2016-17
THIRD QUARTER
FINANCIAL REPORT

For the nine months ended
December 31, 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 December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Revenue	**$ 621**	$ 616	$ 5	**$ 1,749**	$ 1,713	$ 36
Expense	**593**	588	5	**1,748**	1,669	79
Income before unrealized market value adjustments	**28**	28	-	**1**	44	(43)
Net income (loss)	**25**	18	7	**35**	(5)	40
Capital expenditures	**224**	287	(63)	**585**	743	(158)
Return on equity (operating)[1]				**0.1%**	2.6%	-2.5%
Return on equity[2]				**2.2%**	-0.3%	2.5%

	Dec 31 2016	March 31 2016	Change
Long-term debt	**$ 5,363**	$ 5,130	$ 233
Short-term advances	**977**	981	(4)
Finance lease obligations	**1,130**	1,133	(3)
Per cent debt ratio[3]	**75.6%**	75.7%	-0.1%

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 December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Saskatchewan electricity sales	**5,666**	5,462	204	**16,149**	15,885	264
Exports	**13**	9	4	**147**	47	100
Total electricity sales	**5,679**	5,471	208	**16,296**	15,932	364
Gross electricity supplied	**6,341**	6,022	319	**17,739**	17,326	413
Line losses	**(662)**	(551)	(111)	**(1,443)**	(1,394)	(49)
Net electricity supplied	**5,679**	5,471	208	**16,296**	15,932	364
Generating capacity (net MW)[2]	**4,491**	4,436	55	**4,491**	4,436	55
Peak load (net MW)[2]	**3,729**	3,478	251	**3,729**	3,478	251
Summer peak load (net MW)[2]	**-**	-	-	**3,270**	3,331	(61)
Customers	**526,436**	520,315	6,121	**526,436**	520,315	6,121

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 nine months ended December 31, 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 December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Revenue						
Saskatchewan electricity sales	**$ 581**	$ 543	$ 38	**$ 1,649**	$ 1,570	$ 79
Exports	**-**	-	-	**4**	7	(3)
Net costs from electricity trading	**(1)**	(1)	-	**(2)**	(2)	-
Share of profit from equity accounted investees	**-**	-	-	**-**	-	-
Other revenue	**41**	74	(33)	**98**	138	(40)
	621	616	5	**1,749**	1,713	36
Expense						
Fuel and purchased power	**175**	174	1	**487**	484	3
Operating, maintenance and administration	**156**	161	(5)	**505**	478	27
Depreciation and amortization	**124**	120	4	**369**	347	22
Finance charges	**106**	99	7	**309**	283	26
Taxes	**21**	15	6	**56**	47	9
Other expenses	**11**	19	(8)	**22**	30	(8)
	593	588	5	**1,748**	1,669	79
Income before the following	**$ 28**	$ 28	$ -	**$ 1**	$ 44	$ (43)
Unrealized market value adjustments	**(3)**	(10)	7	**34**	(49)	83
Net income (loss)	**$ 25**	$ 18	$ 7	**$ 35**	$ (5)	$ 40
Return on equity (operating)[1]				**0.1%**	2.6%	-2.5%
Return on equity[2]				**2.2%**	-0.3%	2.5%

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

Third Quarter

SaskPower reported consolidated income before unrealized market value adjustments of $28 million in the third quarter of 2016-17, consistent with the same period in 2015-16.

Total revenue was up $5 million in the third quarter of 2016-17 compared to the same period in 2015-16. The improvement in revenue was attributable to a $38 million increase in Saskatchewan electricity sales due to the 5.0% system-wide average rate increase that became effective July 1, 2016, and higher sales volumes. Other revenue decreased $33 million primarily as a result of reduced customer contributions as well as lower wind power incentives received from the Government of Canada as a result of the conclusion of that contract.

Total expense increased $5 million in the third quarter of 2016-17 compared to the same period in 2015-16. Finance charges increased $7 million compared to the same period in 2015-16 due to additional interest incurred as a result of higher debt levels required to finance SaskPower's capital expenditures as well as lower interest capitalized. Taxes increased $6 million due to growth in the Corporation's capital tax base. Depreciation expense increased $4 million compared to the same period in 2015-16 as a result of significant investments in the Corporation's property, plant and equipment. Finally, fuel and purchased power costs increased $1 million largely as a result of an unfavourable volume variance offset by favourable changes in the price and fuel mix variances due to lower gas prices and increased hydro generation replacing more expensive generation sources. These increases were partially offset by an $8 million reduction in other expenses as a result of a decrease in losses on asset disposals and retirements, environmental expenditures, and inventory variance adjustments. Operating, maintenance and administration (OM&A) expense also decreased $5 million due to a decrease in overhaul activity at our generation facilities.

SaskPower reported $3 million of unrealized market value net losses in the third quarter of 2016-17, compared to $10 million of net losses in the third quarter of 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.

Year-to-Date

SaskPower reported consolidated income before unrealized market value adjustments of $1 million in the first nine months of 2016-17 compared to $44 million in the same period in 2015-16. The $43 million decrease was due to higher expenses offset by an increase in revenue. The operating return on equity was 0.1%, down more than two percentage points from the previous period.

