First quarter report

FOR THE THREE MONTHS ENDED **MARCH 31, 2012**

SaskPower
Powering the future

STRATEGIC DIRECTION

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

Mission
Safe, reliable, sustainable power

Values
Responsive, respectful, progressive

Core Strategies

People
- Customers
- Employees
- Stakeholders

Financial
- Business renewal
- Financial management

Stewardship
- Infrastructure
- Environment

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Revenue	**$ 465**	$ 473	$ (8)
Expense	**418**	380	38
Income before unrealized market value adjustments	**47**	93	(46)
Net income	**27**	99	(72)
Capital expenditures	**192**	95	97
Long-term debt	**2,707**	2,708	(1)
Short-term advances	**425**	140	285
Finance lease obligations	**554**	411	143
Return on equity [1]	**10.3%**	20.5%	(10.2%)
Per cent debt ratio [2]	**64.9%**	61.5%	3.4%

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

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

Operating Statistics

	Three months ended March 31		
(GWh [1])	**2012**	2011	Change
Saskatchewan electricity sales	**4,931**	5,101	(170)
Exports	**83**	72	11
Total electricity sales	**5,014**	5,173	(159)
Gross electricity supplied	**5,687**	5,828	(141)
Line losses	**(673)**	(655)	(18)
Net electricity supplied	**5,014**	5,173	(159)
Electricity trading purchases	**96**	151	(55)
Line losses	**-**	(3)	3
Electricity trading sales	**96**	148	(52)
Generating capacity (net MW [2])	**4,094**	4,008	86
Peak load (net MW [2])	**3,265**	3,195	70
Customers	**483,570**	474,696	8,874

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited condensed consolidated financial statements and supporting notes for the three months ended March 31, 2012. These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The SaskPower Audit and Finance Committee of the Board of Directors has approved the condensed consolidated financial statements.

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

Financial Results

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Revenue			
Saskatchewan electricity sales	**$ 427**	$ 443	$ (16)
Exports	**8**	9	(1)
Net sales from electricity trading	**5**	-	5
Share of profit from equity accounted investees	**5**	3	2
Other revenue	**20**	18	2
	$ 465	$ 473	$ (8)
Expense			
Fuel and purchased power	**134**	126	8
Operating, maintenance and administration	**144**	120	24
Depreciation and amortization	**77**	70	7
Finance charges	**49**	51	(2)
Taxes	**12**	12	-
Other losses (gains)	**2**	1	1
	418	380	38
Income before the following	**$ 47**	$ 93	$ (46)
Unrealized market value adjustments	**(20)**	6	(26)
Net income	**$ 27**	$ 99	$ (72)
Return on equity [1]	**10.3%**	20.5%	(10.2%)

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

Highlights

SaskPower's consolidated income before unrealized market value adjustments was $47 million in the first quarter of 2012 compared to $93 million in the first quarter of 2011. The decrease was primarily due to lower Saskatchewan electricity sales and increased operating costs. The return on equity was 10.3%, down 10.2 percentage points from the previous period.

Total revenue was down $8 million in the first quarter of 2012, compared to the first quarter of 2011. The decline in revenue was attributable to a $16 million decrease in Saskatchewan electricity sales due to lower sales volumes. The decrease in Saskatchewan electricity sales was slightly offset by increased electricity trading profits which increased $5 million due to an increase in average sales prices. In addition, other revenue increased $2 million as a result of higher customer contributions.

Total expense increased $38 million compared to the same period in 2011. Operating, maintenance and administration (OM&A) expense was up $24 million in the first quarter of 2012, compared to the first quarter of 2011. The $24 million increase was largely the result of increased spending on maintenance and new initiatives. In addition fuel and purchased power costs increased $8 million as a result of an unfavourable change in the fuel mix due to the higher natural gas generation which replaced less expensive coal and hydro generation.

Depreciation expense increased $7 million compared to the same period in 2011 as a result of significant investments in the Corporation's property, plant and equipment. Finance charges decreased $2 million compared to the same period in 2011 due to an improvement in debt retirement fund earnings and higher interest capitalized.

SaskPower reported $20 million of unrealized market value net losses in the first quarter of 2012, compared to $6 million in net gains in the first quarter of 2011. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end.

