[SaskPower Annual Report 2013]

It takes
POWER TO GROW

SaskPower
Powering the future®

A POWERFUL NEW ERA

Our province is changing, and with its transformation come record-breaking times for Saskatchewan and SaskPower. Along with extraordinary economic and population growth, our province continues to experience a rising need for power.

In 2013, while Saskatchewan marked its highest ever recorded population and yearly increase in job creation, it also marked its highest ever demand for electricity. At SaskPower, the impact of Saskatchewan's incredible growth can be felt in every corner of the province. We're seeing a need for more power, more often, in more places and by more people.

From expanding access to electricity in the North to reinforcing the supply of electricity in the South, our company is driven to ensure that reliable, affordable and sustainable power is available to fuel farms, businesses and industry while also lighting and heating our homes.

In order to renew aging infrastructure while meeting increasing demand, SaskPower has a long-term plan to upgrade Saskatchewan's electricity grid. We're projecting internal investments of $1 billion a year for the long term as we work to renew and rebuild our entire power system.

Our company is committed to our vision of innovation, performance and service. We are investing responsibly to ensure our customers have the electricity they need — for today and for future generations. Because it takes power to grow.

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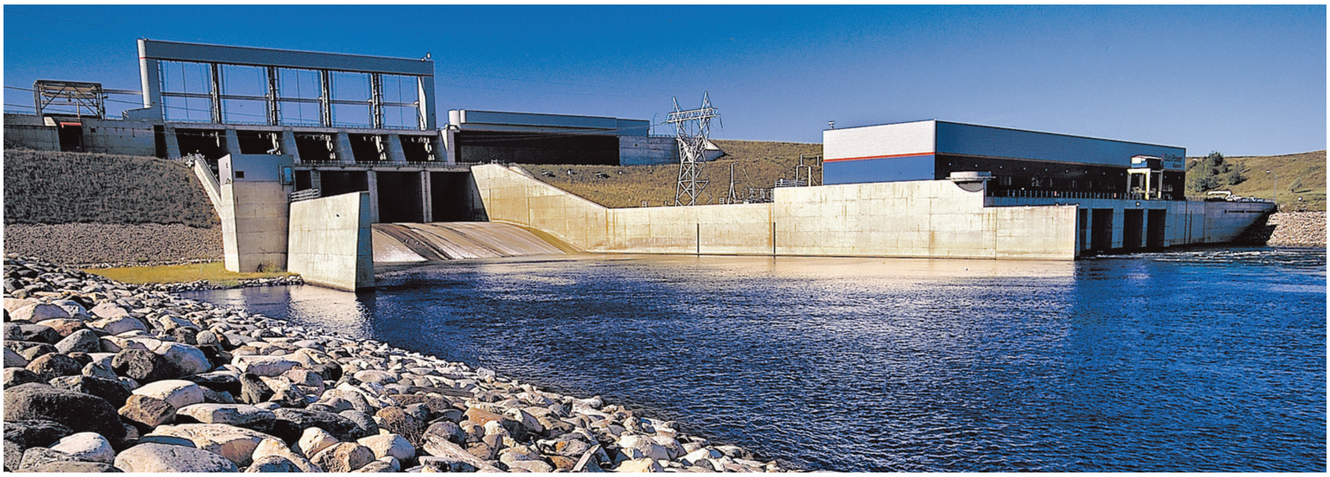


CORPORATE PROFILE

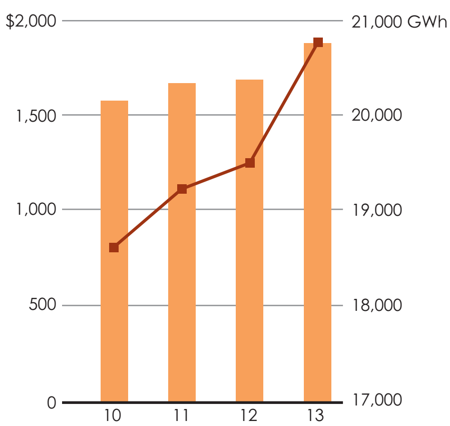
Established in 1929, SaskPower's corporate mission is to provide reliable, affordable and sustainable electricity for our customers. We are defined by our commitment to support economic growth and enhance quality of life in our province.