Total revenue was up $36 million in the first nine months of 2016-17 compared to the same period in 2015-16. The improvement in revenue was attributable to a $79 million increase in Saskatchewan electricity sales due to the 5.0% system-wide average rate increase that became effective July 1, 2016, and higher sales volumes. This increase was offset by a $40 million decrease in other revenue primarily due to lower customer contributions. In addition, export sales decreased $3 million as a result of lower profit margins and limited opportunities to sell into Alberta.

Total expense increased $79 million in the first nine months of 2016-17 compared to the same period in 2015-16. OM&A expense was up $27 million due to an increase in overhaul activity at our generation facilities as well as an increase in planned and emergency maintenance on our transmission and distribution facilities. Finance charges increased $26 million due to additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures and lower interest capitalized. Depreciation expense was up $22 million compared to the same period in 2015-16 as a result of significant investments in the Corporation's property, plant and equipment. Taxes increased $9 million as a result of an increase in the Corporation's capital tax base. In addition, fuel and purchased power costs increased $3 million largely as a result of an unfavourable volume variance and fuel mix due to increased use of more expensive natural gas generation and imports, partially offset by a favourable price variance due to lower natural gas prices. These increases were partially offset by an $8 million reduction in other expenses as a result of a decrease in losses on asset disposals and retirements, environmental expenditures, and inventory variance adjustments.

SaskPower reported $34 million of unrealized market value net gains in the first nine months of 2016-17, compared to $49 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 gains was a consolidated income of $35 million in the first nine months of 2016-17 compared to a consolidated loss of $5 million in the same period in 2015-16.

Outlook

SaskPower's consolidated net income is expected to be $89 million in 2016-17, resulting in a return on equity of 4.1%.

Revenues of $2,420 million are expected to increase $116 million due to a 5.0% system-wide average rate increase effective July 1, 2016, and a subsequent system-wide average rate increase of 3.5% effective January 1, 2017.

The increase in revenue, however, is expected to be offset by a $126 million increase in expenses in 2016-17. The primary driver is a $64 million increase in capital-related expenses, including depreciation, finance charges, taxes and other expenses. OM&A costs are expected to increase $40 million as a result of increased overhaul activity at our generation facilities and planned and emergency maintenance on our transmission and distribution facilities.

Capital expenditures in 2016-17 are forecast to be approximately $908 million. This includes $148 million in costs to improve and expand the Corporation's transmission and distribution infrastructure; $140 million connecting new customers to SaskPower's grid; $161 million to sustain our existing transmission and distribution assets; $173 million to maintain the existing generation fleet; and $159 million on the construction of the Chinook Power Station.

Revenue

Saskatchewan electricity sales						
	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Saskatchewan electricity sales	**$ 581**	$ 543	$ 38	**$ 1,649**	$ 1,570	$ 79

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 third quarter of 2016-17 were $581 million, up $38 million from the same period in 2015-16, and $1,649 million in the first nine months of 2016-17, up $79 million from the same period in 2015-16. The increase was due to the system-wide average rate increase of 5.0% effective July 1, 2016, and higher electricity sales volumes. Electricity sales volumes to Saskatchewan customers for the first nine months of 2016-17 were 16,149 GWh, up 264 GWh or 1.7% from the same period in 2015-16. The growth in demand came primarily from the power and oilfield customer classes.

Exports						
	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Exports	**$ -**	$ -	$ -	**$ 4**	$ 7	$ (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 nil in the third quarter of 2016-17, consistent with the same period in 2015-16 and $4 million in the first nine months of 2016-17, down $3 million from the same period in 2015-16. Exports were down due to decreased Alberta Power Pool prices and limited opportunities to sell into Alberta, slightly offset by increased sales in the SPP market. The average export price was down approximately $69.58 per megawatt hour while export sales volumes increased 100 GWh during the first nine months of 2016-17 compared to the same period in 2015-16.

Net costs from electricity trading						
	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Electricity trading revenue	**$ -**	$ -	$ -	**$ 2**	$ 4	$ (2)
Electricity trading costs	**(1)**	(1)	-	**(4)**	(6)	2
Net costs from electricity trading	**$ (1)**	$ (1)	$ -	**$ (2)**	$ (2)	$ -

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

Net costs from electricity trading were $1 million in the third quarter of 2016-17, consistent with the same period in 2015-16, and $2 million in the first nine months of 2016-17, consistent with the same period in 2015-16. SaskPower's low trading earnings are the result of limited economic trading opportunities in Alberta.

Share of profit from equity accounted investees

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 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 nine months of 2016-17, consistent with the same period in 2015-16.

Other revenue

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Other revenue	**$ 41**	$ 74	$ (33)	**$ 98**	$ 138	$ (40)

Other revenue includes various non-electricity products and services. Other revenue was $41 million in the third quarter of 2016-17 compared to $74 million in the same period in 2015-16, and $98 million in the first nine months of 2016-17 compared to $138 million in the same period in 2015-16. The $40 million year-to-date decrease was primarily due to lower customer contributions, which were down $39 million. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for use.