Outlook

SaskPower's income before unrealized market value adjustments is expected to be $160 million in 2012, resulting in a return on equity of 8.6%.

In 2012, Saskatchewan sales are expected to increase $17 million to $1.684 billion due to a 603 GWh increase in electricity sales volumes, primarily in the major key account customers segment. The increase in Saskatchewan electricity sales is expected to be offset by a $15 million combined decrease in exports and other revenue as a result of improved stability in electricity market prices in 2012.

Fuel and purchased power costs are expected to increase $18 million. This is due to higher generation volumes and an unfavourable change in the fuel mix, as hydro is budgeted to return closer to median levels from record highs in 2011. OM&A expense is expected to be $7 million higher, due to increased salary and maintenance costs required to maintain the Corporation's growing infrastructure. Depreciation, finance charges, taxes and other expenses are expected to increase $56 million as a result of SaskPower's ongoing capital program.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure over the next 10 years. Capital expenditures in 2012 are forecast to be approximately $998 million. This includes costs for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and Unit #3 refurbishment; maintaining and refurbishing the existing fleet; upgrading various transformers, and transmission and distribution lines; and connecting new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended March 31 2012	2011	Change
Saskatchewan electricity sales	**$ 427**	$ 443	$ (16)

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

Saskatchewan electricity sales for the first quarter of 2012 were $427 million, down $16 million from the first quarter of 2011. The decrease was due to a decline in sales volumes. Electricity sales volumes to Saskatchewan customers for the first three months of 2012 were 4,931 GWh, down 170 GWh from the same period in 2011. The Corporation experienced declines in demand from almost all customer classes including an 11% drop in consumption from the residential customer class due to the warmer than normal weather experienced in the first quarter of 2012.

Exports

(in millions)	Three months ended March 31 2012	2011	Change
Exports	**$ 8**	$ 9	$ (1)

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

Exports were $8 million in the first quarter of 2012, down $1 million from the first quarter of 2011. Exports were down due to a decrease in the average exports sales price, offset by slightly higher sales volumes. The average exports sales price for the first three months of 2012 was approximately $90/MWh as compared to $127/MWh in the same period of 2011. Export sales volumes increased 11 GWh during the first three months of 2012, compared to the first three months of 2011.

Net sales from electricity trading

(in millions)	Three months ended March 31 2012	2011	Change
Electricity trading revenue	**$ 9**	$ 6	$ 3
Electricity trading costs	**(4)**	(6)	2
Net sales from electricity trading	**5**	-	5

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

Electricity trading revenue was $9 million in the first quarter of 2012, up $3 million from the first quarter of 2011. Overall trading volumes decreased 52 GWh to 96 GWh in the first three months of 2012. However, electricity trading revenues were positively impacted by an increase in average sales prices. As a result, the gross margin, or net sales after deducting purchased power costs was $5 million in the first three months of 2012, compared to $nil in the same period in 2011.

Share of profit from equity accounted investees

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Share of profit from equity accounted investees	**$ 5**	$ 3	$ 2

SaskPower's investments that are accounted for using the equity method include its 30% ownership in the MRM Cogeneration Station and a 50% ownership in the Cory Cogeneration Station. 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. The Cory Cogeneration Station is a 228-MW natural gas-fired cogeneration plant located at the Potash Corporation of Saskatchewan Cory Division, near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year power purchase agreement.

SaskPower's share of profit from its investments in the MRM Cogeneration Station and the Cory Cogeneration Station was $5 million for the first quarter of 2012, up $2 million from the same period in 2011. The higher profit was related to the lower maintenance costs and increased availability of the Cory Cogeneration Station as compared to the significant unplanned maintenance work which was required in the first three months of 2011.

Other revenue

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Other revenue	**$ 20**	$ 18	$ 2

Other revenue includes various non-electricity products and services. Other revenue was $20 million in the first quarter of 2012, up $2 million from the first quarter of 2011. The $2 million increase was due to higher customer contributions. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for use.

Expense

Fuel and purchased power

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Fuel and purchased power	**$ 134**	$ 126	$ 8

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 $134 million in the first quarter of 2012, up $8 million from the first quarter of 2011. The $8 million increase is a result of an unfavourable fuel mix variance offset by favourable volume and price variances.

