.

(c) 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.

(d) Basis of measurement

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

- Inventory at lower of cost and net realizable value.
- Financial instruments that are accounted for at fair value through profit or loss.
- Provisions discounted at expected future cash flows.
- Employee benefit plans recognized at the fair value of plan assets less the present value of the accrued benefit obligations.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(e) 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.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date under current market conditions (exit price). SaskPower's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 (Note 7) as defined below:

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

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Government of Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments. The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the same or similar debt instruments.

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

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

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

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

(g) 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 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.

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, 2016, and is expected to result in an approximate $11 million increase to depreciation expense in 2016-17.

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.
- Short-term employee incentives accrued.

(h) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2016, and have not been applied in preparing these consolidated financial statements. In particular, the Corporation is currently reviewing amendments to IAS 7, *Statement of Cash Flows* effective January 1, 2017, as well as the following new standards: IFRS 15, *Revenue from Contracts with Customers* effective January 1, 2018; IFRS 9, *Financial Instruments* effective January 1, 2018; and IFRS 16, *Leases* effective January 1, 2019, to determine the potential impact, if any. SaskPower intends to early adopt IFRS 9 effective April 1, 2017.

3. Application of new and revised International Financial Reporting Standards

(a) IAS 1, *Presentation of Financial Statements*

Effective April 1, 2016, SaskPower prospectively adopted the amendments to IAS 1, *Presentation of Financial Statements*. The amendments serve to improve the effectiveness of presentation and disclosure in financial reports, with the objective of reducing immaterial note disclosures. There was no impact to the consolidated financial statements upon adoption of the amendments to the standard.

(b) IFRS 11, *Joint Arrangements*

Effective April 1, 2016, SaskPower prospectively adopted the amendments to IFRS 11, *Joint Arrangements*. The amendments serve to provide guidance on accounting for the acquisition of an interest in a joint operation. There was no impact to the consolidated financial statements upon adoption of the amendments to the standard.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

4. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	**Total**
Cost or deemed cost							
Balance, April 1, 2015	$ 5,634	$ 1,233	$ 1,354	$ 3,350	$ 726	$ 1,158	**$ 13,455**
Additions	271	-	232	54	23	251	**831**
Disposals and/or retirements	(3)	-	(2)	(4)	(7)	-	**(16)**
Transfers	-	-	-	-	-	(582)	**(582)**
Balance, June 30, 2015	**$ 5,902**	**$ 1,233**	**$ 1,584**	**$ 3,400**	**$ 742**	**$ 827**	**$ 13,688**
Additions	486	-	315	210	46	680	**$ 1,737**
Disposals and/or retirements	(32)	-	(10)	(21)	(19)	-	**(82)**
Transfers	-	-	-	-	-	(1,064)	**(1,064)**
Balance, March 31, 2016	**$ 6,356**	**$ 1,233**	**$ 1,889**	**$ 3,589**	**$ 769**	**$ 443**	**$ 14,279**
Additions	37	-	65	53	15	143	**313**
Disposals and/or retirements	(7)	-	(1)	(6)	(3)	-	**(17)**
Transfers	-	-	-	-	-	(170)	**(170)**
Balance, June 30, 2016	**$ 6,386**	**$ 1,233**	**$ 1,953**	**$ 3,636**	**$ 781**	**$ 416**	**$ 14,405**
Accumulated depreciation							
Balance, April 1, 2015	$ 2,327	$ 293	$ 496	$ 1,367	$ 292	$ -	**$ 4,775**
Depreciation expense	46	15	8	25	11	-	**105**
Disposals and/or retirements	(4)	-	-	(3)	(6)	-	**(13)**
Transfers	-	-	-	-	-	-	**-**
Balance, June 30, 2015	**$ 2,369**	**$ 308**	**$ 504**	**$ 1,389**	**$ 297**	**$ -**	**$ 4,867**
Depreciation expense	150	42	30	78	33	-	**$ 333**
Disposals and/or retirements	(27)	-	(3)	(18)	(13)	-	**(61)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2016	**$ 2,492**	**$ 350**	**$ 531**	**$ 1,449**	**$ 317**	**$ -**	**$ 5,139**
Depreciation expense	53	14	11	26	11	-	**115**
Disposals and/or retirements	(7)	-	-	(4)	(3)	-	**(14)**
Transfers	-	-	-	-	-	-	**-**
Balance, June 30, 2016	**$ 2,538**	**$ 364**	**$ 542**	**$ 1,471**	**$ 325**	**$ -**	**$ 5,240**
Net book value							
Balance, June 30, 2015	**$ 3,533**	**$ 925**	**$ 1,080**	**$ 2,011**	**$ 445**	**$ 827**	**$ 8,821**
Balance, March 31, 2016	**$ 3,864**	**$ 883**	**$ 1,358**	**$ 2,140**	**$ 452**	**$ 443**	**$ 9,140**
Balance, June 30, 2016	**$ 3,848**	**$ 869**	**$ 1,411**	**$ 2,165**	**$ 456**	**$ 416**	**$ 9,165**