Expense

Fuel and purchased power

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Fuel and purchased power	**$ 175**	$ 174	$ 1	**$ 487**	$ 484	$ 3

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

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

Fuel and purchased power costs were $175 million in the third quarter of 2016-17, up $1 million from the same period in 2015-16, and $487 million in the first nine months of 2016-17, up $3 million from the same period in 2015-16. The $3 million increase is the result of an unfavourable volume variance and fuel mix offset by a favourable price variance.

Total generation and purchased power was 17,739 GWh in the first nine months of 2016-17, an increase of 413 GWh or 2.4% compared to the same period in 2015-16. The higher demand resulted in an estimated $11 million increase 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 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 nine months of 2016-17, the Corporation's coal, wind and hydro generation accounted for 62% of total generation, down 1% from the same period in 2015-16. This generation was replaced with more expensive natural gas generation and imports. The unfavourable change in the fuel mix 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 $0.13 per gigajoule. The lower fuel prices resulted in an $11 million decrease in fuel and purchased power costs.

Operating, maintenance and administration (OM&A)

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
OM&A	**$ 156**	$ 161	$ (5)	**$ 505**	$ 478	$ 27

OM&A expense was $156 million in the third quarter of 2016-17, down $5 million from the same period in 2015-16, and $505 million in the first nine months of 2016-17, up $27 million from the same period in 2015-16. The increase in operating costs was due to an increase in overhaul activity at our generation facilities as well as an increase in planned and emergency maintenance on our transmission and distribution facilities.

Depreciation and amortization

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Depreciation and amortization	**$ 124**	$ 120	$ 4	**$ 369**	$ 347	$ 22

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 $124 million in the third quarter of 2016-17, up $4 million from the same period in 2015-16, and $369 million in the first nine months of 2016-17, up $22 million from the same period in 2015-16. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures. Also, 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 $8 million increase to depreciation expense in the first nine months of 2016-17.

Finance charges

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Finance charges	**$ 106**	$ 99	$ 7	**$ 309**	$ 283	$ 26

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

Finance charges were $106 million in the third quarter of 2016-17 compared to $99 million in the same period in 2015-16, and $309 million in the first nine months of 2016-17 compared to $283 million in the same period in 2015-16. The $26 million increase in finance charges was attributable to an additional $12 million in interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. Interest on employee benefits also increased $1 million, while debt retirement fund earnings decreased $3 million and interest capitalized decreased $10 million due to a reduction in work in progress.

Taxes

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Taxes	**$ 21**	$ 15	$ 6	**$ 56**	$ 47	$ 9

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 $56 million in the first nine months of 2016-17, up $9 million from the same period in 2015-16 due to higher corporate capital tax as a result of growth in the Corporation's capital tax base.

Other expenses

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Other expenses	**$ 11**	$ 19	$ (8)	**$ 22**	$ 30	$ (8)

Other expenses include net losses on asset disposals and retirements; inventory variance adjustments; foreign exchange gains and losses; and environmental remediation activities. Other expenses were $22 million in the first nine months of 2016-17, down $8 million compared to the same period in 2015-16. This decrease was the result of a $5 million decrease in losses on asset disposals and retirements, a $2 million decrease in environmental expenditures, and a $1 million decrease in inventory variance adjustments.

Unrealized market value adjustments

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
Natural gas contracts gains (losses)	**$ 23**	$ (13)	$ 36	**$ 38**	$ (26)	$ 64
Natural gas inventory revaluation	**2**	(1)	3	**3**	(2)	5
Electricity contracts gains	**1**	-	1	**-**	1	(1)
Debt retirement funds (losses) gains	**(29)**	4	(33)	**(7)**	(22)	15
Unrealized market value adjustments	**$ (3)**	$ (10)	$ 7	**$ 34**	$ (49)	$ 83

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 for the first nine months of 2016-17 of $34 million compared to net losses of $49 million in the same period in 2015-16.

SaskPower had outstanding natural gas hedges of approximately 97 million notional gigajoules (GJs) to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the remainder of 2016-17 through fiscal 2025-26. The market value of these outstanding natural gas hedges increased $38 million in the first nine months 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 $3 million write-up of its natural gas inventory in the first nine months of 2016-17.

Unrealized market value adjustments related to SaskPower's outstanding electricity derivative contracts were nil, compared to gains of $1 million in the prior year as a result of a decrease in the forward electricity prices in Alberta.

The Corporation also recorded $7 million in market value losses related to its debt retirement funds, which represents a $15 million improvement compared to the same period in 2015-16. The increase in the market value of the debt retirement funds is primarily due to the settlement of bond forward hedges offset by an increase in long-term interest rates which negatively impacts the value of the bonds in the debt retirement fund portfolio.