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 2012, the Corporation's natural gas generation accounted for 24.6% of total generation compared to 20.6% from the same period in 2011. The increased natural gas generation replaced less expensive coal and hydro generation. This unfavourable change in the fuel mix resulted in an estimated $12 million increase in fuel and purchased power costs.

Total generation and purchased power was 5,687 GWh in the first three months of 2012, a decrease of 141 GWh compared to the same period in 2011. The lower demand resulted in an estimated $3 million decrease in fuel and purchased power costs.

In addition, there was an overall decrease in the price of fuel as a result of a lower average natural gas prices which resulted in an estimated $1 million decrease in fuel and purchased power costs.

Operating, maintenance and administration (OM&A)

	Three months ended March 31		
(in millions)	**2012**	2011	Change
OM&A	**$ 144**	$ 120	$ 24

OM&A expense was $144 million in the first quarter of 2012, up $24 million from the first quarter of 2011. The rise in operating costs was the result of a $5 million increase in spending on maintenance of SaskPower's transmission and distribution assets. In addition, there was a $7 million increase in operating costs related to the overhaul performed at the Poplar River Power Station and emergency maintenance to address an outage at Boundary Dam Power Station's Unit #6.

There was also a $4 million increase in operating costs as a result of additional power purchase agreement costs related to the increased availability of the Cory Cogeneration Station and the commissioning of the Spy Hill Generating Station in the fall of 2011. Finally there was an $8 million increase in spending on various new initiatives, including information technology and support projects and Service Delivery Renewal and Demand Side Management programs.

Depreciation and amortization

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Depreciation and amortization	**$ 77**	$ 70	$ 7

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 $77 million in the first quarter of 2012, up $7 million from the first quarter of 2011. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures.

Finance charges

	Three months ended March 31		
(in millions)	**2012**	2011	Change
Finance charges	**$ 49**	$ 51	$ (2)

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

Finance charges were $49 million in the first quarter of 2012, down $2 million from the first quarter of 2011. The decrease in finance charges was attributable to $4 million improvement in debt retirement fund earnings and a $2 million increase in interest capitalized. These amounts were offset by $4 million of additional interest incurred on finance leases relating to the commissioning of the Spy Hill Generating Station in the fall of 2011.

Taxes

(in millions)	Three months ended March 31 2012	2011	Change
Taxes	**$ 12**	$ 12	$ -

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 $12 million in the first quarter of 2012, consistent with the first quarter of 2011.

Other losses (gains)

(in millions)	Three months ended March 31 2012	2011	Change
Other losses (gains)	**$ 2**	$ 1	$ 1

Other losses (gains) include the loss or gain on asset disposals and retirements, foreign exchange and environmental remediation activities. Other losses were $2 million in the first quarter of 2012, up $1 million as a result of an increase in losses incurred on asset disposals and retirements.

Unrealized market value adjustments

(in millions)	Three months ended March 31 2012	2011	Change
Natural gas contracts	**$ (7)**	$ 7	$ (14)
Natural gas inventory revaluation	**1**	(3)	4
Electricity contracts	**(4)**	8	(12)
Debt retirement funds	**(10)**	(6)	(4)
Unrealized market value gains (losses)	**$ (20)**	$ 6	$ (26)

Unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end. These non-cash transactions resulted in a net market value loss for the first quarter of 2012 of $20 million compared to $6 million net gain in the first quarter of 2011.

SaskPower had outstanding natural gas hedges of approximately 37 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 2012 through 2017. The unrealized market value losses on these outstanding natural gas hedges and forward natural gas contracts were $7 million. The losses are the result of a decrease in the forward market price of natural gas relative to the hedged price. These unrealized losses are subject to significant volatility based on movements in the forward price of natural gas.

With the decline in forward natural gas prices, the net realizable value of the Corporation's natural gas inventory held in storage has fallen below cost. However, this decline in market price was more than offset by the reversal of prior period unrealized losses on natural gas inventory that was consumed during the period. As a result, SaskPower reported a net $1 million unrealized gain on its natural gas inventory.

Unrealized market value losses related to the Corporation's outstanding electricity derivative contracts for the first three months of 2012 were $4 million, a $12 million decline from the prior year as a result of a decrease in forward electricity prices. The Corporation also recorded $10 million in market value losses related to its debt retirement funds, which represents a $4 million decrease compared to the same period in 2011.