SaskPower's team is made up of over 3,000 permanent full-time employees. We manage more than $8.6 billion in assets. Our company operates three coal-fired power stations, seven hydroelectric stations, six natural gas stations and two wind facilities. Combined, they generate 3,428 megawatts (MW) of electricity.

SaskPower also buys power from the North Battleford Generating Station, Cory Cogeneration Station, Meridian Cogeneration Station, Spy Hill Generating Station, Red Lily Wind Power Facility, SunBridge Wind Power Facility, Prince Albert Pulp Inc. and NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Facilities. At the end of the year, our company's total available generation capacity was 4,281 MW.

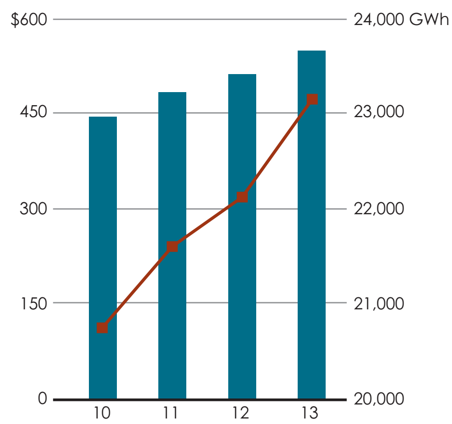
We are responsible for serving more than 500,000 customers within Saskatchewan's geographic area of approximately 652,000 square kilometres. About three customers are supplied per circuit kilometre. We maintain more than 151,000 kilometres of power lines, 51 high voltage switching stations and 185 distribution substations. Our company also has interties at the Manitoba, Alberta and North Dakota borders.

PERFORMANCE HIGHLIGHTS



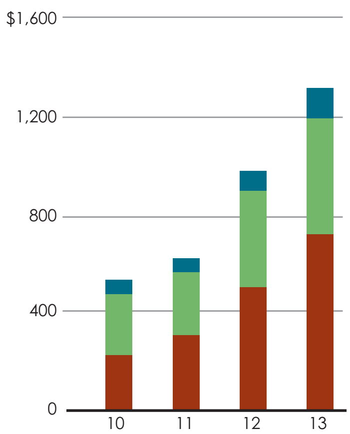
SASKATCHEWAN ELECTRICITY SALES

ELECTRICITY SALES (MILLIONS)
ELECTRICITY SALES (GWH)



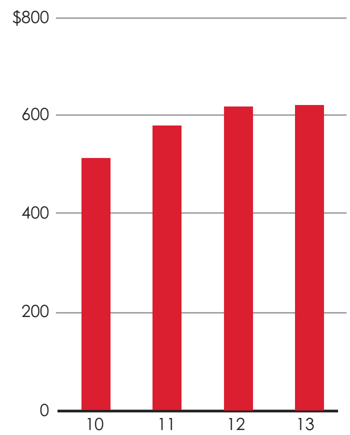
FUEL AND PURCHASED POWER

FUEL AND PURCHASED POWER (MILLIONS)
GROSS ELECTRICITY SUPPLIED (GWH)



CAPITAL EXPENDITURES (MILLIONS)

GENERATION
TRANSMISSION AND DISTRIBUTION
OTHER



OPERATING, MAINTENANCE AND ADMINISTRATION

OM&A (MILLIONS)

Financial indicators

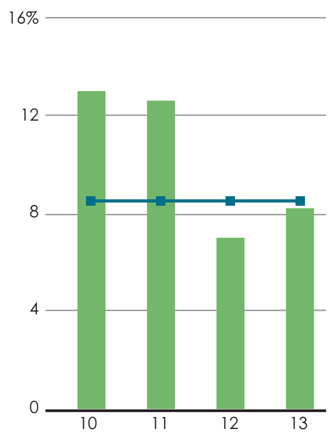
(in millions)	2013	2012	Change
Revenue	**$ 2,045**	$ 1,855	$ 190
Expense	**1,878**	1,726	152
Income before unrealized market value adjustments	**167**	129	38
Net income	**114**	135	(21)
Capital expenditures	**1,318**	981	337
Long-term debt	**3,568**	2,980	588
Short-term advances	**804**	763	41
Finance lease obligations	**1,137**	435	702
Return on equity[1]	**8.2%**	7.0%	1.2%
Per cent debt ratio[2]	**69.8%**	67.1%	2.7%

1. Return on equity = (income before unrealized market value adjustments)/(average equity).
2. 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).