Financial Condition

The following chart outlines changes in the condensed consolidated statement of financial position from March 31, 2016, to December 31, 2016:

Financial Condition	
(in millions)	Increase / (Decrease)
Cash and cash equivalents Refer to Condensed Consolidated Statement of Cash Flows.	**$ (25)**
Accounts receivable and unbilled revenue Timing of receipts offset by a decrease in margin deposits on natural gas derivatives.	**11**
Inventory Increase in natural gas inventory and maintenance supplies.	**14**
Prepaid expenses Decrease in prepaid employee benefits.	**(6)**
Property, plant and equipment Capital additions, offset by depreciation, disposals, and retirements.	**199**
Intangible assets Amortization expense less capitalization of new software costs.	**(9)**
Debt retirement funds Instalments and earnings offset by market value losses.	**38**
Investments accounted for using equity method Muskeg cash distributions.	**(1)**
Other assets	**-**
Accounts payable and accrued liabilities Timing of payments.	**(3)**
Accrued interest Timing of interest payments.	**8**
Risk management liabilities (net of risk management assets) Gains on natural gas hedges and an increase in the fair value of bond forwards.	**(53)**
Short-term advances Net repayment of short-term advances.	**(4)**
Long-term debt (including current portion) New borrowings offset by repayments and amortization of debt premiums.	**233**
Finance lease obligations (including current portion) Lease principal repayments.	**(3)**
Employee benefits Actuarial gains on the defined benefit pension plan.	**(27)**
Provisions Expenditures incurred offset by accretion expense.	**(5)**
Equity 2016-17 comprehensive income.	**75**

Liquidity and Capital Resources

Cash flow highlights

(in millions)	December 31 2016	March 31 2016	Change
Cash and cash equivalents	**$ 3**	$ 28	$ (25)

The Corporation's cash position decreased $25 million from March 31, 2016. The $25 million decrease was the result of $359 million provided by operating activities and $182 million provided by financing activities, offset by $566 million used in investing activities.

a) Operating activities

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Cash provided by operating activities	**$ 155**	$ 124	$ 31	**$ 359**	$ 350	$ 9

Cash provided by operating activities was $359 million in the first nine months of 2016-17, up $9 million from the same period in 2015-16.

b) Investing activities

	Three months ended December 31			Nine months ended December 31		
(in millions)	**2016-17**	2015-16	Change	**2016-17**	2015-16	Change
Generation	**$ 50**	$ 84	$ (34)	**$ 133**	$ 144	$ (11)
Transmission	**16**	26	(10)	**43**	55	(12)
Distribution	**18**	17	1	**53**	45	8
Other	**24**	31	(7)	**76**	82	(6)
Sustainment	**108**	158	(50)	**305**	326	(21)
Generation	**32**	19	13	**66**	100	(34)
Transmission	**36**	41	(5)	**76**	113	(37)
Distribution	**8**	19	(11)	**19**	69	(50)
Customer connects	**35**	43	(8)	**103**	120	(17)
Growth and compliance	**111**	122	(11)	**264**	402	(138)
Strategic and other investments	**5**	7	(2)	**16**	15	1
Total capital expenditures	**$ 224**	$ 287	$ (63)	**$ 585**	$ 743	$ (158)
Less: Interest capitalized	**(3)**	(4)	1	**(10)**	(20)	10
Reimbursements	**(9)**	-	(9)	**(9)**	-	(9)
Proceeds from sale and disposal of assets	**(1)**	(1)	-	**(2)**	(2)	-
Costs of removal of assets	**1**	2	(1)	**3**	3	-
Distributions from equity accounted investees	**(1)**	(3)	2	**(1)**	(3)	2
Cash used in investing activities	**$ 211**	$ 281	$ (70)	**$ 566**	$ 721	$ (155)

In order to ensure a reliable, sustainable and cost-effective supply of electricity for its customers, SaskPower invested $585 million in the first nine months of 2016-17 on various capital projects. This includes $103 million to connect customers to the SaskPower electric system; $199 million on new generation and sustainment activities; and $191 million on increasing capacity and sustaining transmission and distribution infrastructure.

c) Financing activities

(in millions)	Three months ended December 31 2016-17	2015-16	Change	Nine months ended December 31 2016-17	2015-16	Change
(Repayment of) proceeds from short-term advances	**$ (17)**	$ (11)	$ (6)	**$ (4)**	$ 34	$ (38)
Proceeds from long-term debt	**190**	174	16	**337**	358	(21)
Repayments of long-term debt	**(101)**	(2)	(99)	**(103)**	(4)	(99)
Debt retirement fund instalments	**(7)**	(1)	(6)	**(35)**	(29)	(6)
Principal repayment of finance lease obligations	**(2)**	(2)	-	**(7)**	(6)	(1)
Increase in finance lease obligations	**-**	1	(1)	**4**	6	(2)
Realized losses on cash flow hedges	**(10)**	(7)	(3)	**(10)**	(14)	4
Cash provided by financing activities	**$ 53**	$ 152	$ (99)	**$ 182**	$ 345	$ (163)

In the first nine months of 2016-17, $182 million of cash was used in financing activities, down $163 million compared to the same period in 2015-16. The cash was used to finance the Corporation's capital program.