Financial Condition

The following chart outlines changes in the condensed consolidated statement of financial position from December 31, 2011, to March 31, 2012:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents (bank indebtedness)	$ 7	Refer to the Condensed Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(8)	Timing of receipts.
Inventory	-	
Prepaid expenses	7	Increase in prepaid employee benefits.
Property, plant and equipment	105	Capital additions offset by depreciation expense and asset disposals and retirements.
Intangible assets	8	Capitalization of new software costs less amortization expense.
Debt retirement funds	4	Instalments and earnings less market value adjustments.
Investments accounted for using equity method	(1)	Equity investment income less distributions.
Other assets	-	
Accounts payable and accrued liabilities	(39)	Timing of payments.
Accrued interest	(17)	Timing of interest payments.
Dividend payable	90	Dividend declared to CIC.
Risk management liabilities (net of risk management assets)	11	Decline in the forward prices of natural gas and electricity contracts.
Short-term advances	174	Increase in short-term advances to finance SaskPower's capital expenditures.
Long-term debt	-	
Finance lease obligations (including current portion)	(1)	Lease principal repayments.
Employee benefits	(30)	Actuarial gains on the defined benefit pension plan and employee benefits paid.
Provisions	1	Unwinding the discount on SaskPower's decommissioning provisions.
Equity	(67)	2012 comprehensive income less dividends paid to CIC.

Liquidity and Capital Resources

Cash flow highlights

(in millions)	March 31 2012	December 31 2011	Change
Cash and cash equivalents (bank indebtedness)	**$ 1**	$ (6)	$ 7

The Corporation's cash position increased $7 million from December 31, 2011. The $7 million increase was the result of $51 million provided by operating activities and $137 million provided by financing activities, offset by $181 million used in investing activities.

a) Operating activities

	Three months ended March 31		
(in millions)	2012	2011	Change
Cash provided by operating activities	**$ 51**	$ 124	$ (73)

Cash provided by operating activities was $51 million in the first quarter of 2012, down $73 million from the first quarter of 2011. The decrease was primarily the result of the decline in net income as a result of lower Saskatchewan electricity sales and higher operating costs.

b) Investing activities

	Three months ended March 31		
(in millions)	2012	2011	Change
Generation	**$ 102**	$ 41	$ 61
Transmission & Distribution	**76**	40	36
Other	**14**	14	-
Total capital expenditures	**$ 192**	$ 95	$ 97
Less: Interest capitalized	**(5)**	(3)	(2)
Distributions from equity accounted investees	**(6)**	(1)	(5)
Cash used in investing activities	**$ 181**	$ 91	$ 90

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower invested $192 million in the first quarter of 2012 on various capital projects. This includes $72 million invested in the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. The Corporation also invested $45 million to connect customers to the SaskPower electric system; $23 million on increasing capacity and sustaining transmission and distribution infrastructure and $6 million on Service Delivery Renewal projects.

The Corporation also received $6 million in equity distributions from the MRM and Cory Cogeneration Stations in the first three months of 2012.

c) Financing activities

(in millions)	Three months ended March 31 2012	2011	Change
Net proceeds from (repayment of) short-term advances	**$ 174**	$ (19)	$ 193
Debt retirement fund instalments	**(6)**	(6)	-
Principal repayment of finance lease obligations	**(1)**	(1)	-
Dividends paid	**(30)**	-	(30)
Cash provided by (used in) financing activities	**$ 137**	$ (26)	$ 163

In the first quarter of 2012, $137 million of cash was provided by financing activities compared to $26 million used in the first quarter of 2011.

Capital management

(in millions)	March 31 2012	December 31 2011	Change
Long-term debt	**$ 2,707**	$ 2,707	$ -
Short-term advances	**425**	251	174
Finance lease obligations	**554**	555	(1)
Total debt	**3,686**	3,513	173
Debt retirement funds	**(357)**	(353)	(4)
(Cash and cash equivalents) bank indebtedness	**(1)**	6	(7)
Total net debt	**$ 3,328**	$ 3,166	$ 162
Retained earnings	**1,137**	1,204	(67)
Equity advances	**660**	660	-
Total capital	**$ 5,125**	$ 5,030	$ 95
Per cent debt ratio [1]	**64.9%**	63.0%	1.9%

1. Per cent debt ratio = (debt)/(debt + equity), where debt = (gross 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 $3,686 million at March 31, 2012, up $173 million from December 31, 2011. The increase in total debt was the result of an additional $174 million in short-term advances offset by a $1 million principal repayment of the Corporation's finance lease obligations.