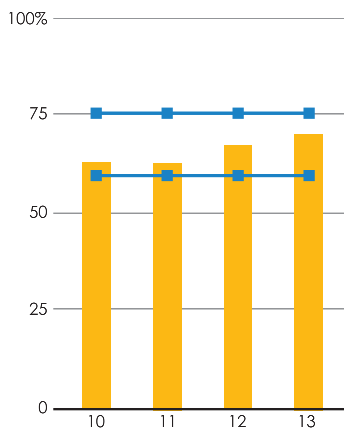
Operating statistics

(GWh)[1]	2013	2012	Change
Saskatchewan electricity sales	**20,753**	19,497	1,256
Exports	**497**	460	37
Total electricity sales	**21,250**	19,957	1,293
Gross electricity supplied	**23,155**	22,129	1,026
Line losses	**(1,905)**	(2,172)	267
Net electricity supplied	**21,250**	19,957	1,293
Electricity trading purchases	**266**	362	(96)
Line losses	**–**	(1)	1
Electricity trading sales	**266**	361	(95)
Generating capacity[2] (net MW)	**4,281**	4,104	177
Peak load[2] (net MW)	**3,543**	3,314	229
Customers	**500,879**	490,611	10,268

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 is generally used to describe the output of a commercial generator.



RETURN ON EQUITY VS. LONG-TERM TARGET



PER CENT DEBT RATIO VS. LONG-TERM TARGET RANGE

Letter of
TRANSMITTAL

Regina
March 2014

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 2013.

The report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of the Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Madam, your obedient servant,

Honourable Bill Boyd
Minister Responsible for Saskatchewan Power Corporation

OUR STRATEGIC CONTEXT

OUR VISION

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

OUR MISSION

Reliable, affordable, sustainable power.

OUR VALUES

Safety, dedication and respect.

OUR CORE STRATEGIES AND KEY PRIORITIES

People [p 6, p 22]

- **CUSTOMER EXPERIENCE**
- **WORKFORCE EXCELLENCE**
- **STAKEHOLDER RELATIONS**

Financial [p 6, p 32]

- **PROCESS EFFICIENCY AND COST MANAGEMENT**

Stewardship [p 7, p 38]

- **INFRASTRUCTURE MANAGEMENT, RENEWAL AND GROWTH**
- **SUPPLY MIX DIVERSIFICATION**
- **ENVIRONMENTAL STEWARDSHIP**
- **TECHNOLOGY ENABLEMENT**

A message to our STAKEHOLDERS

How many of us wake up in the morning and start thinking about power? Likely not many. Electricity isn't top of mind for many people. However, for all of our customers its impact cannot be denied. Electricity powers their lives, and their livelihoods.

That's why SaskPower employees have a responsibility to think about electricity every day and in every way. Our customers count on us for the reliable, affordable and sustainable energy that gives them the power to grow.

Saskatchewan is using more electricity than ever. In 2013, we set a new all-time record for peak load of 3,543 megawatts (MW). This represents a 7% — or 229 MW — increase over the previous year's record. To provide context, one MW can power about 1,000 homes. Meanwhile, with increased economic activity, a growing population and changing lifestyles, our summer peak is now almost as high as our winter peak.

Today, our company's primary challenge is to expand and renew SaskPower's grid to meet the needs of a growing and dynamic province. We're well on the way, with a multi-year, multi-billion dollar infrastructure program that is securing Saskatchewan's electricity future.

Whatever challenges SaskPower faces, we have a clear corporate plan for ongoing success. During the year — for the first time in our company's history — we delivered SaskPower's business strategy face-to-face with nearly all employees. At its heart are three areas of focus: people, financial and stewardship.