In the first three months of 2016-17, interest costs totaling $4 million (2015-16 – $9 million) were capitalized at the weighted average cost of borrowings rate of 4.30% (2015-16 – 4.70%).

The Corporation is forecasting to spend $847 million on capital projects in 2016-17.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

5. Long-term debt

(in millions)		
Balance, April 1, 2015	$	4,602
Long-term debt issues		184
Long-term debt repayments		(1)
Amortization of debt premiums net of discounts		(1)
Balance, June 30, 2015	**$**	**4,784**
Long-term debt issues		351
Long-term debt repayments		(4)
Amortization of debt premiums net of discounts		(1)
Balance, March 31, 2016	**$**	**5,130**
Long-term debt issues		-
Long-term debt repayments		(1)
Amortization of debt premiums net of discounts		-
	$	5,129
Less: current portion of long-term debt		(205)
Balance, June 30, 2016	**$**	**4,924**

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

- As at June 30, 2016, the Corporation has $114 million of bond forward agreements outstanding to hedge the interest rate risk on anticipated future borrowings. SaskPower has chosen to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to these derivative financial instruments have been recognized in other comprehensive income (loss), with the fair value being recognized as risk management liabilities on the consolidated statement of financial position.

- Subsequent to period end, on July 12, 2016, the Corporation borrowed $150 million of long-term debt at a discount of $3 million. The debt issue has a coupon rate of 2.75%, an effective interest rate of 2.85%, and matures on December 2, 2046.

Included in the long-term debt balance at June 30, 2016, is $51 million of non-recourse debt related to SaskPower's joint venture interest in the Cory Cogeneration Station. The debt has effective interest rates ranging from 7.87% to 7.88% and is repayable quarterly maturing between December 31, 2025 and June 30, 2026.

6. Finance lease obligations

(in millions)		**June 30 2016**		March 31 2016
Total future minimum lease payments	**$**	**3,113**	$	3,155
Less: future finance charges on finance leases		**(1,981)**		(2,022)
Present value of finance lease obligations	**$**	**1,132**	$	1,133
Less: current portion of finance lease obligations		**(12)**		(11)
	$	**1,120**	$	1,122

Notes to the Condensed Consolidated Financial Statements (Unaudited)