The Corporation's per cent debt ratio has increased from 63.0% at the end of 2011 to 64.9% as at March 31, 2012, due to the increase in short-term borrowings to finance the Corporation's capital expenditures.

Debt retirement fund instalments

(in millions)	Three months ended March 31 2012	2011	Change
Debt retirement fund instalments	**$ 6**	$ 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 quarter of 2012, the Corporation made $6 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 $8 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

In 2012, CIC determined that SaskPower would pay a special $120 million dividend to CIC as a result of higher than expected earnings in 2011. The special dividend is payable in equal quarterly instalments in 2012.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at March 31, 2012, which will impact cash flows in 2012 and beyond:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Long-term debt (including principal and interest)	$ 174	$ 766	$ 4,808
Debt retirement fund instalments	27	104	393
Future minimum lease payments	71	300	1,050

SaskPower's financing requirements for the next 12 months will include $174 million in interest payments, $27 million of debt retirement fund instalments, and $71 million in minimum lease payments under existing power purchase agreements. Included in the future minimum lease payments above, is the availability payments related to the power purchased agreements which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

Financial Instruments
IFRS 9, *Financial Instruments*, was issued by the International Accounting Standards Board (IASB) on November 12, 2009 and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. SaskPower has not yet determined the impact of IFRS 9 on its financial statements.

Consolidated and Separate Financial Statements
IFRS 10, *Consolidated Financial Statements*, and IAS 27, *Separate Financial Statements*, were issued by the IASB on May 12, 2011, and together will replace IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included with the consolidated financial statements of the parent company. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. IFRS 10 and IAS 27 are both effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 10 or IAS 27 on its financial statements.

Joint Arrangements
IFRS 11, *Joint Arrangements*, was issued by the IASB on May 12, 2011, and will replace IAS 31, *Interests in Joint Ventures*. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of the joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 11 on its financial statements.

Disclosure of Interests in Other Entities
IFRS 12, *Disclosure of Interests in Other Entities*, was issued by the IASB on May 12, 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 12 on its financial statements.

Fair Value Measurement
IFRS 13, *Fair Value Measurement*, was issued by the IASB on May 12, 2011. IFRS 13 provides a precise definition of fair value and acts as a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IFRS 13 on its financial statements.

Investments in Associates and Joint Ventures
An amended version of IAS 28, *Investments in Associates and Joint Ventures*, was issued by the IASB on May 12, 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. IAS 28 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IAS 28 on its financial statements.

Employee Benefits
An amended version of IAS 19, *Employee Benefits*, was issued by the IASB on September 16, 2011. The revised IAS 19 eliminates the option to defer the recognition of gains and losses (the ‘corridor method’); streamlines the presentation of changes in asset and liabilities arising from defined benefit plans; and enhances the disclosure requirements for defined benefit plans. The amended version of IAS 19 is effective for annual periods beginning on or after January 1, 2013. SaskPower has not yet determined the impact of IAS 19 on its financial statements.

Condensed Consolidated Statement of Income

(in millions)	(Unaudited) Three months ended March 31 2012		2011	
Revenue				
Saskatchewan electricity sales	**$**	**427**	$	443
Exports		**8**		9
Net sales from electricity trading		**5**		-
Share of profit from equity accounted investees		**5**		3
Other revenue		**20**		18
		465	$	473
Expense				
Fuel and purchased power		**134**		126
Operating, maintenance and administration		**144**		120
Depreciation and amortization		**77**		70
Finance charges		**49**		51
Taxes		**12**		12
Other losses (gains)		**2**		1
		418		380
Income before the following		**47**	$	93
Unrealized market value adjustments		**(20)**		6
Net income	**$**	**27**	$	99

See accompanying notes

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Three months ended March 31	
(in millions)	**2012**	2011
Net income	**$ 27**	$ 99
Other comprehensive income (loss)		
Share of other comprehensive income from equity accounted investees	**-**	-
Defined benefit pension plans actuarial gains (losses)	**26**	-
	26	-
Total comprehensive income	**$ 53**	$ 99