PEOPLE

SaskPower is committed to making the delivery of a positive customer experience part of everything we do. In 2013, we continued to encounter heightened expectations, highlighted by one million telephone inquiries. In the face of growing customer needs, we are achieving customer service improvements.

SaskPower's Service Delivery Renewal (SDR) Program has provided a new interactive telephony system and billing system. Another key initiative — Advanced Metering Infrastructure (AMI) — will also contribute to better service. During the year, widespread installation of smart meters began across the province. Smart meters are a key part of SaskPower's ongoing work to renew and improve the provincial electrical grid, and will eventually lead to faster identification and tracking of power outages.

Our Schedule and Dispatch Project is complete and has modernized fieldwork communications. As a result, it is expected work will be better prioritized, travel will be minimized, and power outage durations will be shortened.

Customer connections continue to be an area of special focus. In 2013, we achieved a significant performance improvement for new connects. This was despite a 6% increase in new connect construction volume and a record $132 million spent on distribution new connects.

Preparing for the future depends on having a strong workforce, both today and tomorrow. Once again, SaskPower was named one of Canada's Top Employers for Young People and one of Canada's Best Diversity Employers.

It's also crucial that we build strong relationships with our province's youth as well as First Nations and Métis people. A new partnership between SaskPower, the Saskatchewan Institute of Applied Science and Technology, and the Saskatchewan Indian Institute of Technologies resulted in one-time grants that will fund electricity and trades-related educational training and programming. As well, we have developed a Certified Workforce Education Program in collaboration with Northlands College and the Black Lake First Nation.

When it comes to our employees, contractors and customers, safety remains paramount. In 2013, we bettered our safety target and improved on the prior year. However, our ultimate goal remains to eliminate all safety-related incidents.

FINANCIAL

Fiscal 2013 was a solid year for SaskPower, with an operating income of $167 million and return on equity of 8.2%. We invested $2 billion in Saskatchewan's electricity system, which included a record $1.3 billion of capital investments and a $700 million finance lease agreement for the North Battleford Generating Station in partnership with Northland Power. All of this growth was done while holding our operating, maintenance and administration expense to only a 0.5% increase over the prior year.

In 2013, over 37% of our expenses were capital-related. Over the long term, our plan is to spend approximately $1 billion per year to renew and expand SaskPower's aging generation, transmission and distribution infrastructure while meeting increasing electricity demand in our province.

During the year, SaskPower submitted a three-year rate application to begin recovering increased expenses. We recognize the impact that the price of electricity has on residents and businesses in Saskatchewan. As a result, our company will continue to strive to balance our customers' ability to absorb rate increases with the need to keep our company on solid financial footing.

To help offset the impact of increased rates, we are helping our customers reduce their electricity bills through our energy efficiency programs and energy saving tips. These demand side management (DSM) initiatives — targeting residential, commercial and institutional customers — are also helping us avoid capital expenditures while realizing associated environmental benefits.

As we move forward, we are aggressively evaluating opportunities to increase efficiency and effectiveness within SaskPower so that costs can be eliminated, controlled or avoided. From 2010 though 2013, our Business Renewal Program has realized savings of more than $269 million.

STEWARDSHIP

In 2013, demand for power increased by 6.4% — the highest annual growth in 20 years. By 2050, it is expected to nearly double. As a result, the question of how we meet our future power needs will continue to be at the forefront of our work.

The eyes of the world are focusing on Boundary Dam Power Station as we prepare for commercial operation of our integrated carbon capture and storage (ICCS) demonstration project. When complete, it will cut carbon dioxide (CO_2) emissions at Unit #3 by up to 90%, or approximately one million tonnes a year.

In 2013, we began sharing our company's ICCS experience by hosting the first Carbon Capture and Storage Information and Planning Symposium. As well, construction on the Carbon Capture Test Facility at Shand Power Station moved forward. Once complete, technology developers from around the world will have the opportunity to test new and emerging carbon capture systems at this coal-fired power plant.

This year, we announced a major expansion project at Queen Elizabeth Power Station that will add 205 MW of capacity to our system once complete in 2015. We also continued exploring other generation sources, including the potential of hydroelectric development in northern Saskatchewan. We also signed a contribution agreement with Deep Earth Energy Production Corporation, based here in Saskatchewan, to study the feasibility of geothermal generation in our province.