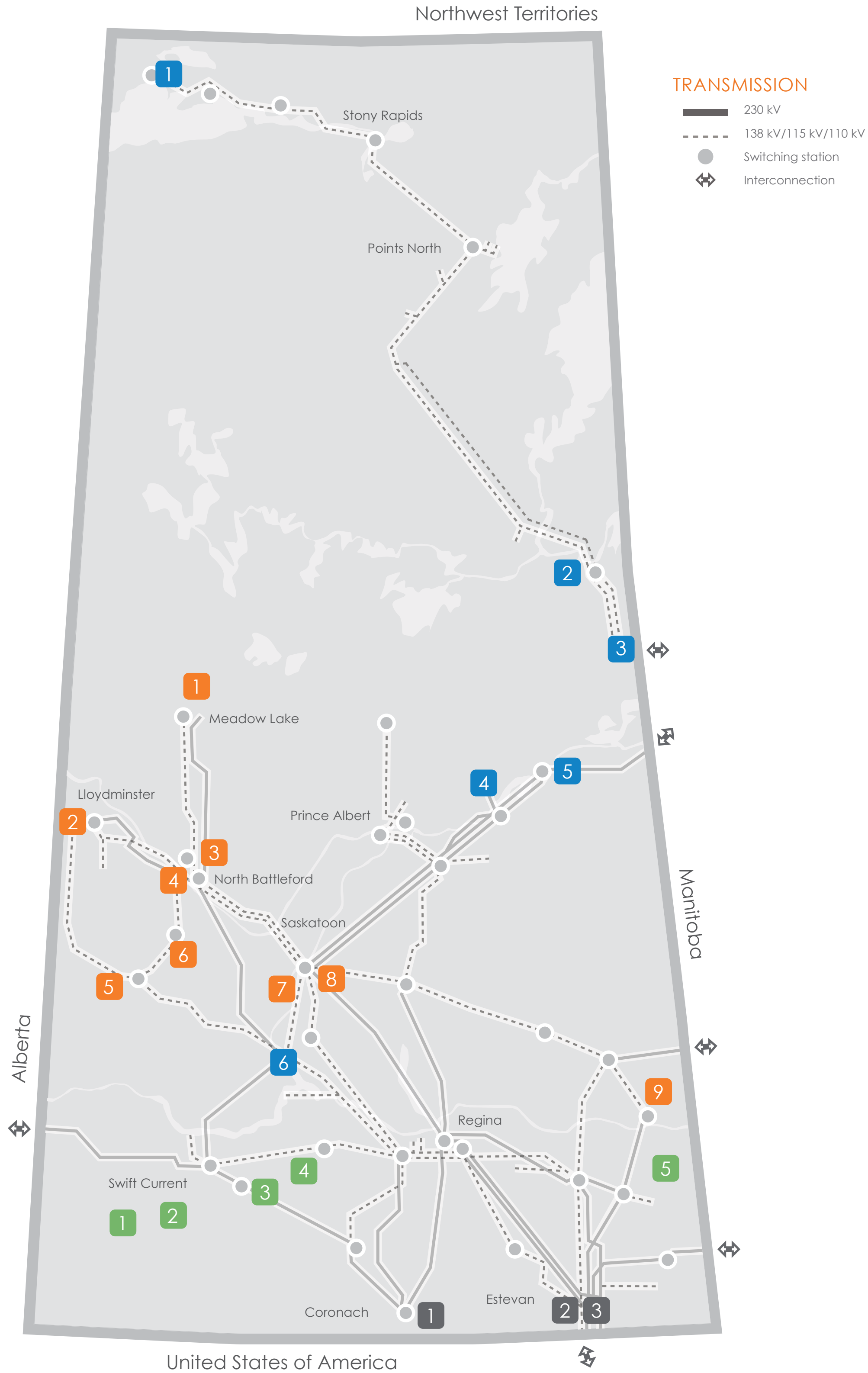
7. Financial instruments

			June 30 2016		March 31 2016	
(in millions)			Asset (liability)		Asset (liability)	
Financial instruments	**Classification[4]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	FVTPL[1]	1	$ 1	$ 1	$ 28	$ 28
Accounts receivable and unbilled revenue	L&R[2]	N/A	363	363	409	409
Debt retirement funds	FVTPL[1]	2	570	570	533	533
Other assets - investment	FVTPL[1]	3	2	2	2	2
Financial liabilities						
Accounts payable and accrued liabilities	OL[3]	N/A	$ (310)	$ (310)	$ (370)	$ (370)
Accrued interest	OL[3]	N/A	(59)	(59)	(52)	(52)
Short-term advances	OL[3]	N/A	(1,037)	(1,037)	(981)	(981)
Long-term debt	OL[3]	2	(5,129)	(6,366)	(5,130)	(6,169)
Finance lease obligations	OL[3]	3	(1,132)	(1,291)	(1,133)	(1,274)