See accompanying notes

Condensed Consolidated Statement of Financial Position

(in millions) As at	(Unaudited) March 31 2012	(Audited *) December 31 2011
Assets		
Current assets		
Cash and cash equivalents	**$ 1**	$ -
Accounts receivable and unbilled revenue	**228**	236
Inventory	**154**	154
Prepaid expenses	**13**	6
Risk management assets	**3**	6
	399	402
Property, plant and equipment *(Note 4)*	**5,492**	5,387
Intangible assets	**60**	52
Debt retirement funds	**357**	353
Investments accounted for using equity method	**76**	77
Other assets	**11**	11
Total assets	**$ 6,395**	$ 6,282
Liabilities and equity		
Current liabilities		
Bank indebtedness	**$ -**	$ 6
Accounts payable and accrued liabilities	**299**	338
Accrued interest	**32**	49
Dividend payable	**90**	-
Risk management liabilities	**60**	52
Short-term advances	**425**	251
Current portion of finance lease obligations	**3**	3
	909	699
Long-term debt	**2,707**	2,707
Finance lease obligations	**551**	552
Employee benefits	**285**	315
Provisions	**146**	145
Total liabilities	**4,598**	4,418
Equity		
Retained earnings	**1,137**	1,204
Equity advances	**660**	660
Total equity	**1,797**	1,864
Total liabilities and equity	**$ 6,395**	$ 6,282

See accompanying notes

* As presented in the audited December 31, 2011, consolidated statement of financial position

Condensed Consolidated Statement of Changes in Equity

(in millions)	Retained earnings	Accumulated other comprehensive loss: Equity accounted investees - cash flow hedges	Accumulated other comprehensive loss: Defined benefit pension plans actuarial gains (losses)	Equity advances	(Unaudited) Total
Equity					
Balance, January 1, 2011	$ 1,099	$ (1)	$ -	$ 660	$ 1,758
Net income	99	-	-	-	99
Other comprehensive income (loss)	-	-	-	-	-
Transfers to retained earnings	-	-	-	-	-
Dividends	-	-	-	-	-
Balance, March 31, 2011	**$ 1,198**	**$ (1)**	**$ -**	**$ 660**	**$ 1,857**
Net income	149	-	-	-	149
Other comprehensive income (loss)	-	1	(143)	-	(142)
Transfers to retained earnings	(143)	-	143	-	-
Dividends	-	-	-	-	-
Balance, December 31, 2011	**$ 1,204**	**$ -**	**$ -**	**$ 660**	**$ 1,864**
Net income	27	-	-	-	27
Other comprehensive income (loss)	-	-	26	-	26
Transfers to retained earnings	26	-	(26)	-	-
Dividends	(120)	-	-	-	(120)
Balance, March 31, 2012	**$ 1,137**	**$ -**	**$ -**	**$ 660**	**$ 1,797**

See accompanying notes

Condensed Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended March 31 2012	2011
Operating activities		
Net income	**$ 27**	$ 99
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	**77**	70
Finance charges	**49**	51
Other losses (gains)	**2**	1
Unrealized market value adjustments	**20**	(6)
Defined benefit pension plan income	**(1)**	-
Other benefit plans	**(3)**	(3)
Share of profit from equity accounted investees	**(5)**	(3)
	166	209
Net change in non-cash working capital	**(37)**	(11)
Interest paid	**(78)**	(74)
Cash provided by operating activities	**51**	124
Investing activities		
Property, plant and equipment additions	**(175)**	(92)
Intangible assets additions	**(12)**	-
Distributions from equity accounted investees	**6**	1
Cash used in investing activities	**(181)**	(91)
(Decrease) increase in cash before financing activities	**(130)**	33
Financing activities		
Net proceeds from (repayment of) short-term advances	**174**	(19)
Debt retirement fund instalments	**(6)**	(6)
Principal repayment of finance lease obligations	**(1)**	(1)
Dividends paid	**(30)**	-
Cash provided by (used in) financing activities	**137**	(26)
Increase in cash	**7**	7
Bank indebtedness, beginning of period	**(6)**	(7)
Cash and cash equivalents, end of period	**$ 1**	$ -

See accompanying notes

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2012

1. Status of the Corporation

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 condensed consolidated financial statements were authorized for issue by the Audit and Finance Committee of the Board of Directors on May 2, 2012.