QUALITY GROWTH

We are proud of SaskPower's achievements in 2013. We have an outstanding group of employees across the province. They are on board as one team, ready to tackle this powerful new era. Together, we have infrastructure challenges to meet, investments to make and a future for which to plan.

We extend our appreciation to our employees and Board Members, past and present. We appreciate their hard work and efforts that have brought us this far.

Meanwhile, we offer our thanks to our customers for their past and future support. It's an amazing time to be part of this province, and part of SaskPower.

Rob Pletch
Chair, Board of Directors

Robert Watson
President and CEO

It takes power to grow:

YEAR AT A GLANCE

In 2013, as Saskatchewan continued to grow so did the demand for electricity. Our province set a record of 3,543 MW for peak load and 76,889 megawatt hours for daily energy consumption. And as SaskPower supplied a record 23,155 gigawatt hours of gross electricity while pursuing our mission of providing reliable, affordable and sustainable power, we registered a number of accomplishments:

WE INVESTED $2 billion in Saskatchewan's electrical system, which included a record $1.3 billion of capital investments and a $700 million finance lease agreement for the 260-MW North Battleford Generating Station in partnership with Northland Power.

WE BEGAN construction of the $380-million I1K Transmission Line, which will link Island Falls with Key Lake in Saskatchewan's North.

WE SPENT $165 million on customer connections, which includes a record $132 million on distribution new connects.

WE INVESTED $485 million in power station upgrades — including refurbishment of Boundary Dam Power Station Unit #3 — and $265 million in transmission and distribution upgrades.

WE ANNOUNCED a $532 million expansion of Queen Elizabeth Power Station that will add 205 MW of capacity.

WE SIGNED a contribution agreement with Deep Earth Energy Production Corporation for the further study of the technical and economic viability of geothermal electricity in Saskatchewan.

WE SIGNED a Term Sheet for a potential seven-year agreement with Manitoba Hydro for up to 25 MW of capacity, as well as a Memorandum of Understanding to examine longer-term opportunities for importing up to 500 MW of power into Saskatchewan.

WE CONTINUED construction of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and Shand Carbon Capture Test Facility, both scheduled for completion in 2014.

WE HOSTED delegates from around the world for the first ever Carbon Capture and Storage Information and Planning Symposium.

WE BEGAN full deployment of smart meters, with almost 500,000 scheduled for installation.

WE COMPLETED our Schedule and Dispatch Project, which will help optimize the scheduling and assignment of fieldwork while providing real-time updates.

WE ACHIEVED total accumulated demand savings of 77 MW through a portfolio of energy efficiency and conservation programs, keeping our company on track to reach a 10-year target of 100 MW by the end of 2017.

WE PROCESSED a record number of hires while being named one of Canada's Top Employers for Young People and one of Canada's Best Diversity Employers.

WE INITIATED the Certified Workforce Education Program in collaboration with Northlands College and the Black Lake First Nation in northern Saskatchewan.

WE ANNOUNCED a new partnership with the Saskatchewan Institute of Applied Science and Technology and the Saskatchewan Indian Institute of Technologies that resulted in one-time grants of $1 million going to each institution to fund power engineering, electrical engineering and trades training.

With our customers using more power than ever, SaskPower will be investing an average of $1 billion a year for the foreseeable future in the renewal and growth of Saskatchewan's electrical system.

Our company is completing construction of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, the world's first commercially viable large-scale carbon capture and storage project at a coal-fired power station. Located at Boundary Dam Power Station, it will produce 110 MW of baseload electricity and reduce greenhouse gas emissions by one million tonnes of CO_2 each year. The addition of carbon capture and storage represents the largest environmental upgrade ever contemplated for a coal-fired power station in Canada.

During the year, more than 60 representatives from governments and organizations from 12 countries attended SaskPower's first-ever Carbon Capture and Storage Information and Planning Symposium. It allowed participants to tour the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, learn about the SaskPower Carbon Capture and Storage Global Consortium, and discuss advances made in carbon capture and storage technologies.