Capital management

(in millions)	December 31 2016	March 31 2016	Change
Long-term debt	**$ 5,363**	$ 5,130	$ 233
Short-term advances	**977**	981	(4)
Finance lease obligations	**1,130**	1,133	(3)
Total debt	**7,470**	7,244	226
Debt retirement funds	**571**	533	38
Cash and cash equivalents	**3**	28	(25)
Total net debt	**$ 6,896**	$ 6,683	$ 213
Retained earnings	**1,582**	1,547	35
Accumulated other comprehensive loss	**(21)**	(61)	40
Equity advances	**660**	660	-
Total capital	**$ 9,117**	$ 8,829	$ 288
Per cent debt ratio[1]	**75.6%**	75.7%	-0.1%

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

SaskPower's total debt position (including finance lease obligations) was $7,470 million at December 31, 2016, up $226 million from March 31, 2016. The increase in total debt was the result of:

- 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.
- On October 13, 2016, the Corporation borrowed $200 million of long-term debt at a discount of $10 million. The debt issue has a coupon rate of 2.75%, an effective interest rate of 3.00%, and matures on December 2, 2046.
- This increase in long-term debt was offset by the repayment of $100 million of floating rate debt. As well, there were $4 million in repayments of short-term advances; $3 million in repayments of non-recourse debt; $1 million of amortization of debt premiums; and a $3 million decrease in the Corporation's finance lease obligations.

The Corporation's per cent debt ratio has decreased slightly from 75.7% as at March 31, 2016, to 75.6% as at December 31, 2016.

Debt retirement fund instalments

(in millions)	Nine months ended December 31 **2016-17**	2015-16	Change
Debt retirement fund instalments	**$ 35**	$ 29	$ 6

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

During the first nine months of 2016-17, the Corporation made $35 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 $10 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 December 31, 2016, which will impact cash flows in 2017 and beyond:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Planned capital expenditures	$ 323	$ 4,927	$ 5,975
Power purchase agreements	111	1,757	7,119
Long-term debt (including principal and interest)	354	1,664	8,290
Debt retirement fund instalments	52	206	943
Coal purchase contracts	53	872	1,109
Natural gas purchase contracts	27	363	196
Transmission purchase contracts	6	20	-

Condensed Consolidated Statement of Income (Loss)

(in millions)	(Unaudited) Three months ended December 31 2016-17	2015-16	(Unaudited) Nine months ended December 31 2016-17	2015-16
Revenue				
Saskatchewan electricity sales	**$ 581**	$ 543	**$ 1,649**	$ 1,570
Exports	**-**	-	**4**	7
Net costs from electricity trading	**(1)**	(1)	**(2)**	(2)
Share of profit from equity accounted investees	**-**	-	**-**	-
Other revenue	**41**	74	**98**	138
	621	616	**1,749**	1,713
Expense				
Fuel and purchased power	**175**	174	**487**	484
Operating, maintenance and administration	**156**	161	**505**	478
Depreciation and amortization	**124**	120	**369**	347
Finance charges	**106**	99	**309**	283
Taxes	**21**	15	**56**	47
Other expenses	**11**	19	**22**	30
	593	588	**1,748**	1,669
Income before the following	**28**	28	**1**	44
Unrealized market value adjustments	**(3)**	(10)	**34**	(49)
Net income (loss)	**$ 25**	$ 18	**$ 35**	$ (5)

See accompanying notes

Condensed Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended December 31 2016-17	2015-16	(Unaudited) Nine months ended December 31 2016-17	2015-16
Net income (loss)	**$ 25**	$ 18	**$ 35**	$ (5)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income:				
Derivatives designated as cash flow hedges:				
Change in fair value during the year	**28**	4	**15**	35
Realized losses during the year	**(10)**	(7)	**(10)**	(14)
Items that will not be reclassified to net income:				
Defined benefit pension plans:				
Net actuarial gains	**57**	16	**35**	26
	75	13	**40**	47
Total comprehensive income	**$ 100**	$ 31	**$ 75**	$ 42