(b) Interim measurement

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

(c) Basis of measurement

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

- Financial instruments that are accounted for at fair value through profit or loss.
- Inventory.
- Provisions.
- Defined benefit plan accrued benefit obligations.

(d) Functional and presentation currency

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

(e) 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:

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

Following the completion of an internal depreciation study, the estimated useful lives of certain assets were changed. The change in estimate was applied prospectively, effective January 1, 2012, and is expected to result in a $2 million increase to depreciation expense in 2012.

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.

(f) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2012, and have not been applied in preparing these condensed consolidated financial statements. In particular, the following new and amended standards become effective for annual periods beginning on or after January 1, 2013:

- IFRS 9, *Financial Instruments*
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 19, *Employee Benefits*
- IAS 27, *Separate Financial Statements*
- IAS 28, *Investments in Associates and Joint Ventures*

The Corporation does not have any plans to early adopt any of the new or amended standards. The extent of the impact on adoption of these standards is not known at this time.

3. Significant Accounting Policies

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.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2012

4. Property, Plant and Equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	**Total**
Cost or deemed cost							
Balance, January 1, 2011	$ 4,133	$ 388	$ 916	$ 2,491	$ 482	$ 251	**$ 8,661**
Additions	22	-	21	38	7	95	**183**
Disposals and/or retirements	(1)	-	-	(2)	(1)	-	**(4)**
Transfers	-	-	-	-	-	(88)	**(88)**
Balance, March 31, 2011	**$ 4,154**	**$ 388**	**$ 937**	**$ 2,527**	**$ 488**	**$ 258**	**$ 8,752**
Additions	109	145	29	144	39	530	**996**
Disposals and/or retirements	(10)	-	-	(11)	(10)	-	**(31)**
Transfers	-	-	-	-	-	(340)	**(340)**
Balance, December 31, 2011	**$ 4,253**	**$ 533**	**$ 966**	**$ 2,660**	**$ 517**	**$ 448**	**$ 9,377**
Additions	34	-	18	41	13	192	**298**
Disposals and/or retirements	(2)	-	-	(3)	(2)	-	**(7)**
Transfers	-	-	-	-	-	(118)	**(118)**
Balance, March 31, 2012	**$ 4,285**	**$ 533**	**$ 984**	**$ 2,698**	**$ 528**	**$ 522**	**$ 9,550**
Accumulated depreciation							
Balance, January 1, 2011	$ 1,966	$ 143	$ 389	$ 1,051	$ 189	$ -	**$ 3,738**
Depreciation expense	33	4	6	19	6	-	**68**
Disposals and/or retirements	(1)	-	-	(1)	(1)	-	**(3)**
Balance, March 31, 2011	**$ 1,998**	**$ 147**	**$ 395**	**$ 1,069**	**$ 194**	**$ -**	**$ 3,803**
Depreciation expense	97	13	17	61	24	-	**212**
Disposals and/or retirements	(8)	-	-	(10)	(7)	-	**(25)**
Balance, December 31, 2011	**$ 2,087**	**$ 160**	**$ 412**	**$ 1,120**	**$ 211**	**$ -**	**$ 3,990**
Depreciation expense	33	6	6	21	7	-	**73**
Disposals and/or retirements	(2)	-	-	(2)	(1)	-	**(5)**
Balance, March 31, 2012	**$ 2,118**	**$ 166**	**$ 418**	**$ 1,139**	**$ 217**	**$ -**	**$ 4,058**
Net book value							
Balance, March 31, 2011	**$ 2,156**	**$ 241**	**$ 542**	**$ 1,458**	**$ 294**	**$ 258**	**$ 4,949**
Balance, December 31, 2011	**$ 2,166**	**$ 373**	**$ 554**	**$ 1,540**	**$ 306**	**$ 448**	**$ 5,387**
Balance, March 31, 2012	**$ 2,167**	**$ 367**	**$ 566**	**$ 1,559**	**$ 311**	**$ 522**	**$ 5,492**

In the first three months of 2012, interest costs totaling $5 million (2011 – $3 million) were capitalized at the weighted average cost of borrowings rate of 6.20% (2011 – 6.00%)

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2012

5. Commitments and Contingencies

The Corporation is forecasting to spend $998 million on capital projects in 2012.