			June 30 2016		March 31 2016	
(in millions)	**Classification[4]**	**Level[5]**	**Asset**	**Liability**	Asset	Liability
Natural gas contracts						
Fixed price swap instruments	FVTPL[1]	2	$ -	$ (122)	$ -	$ (153)
Forward agreements	FVTPL[1]	2	-	-	-	-
Electricity contracts						
Contracts for differences	FVTPL[1]	2	-	-	-	-
Forward agreements	FVTPL[1]	2	-	(1)	-	-
Interest rate risk management						
Bond forward agreements[6]	FVTPL[1]	2	-	(13)	-	(4)
			$ -	$ (136)	$ -	$ (157)

1. FVTPL – fair value through profit or loss.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as held-to-maturity.
5. Fair values are determined using a fair value hierarchy as follows:
   - Level 1 – Quoted prices in active markets for identical assets or liabilities.
   - Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.
   - Level 3 – Inputs for the asset or liability that are not based on observable market data.
   - Not applicable (N/A) – Financial instruments — including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and short-term advances — are carried at values which approximate fair value.
6. These bond forward agreements 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).

SYSTEM MAP


Northwest Territories
TRANSMISSION
230 kV
138 kV/115 kV/110 kV
Switching station
Interconnection
Stony Rapids
Points North
Meadow Lake
Lloydminster
Prince Albert
North Battleford
Saskatoon
Manitoba
Alberta
Regina
Swift Current
Estevan
Coronach
United States of America
1
2
3
4
5
6
7
8
9

8	3	9	5
Hydro Facilities	Coal Facilities	Natural Gas Facilities	Wind Facilities

As of March 31, 2016

	Facility	Owner	Net Capacity (MW)	Fuel
1.	Athabasca Hydroelectric System			
	• Wellington	SaskPower	5	Hydro
	• Waterloo	SaskPower	8	Hydro
	• Charlot River	SaskPower	10	Hydro
2.	Island Falls Hydroelectric Station	SaskPower	111	Hydro
3.	Manitoba Hydro Northern Power Purchase Agreement	Manitoba Hydro	25	Hydro
4.	Nipawin Hydroelectric Station	SaskPower	255	Hydro
5.	E.B. Campbell Hydroelectric Station	SaskPower	289	Hydro
6.	Coteau Creek Hydroelectric Station	SaskPower	186	Hydro
	Total Hydro		889	
1.	Poplar River Power Station	SaskPower	582	Coal
2.	Boundary Dam Power Station	SaskPower	672	Coal
3.	Shand Power Station	SaskPower	276	Coal
	Total Coal		1,530	
1.	Meadow Lake Power Station	SaskPower	44	Natural Gas
2.	Meridian Cogeneration Station	Independent Power Producer	210	Natural Gas
3.	North Battleford Generating Station	Independent Power Producer	260	Natural Gas
4.	Yellowhead Power Station	SaskPower	138	Natural Gas
5.	Ermine Power Station	SaskPower	92	Natural Gas
6.	Landis Power Station	SaskPower	79	Natural Gas
7.	Cory Cogeneration Station	SaskPower International/ ATCO Power Canada	228	Natural Gas
8.	Queen Elizabeth Power Station	SaskPower	634	Natural Gas
9.	Spy Hill Generating Station	Independent Power Producer	86	Natural Gas
	Total Natural Gas		1,771	
1.	Cypress Wind Power Facility	SaskPower	11	Wind
2.	SunBridge Wind Power Facility	Independent Power Producer	11	Wind
3.	Centennial Wind Power Facility	SaskPower	150	Wind
4.	Morse Wind Energy Facility	Independent Power Producer	23	Wind
5.	Red Lily Wind Energy Facility	Independent Power Producer	26	Wind
	Total Wind		221	
	Small Independent Power Producers	Various	26	Various
	Total Small Independent Power Producers		26	
	Total Available Generating Capacity		**4,437**	

Saskatchewan Power Corporation

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SaskPower
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