CO_2 from SaskPower's Boundary Dam Integrated Carbon Capture and Storage Demonstration Project not used for enhanced oil recovery will be stored at the Aquistore Project, which our company acquired from the Petroleum Technology Research Centre (PTRC) in 2013. The Aquistore Project — which includes an injection well, monitoring well and seismic array — will be focused on CO_2 geological storage monitoring and research.

Scheduled for completion in 2014, SaskPower's new Shand Carbon Capture Test Facility will offer a neutral platform for international vendors to verify and improve post-combustion CO_2 capture technologies in a commercial setting.

In order to keep up with population and industrial growth in Saskatchewan's largest city and the surrounding region, SaskPower is completing the Saskatoon Area Reinforcement Project. The over $150 million initiative includes construction of two switching stations, a substation, and three transmission lines.

The new $380-million I1K Transmission Line will connect SaskPower's Island Falls Hydroelectric Station to the new Key Lake Switching Station in Saskatchewan's North. The line will improve reliability and accommodate increased electricity demand.

In 2013, we began full deployment of Advanced Metering Infrastructure by installing the first 39,000 of approximately 500,000 smart meters. Future benefits include automatic meter readings that largely eliminate billing based on estimates; faster service connects and disconnects; and quicker identification and tracking of power outages once supporting technology is in place.

During the year, fish in the Tobin and Codette Reservoirs were fitted with both external tags and internal radio tags so that their movement near SaskPower hydroelectric facilities could be tracked.

Continued expansion of Saskatchewan's oil industry is contributing to our province's growth in demand for electricity.

The new Turnkey Solution initiative is continuing implementation. In 2013, it resulted in five major developers taking responsibility for the engineering, materials procurement and installation of Crown distribution infrastructure for 650 residential lots.

SaskPower is using enhanced technologies to improve customer experience. We have begun to develop improved tools for online customer self-service, including self-service forms and advanced search functionality.

During the year, our company provided $1 million each to the Saskatchewan Institute of Applied Science and Technology and the Saskatchewan Indian Institute of Technologies to fund programs aligned with SaskPower's future employment needs.

Our company is expanding energy efficiency programming to help commercial, industrial, institutional and residential customers reduce their electricity use. In 2013, SaskPower provided education, technical support and financial incentives on more technologies and products than ever before, and in more communities.

Management's

DISCUSSION AND ANALYSIS

March 5, 2014

The following is a discussion of the consolidated financial condition and results of the operations of Saskatchewan Power Corporation (SaskPower; the Corporation) for the year ended December 31, 2013. It should be read in conjunction with the audited financial statements and accompanying notes. The financial information discussed herein has been prepared in accordance with International Financial Reporting Standards (IFRS).

This management's discussion and analysis (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.

CONTENTS

Our business

At SaskPower, we are committed to supporting economic growth and enhancing quality of life in Saskatchewan while pursuing our vision of being a world-leading power company through innovation, performance and service. We work around the clock to provide power generation, transmission and distribution services to more than 500,000 customers. Our company prides itself on maintaining one of the largest service areas in Canada — a geographic region of approximately 652,000 square kilometres.

SaskPower is a vertically integrated utility with over 3,000 permanent full-time employees. Nearly one-half of our workforce is comprised of members of the International Brotherhood of Electrical Workers Local 2067. An estimated 20% of workers belong to Unifor Local 649, with out-of-scope staff accounting for the balance.

Our company manages more than $8.6 billion in assets, relying on a generating fleet that uses a wide range of fuels that include coal, hydro, natural gas and wind. This diversity provides a hedge against supply and price volatility, protecting customers from some of the risk inherent in any single fuel. SaskPower has two wholly owned subsidiaries — NorthPoint Energy Solutions and SaskPower International.

MANDATE

SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act* (the Act). The Act has had a number of modifications over its lifetime. However, SaskPower's mission — to deliver power in a reliable, affordable and sustainable manner — has not fundamentally changed.

The Act grants SaskPower the exclusive franchise within the province of Saskatchewan (except for the City of Saskatoon and the City of Swift Current) to supply, transmit and distribute electricity, as well as to provide retail services to customers. The Reseller class of customer is restricted to two cities that retained their municipal franchise — the City of Swift Current and the City of Saskatoon.