See accompanying notes

Condensed Consolidated Statement of Financial Position

(in millions) As at	Notes	(Unaudited) December 31 2016	(Audited *) March 31 2016
Assets			
Current assets			
Cash and cash equivalents		**$ 3**	$ 28
Accounts receivable and unbilled revenue		**420**	409
Inventory		**226**	212
Prepaid expenses		**10**	16
Risk management assets	7	**15**	-
		674	665
Property, plant and equipment	4	**9,339**	9,140
Intangible assets		**45**	54
Debt retirement funds		**571**	533
Investments accounted for using equity method		**37**	38
Other assets		**4**	4
Total assets		**$ 10,670**	$ 10,434
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 367**	$ 370
Accrued interest		**60**	52
Risk management liabilities	7	**119**	157
Short-term advances		**977**	981
Current portion of long-term debt	5	**105**	105
Current portion of finance lease obligations	6	**13**	11
		1,641	1,676
Long-term debt	5	**5,258**	5,025
Finance lease obligations	6	**1,117**	1,122
Employee benefits		**237**	264
Provisions		**196**	201
Total liabilities		**8,449**	8,288
Equity			
Retained earnings		**1,582**	1,547
Accumulated other comprehensive loss		**(21)**	(61)
Equity advances		**660**	660
Total equity		**2,221**	2,146
Total liabilities and equity		**$ 10,670**	$ 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 loss	(5)	-	-	-	**(5)**
Other comprehensive income	-	21	26	-	**47**
Balance, December 31, 2015	**$ 1,561**	**$ (6)**	**$ (11)**	**$ 660**	**$ 2,204**
Net loss	(14)	-	-	-	**(14)**
Other comprehensive loss	-	(10)	(34)	-	**(44)**
Balance, March 31, 2016	**$ 1,547**	**$ (16)**	**$ (45)**	**$ 660**	**$ 2,146**
Net income	35	-	-	-	**35**
Other comprehensive income	-	5	35	-	**40**
Balance, December 31, 2016	**$ 1,582**	**$ (11)**	**$ (10)**	**$ 660**	**$ 2,221**

See accompanying notes

Condensed Consolidated Statement of Cash Flows

	(Unaudited) Three months ended December 31		(Unaudited) Nine months ended December 31	
(in millions)	**2016-17**	2015-16	**2016-17**	2015-16
Operating activities				
Net income	**$ 25**	$ 18	**$ 35**	$ (5)
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**124**	120	**369**	347
Finance charges	**106**	99	**309**	283
Net losses on asset disposals and retirements	**9**	13	**17**	23
Unrealized market value adjustments	**3**	10	**(34)**	49
Employee benefits	**1**	1	**-**	-
Allowance for obsolescence	**-**	-	**-**	1
Environmental expenditures	**(5)**	(1)	**(8)**	(4)
	263	260	**688**	694
Net change in non-cash working capital	**(6)**	(43)	**(19)**	(48)
Interest paid	**(102)**	(93)	**(310)**	(296)
Cash provided by operating activities	**155**	124	**359**	350
Investing activities				
Property, plant and equipment additions	**(205)**	(281)	**(552)**	(713)
Intangible assets additions	**(7)**	(2)	**(14)**	(10)
Proceeds from sale and disposal of assets	**1**	1	**2**	2
Costs of removal of assets	**(1)**	(2)	**(3)**	(3)
Distributions from equity accounted investees	**1**	3	**1**	3
Cash used in investing activities	**(211)**	(281)	**(566)**	(721)
Decrease in cash before financing activities	**(56)**	(157)	**(207)**	(371)
Financing activities				
(Repayment of) proceeds from short-term advances	**(17)**	(11)	**(4)**	34
Proceeds from long-term debt	**190**	174	**337**	358
Repayments of long-term debt	**(101)**	(2)	**(103)**	(4)
Debt retirement fund instalments	**(7)**	(1)	**(35)**	(29)
Principal repayment of finance lease obligations	**(2)**	(2)	**(7)**	(6)
Increase in finance lease obligations	**-**	1	**4**	6
Realized losses on derivatives designated as cash flow hedges	**(10)**	(7)	**(10)**	(14)
Cash provided by financing activities	**53**	152	**182**	345
Decrease in cash	**(3)**	(5)	**(25)**	(26)
Cash and cash equivalents, beginning of period	**6**	3	**28**	24
Cash and cash equivalents (bank indebtedness), end of period	**$ 3**	$ (2)	**$ 3**	$ (2)

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 February 27, 2017.

(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 third complete fiscal quarter consisting of the nine months ended December 31, 2016, as compared to the nine months ended December 31, 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.

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

- Identification of arrangements which contain a lease.
- Revenue recognition of customer contributions.
- 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 December 31, 2016, and have not been applied in preparing these condensed 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, and will be applying hedge accounting to its PPAs. This will result in the effective portion of the unrealized market value adjustments being recorded through other comprehensive income (loss).