6. Related Party Transactions

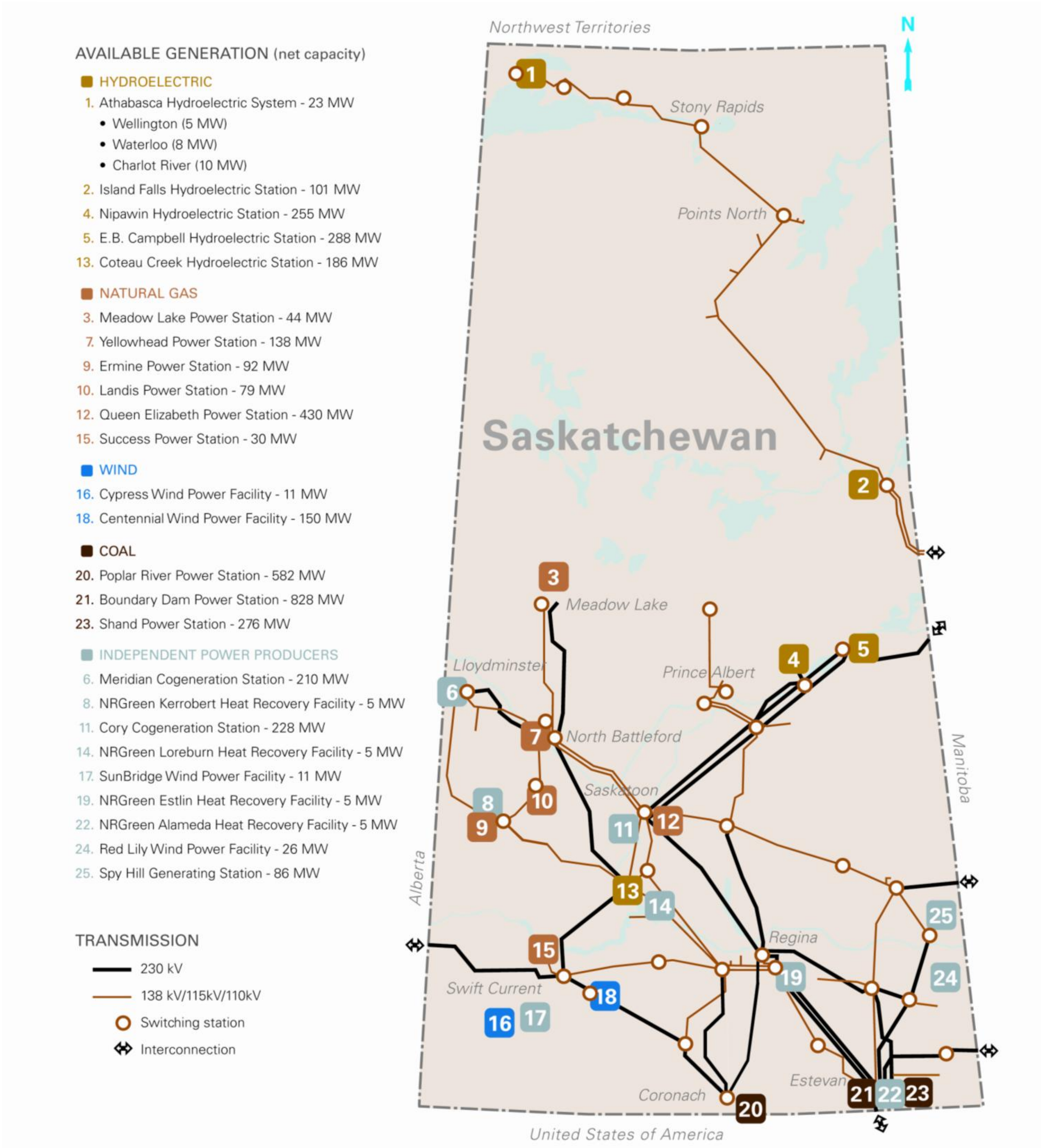
In the first quarter of 2012, it was determined that SaskPower would pay a special $120 million dividend to CIC as a result of higher than expected earnings in 2011. The special dividend is payable in equal quarterly instalments in 2012.

7. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

System Map

As of March 31, 2012



SaskPower
Powering the future

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