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 condensed 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 condensed 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	648	-	482	205	57	743	**2,135**
Disposals and/or retirements	(12)	-	(11)	(19)	(20)	-	**(62)**
Transfers	-	-	-	-	-	(1,399)	**(1,399)**
Balance, December 31, 2015	**$ 6,270**	**$ 1,233**	**$ 1,825**	**$ 3,536**	**$ 763**	**$ 502**	**$ 14,129**
Additions	109	-	65	59	12	188	**433**
Disposals and/or retirements	(23)	-	(1)	(6)	(6)	-	**(36)**
Transfers	-	-	-	-	-	(247)	**(247)**
Balance, March 31, 2016	**$ 6,356**	**$ 1,233**	**$ 1,889**	**$ 3,589**	**$ 769**	**$ 443**	**$ 14,279**
Additions	148	-	173	176	53	576	**1,126**
Disposals and/or retirements	(31)	-	(13)	(15)	(14)	-	**(73)**
Transfers	-	-	-	-	-	(555)	**(555)**
Balance, December 31, 2016	**$ 6,473**	**$ 1,233**	**$ 2,049**	**$ 3,750**	**$ 808**	**$ 464**	**$ 14,777**
Accumulated depreciation							
Balance, April 1, 2015	$ 2,327	$ 293	$ 496	$ 1,367	$ 292	$ -	**$ 4,775**
Additions	145	43	28	77	33	-	**326**
Disposals and/or retirements	(11)	-	(2)	(16)	(14)	-	**(43)**
Transfers	-	-	-	-	-	-	**-**
Balance, December 31, 2015	**$ 2,461**	**$ 336**	**$ 522**	**$ 1,428**	**$ 311**	**$ -**	**$ 5,058**
Additions	51	14	10	26	11	-	**112**
Disposals and/or retirements	(20)	-	(1)	(5)	(5)	-	**(31)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2016	**$ 2,492**	**$ 350**	**$ 531**	**$ 1,449**	**$ 317**	**$ -**	**$ 5,139**
Additions	163	42	34	77	34	-	**350**
Disposals and/or retirements	(28)	-	(4)	(9)	(10)	-	**(51)**
Transfers	-	-	-	-	-	-	**-**
Balance, December 31, 2016	**$ 2,627**	**$ 392**	**$ 561**	**$ 1,517**	**$ 341**	**$ -**	**$ 5,438**
Net book value							
Balance, December 31, 2015	**$ 3,809**	**$ 897**	**$ 1,303**	**$ 2,108**	**$ 452**	**$ 502**	**$ 9,071**
Balance, March 31, 2016	**$ 3,864**	**$ 883**	**$ 1,358**	**$ 2,140**	**$ 452**	**$ 443**	**$ 9,140**
Balance, December 31, 2016	**$ 3,846**	**$ 841**	**$ 1,488**	**$ 2,233**	**$ 467**	**$ 464**	**$ 9,339**

In the first nine months of 2016-17, interest costs totaling $10 million (2015-16 – $20 million) were capitalized at the weighted average cost of borrowings rate of 4.30% (2015-16 – 4.70%).

The Corporation is forecasting to spend $908 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		358
Long-term debt repayments		(4)
Amortization of debt premiums net of discounts		(2)
Balance, December 31, 2015	**$**	**4,954**
Long-term debt issues		177
Long-term debt repayments		(1)
Amortization of debt premiums net of discounts		-
Balance, March 31, 2016	**$**	**5,130**
Long-term debt issues		337
Long-term debt repayments		(103)
Amortization of debt premiums net of discounts		(1)
	$	5,363
Less: current portion of long-term debt		(105)
Balance, December 31, 2016	**$**	**5,258**

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

- 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.
- On October 13, 2016, the Corporation borrowed $200 million of long-term debt at a discount of $10 million. The debt issue has a coupon rate of 2.75%, an effective interest rate of 3.00%, and matures on December 2, 2046.
- On December 12, 2016, the Corporation repaid $100 million of floating rate debt.
- As at December 31, 2016, the Corporation has $72 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 has been recognized in other comprehensive income, with the fair value being recognized as risk management assets on the condensed consolidated statement of financial position.
- Subsequent to period end, on January 19, 2017, the Corporation borrowed $200 million of long-term debt at a discount of $2 million. The debt issue has a coupon rate of 3.30%, an effective interest rate of 3.35%, and matures on June 2, 2048.

Included in the long-term debt balance at December 31, 2016, is $49 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)		**December 31 2016**		March 31 2016
Total future minimum lease payments	**$**	**3,028**	$	3,155
Less: future finance charges on finance leases		**(1,898)**		(2,022)
Present value of finance lease obligations	**$**	**1,130**	$	1,133
Less: current portion of finance lease obligations		**(13)**		(11)
	$	**1,117**	$	1,122

Notes to the Condensed Consolidated Financial Statements (Unaudited)

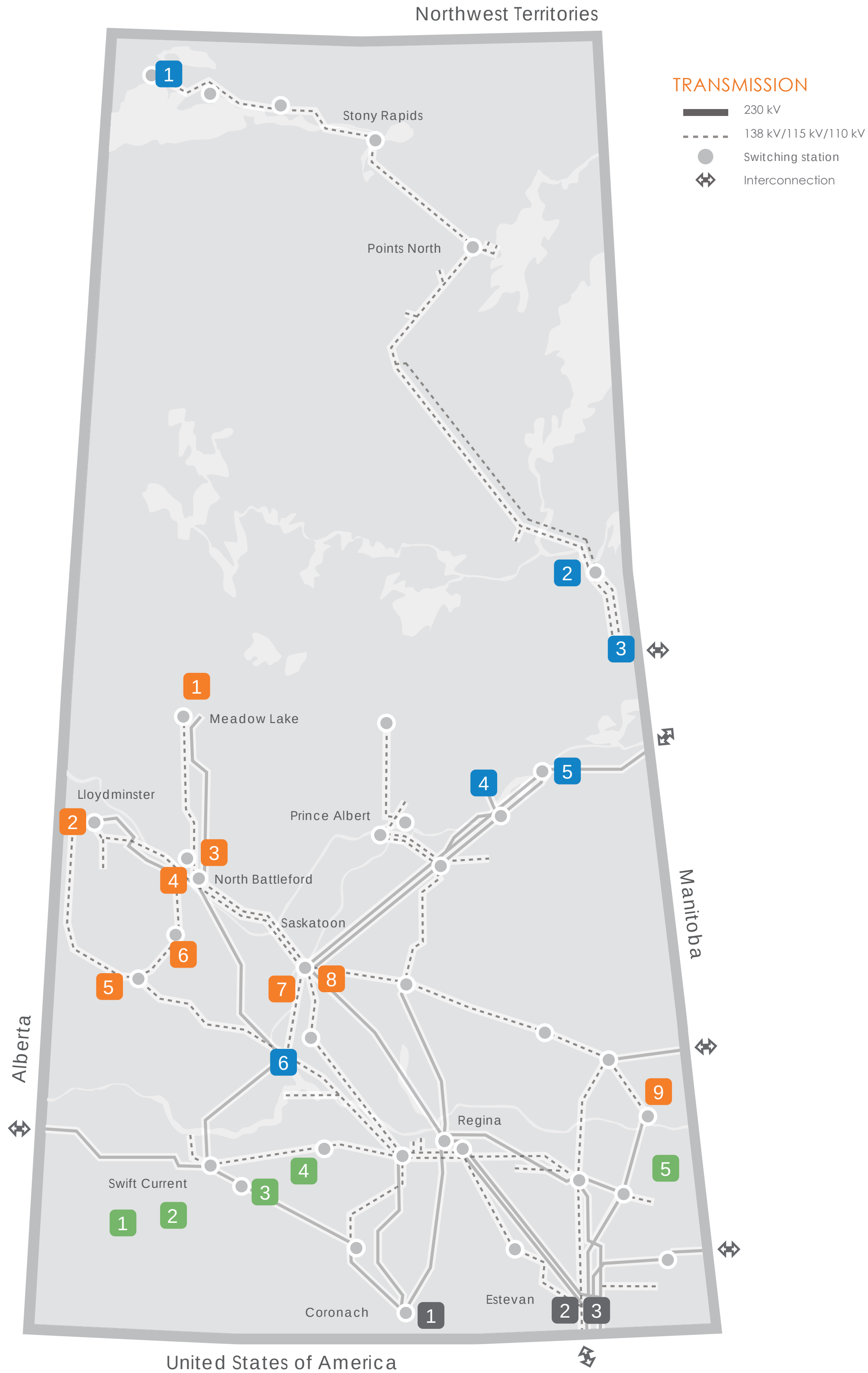
7. Financial instruments

			December 31 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	**$ 3**	**$ 3**	$ 28	$ 28
Accounts receivable and unbilled revenue	L&R[2]	N/A	**420**	**420**	409	409
Debt retirement funds	FVTPL[1]	2	**571**	**571**	533	533
Other assets - investment	FVTPL[1]	3	**2**	**2**	2	2
Financial liabilities						
Accounts payable and accrued liabilities	OL[3]	N/A	**$ (367)**	**$ (367)**	$ (370)	$ (370)
Accrued interest	OL[3]	N/A	**(60)**	**(60)**	(52)	(52)
Short-term advances	OL[3]	N/A	**(977)**	**(977)**	(981)	(981)
Long-term debt	OL[3]	2	**(5,363)**	**(6,174)**	(5,130)	(6,169)
Finance lease obligations	OL[3]	3	**(1,130)**	**(1,256)**	(1,133)	(1,274)

			December 31 2016		March 31 2016	
(in millions)	**Classification[4]**	**Level[5]**	**Asset**	**Liability**	Asset	Liability
Natural gas contracts						
Fixed price swap instruments	FVTPL[1]	2	**$ 4**	**$ (119)**	$ -	$ (153)
Forward agreements	FVTPL[1]	2	**-**	**-**	-	-
Electricity contracts						
Contracts for differences	FVTPL[1]	2	**-**	**-**	-	-
Forward agreements	FVTPL[1]	2	**-**	**-**	-	-
Interest rate risk management						
Bond forward agreements[6]	FVTPL[1]	2	**11**	**-**	-	(4)
			$ 15	**$ (119)**	$ -	$ (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
Regina
Swift Current
Coronach
Estevan
Alberta
Manitoba
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 December 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	228*	Natural Gas
3.	North Battleford Generating Station	Independent Power Producer	271*	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	249*	Natural Gas
8.	Queen Elizabeth Power Station	SaskPower	634	Natural Gas
9.	Spy Hill Generating Station	Independent Power Producer	89*	Natural Gas
	Total Natural Gas		1,824	
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	27	Various
	Total Small Independent Power Producers		27	
	Total Available Generating Capacity		**4,491**	

** The net capacity amount has been restated to reflect the generation station's winter capacity rating in order to align with the capacity rating used for North American Electric Reliability Corporation (NERC) regulatory reporting requirements.*

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