SaskPower opened Saskatchewan's wholesale electricity market to competition through an open access transmission tariff (OATT) in 2001. It allows competitors to schedule access to our transmission system, enabling them to wheel power through Saskatchewan or sell to SaskPower's wholesale (Reseller) customers.

Our company's vision, mission and values flow from the Act and SaskPower's relationship with our parent company, Crown Investments Corporation (CIC) of Saskatchewan.

We support the strategic direction provided by CIC. In turn, CIC is responsive to general government direction as articulated in a variety of ways, such as through the annual Speech from the Throne or formal policy statements.

Pursuant to the Act, the President and Chief Executive Officer of SaskPower reports to a Board of Directors appointed by the Lieutenant Governor in Council. Through the Chair, our company's Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and provincial cabinet, as well as the Saskatchewan Legislative Assembly.

Our capability to deliver results

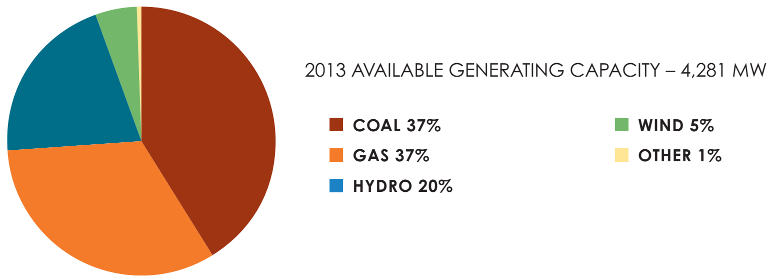
SaskPower maintains an extensive province-wide system of generation, transmission and distribution assets. With a history of innovation spanning 85 years, our company remains focused on strengthening our customers' experience while achieving our mission of providing Saskatchewan with a reliable, affordable and sustainable supply of electricity.

SUPPLY

To maintain reliability of service, SaskPower operates with a generating capacity greater than the province's peak demand. Our company's available capacity is 4,281 megawatts (MW). This includes 3,428 MW available from our company's own assets — three coal-fired stations, seven hydroelectric stations, six natural gas stations and two wind facilities.

SaskPower also has a generating capacity of 853 MW available through long-term power purchase agreements (PPAs). Facilities producing the electricity are the gas-fired North Battleford Generating Station at North Battleford; the gas-fired Cory Cogeneration Station near Saskatoon; the gas-fired Meridian Cogeneration Station at Lloydminster; the gas-fired Spy Hill Generating Station near Esterhazy; the Red Lily Wind Power Facility near Moosomin; the SunBridge Wind Power Facility near Swift Current; the biomass generator at Prince Albert Pulp Inc.; and the NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Facilities.

The total available generating capacity is above our company's record system peak load of 3,543 MW, which was set in December of 2013. SaskPower's excess generating capacity — the difference between total available generating capacity and load — provides our company with the ability to carry out annual maintenance programs without compromising reserve capacity requirements. SaskPower will also take advantage of excess capacity throughout the year to make



export sales when we can earn an appropriate margin while operating within an acceptable level of risk. Our company's operating reserve is 292 MW, of which 40% or 117 MW must be spinning.

NETWORK

SaskPower's vast power line system provides the vital link between electricity generation sources and customers. Our transmission system is made up of 12,250 km of power lines and 51 high voltage switching stations located across Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres — cities, towns or large industrial or commercial customers.

Our distribution system consists of 139,375 km of power lines, 185 distribution substations and approximately 174,683 pole and pad-mounted transformers. Distribution lines are lower voltage lines (25,000 volts and under) that take electricity in smaller quantities to residential users and smaller commercial consumers.

SaskPower's infrastructure includes the Grid Control Centre (GCC),

which directs the safe and reliable operation of the power system, as well as the Supervisory Control and Data Acquisition (SCADA) system that provides remote operations and control of our facilities. The challenge of managing our transmission and distribution system is considerable because of the large geographic size of the province, locations of various sources of generation, and a dispersed and relatively small population.

SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These provide our company with the capability to import or export electricity to meet higher internal demand or take advantage of export market opportunities. Under normal system conditions, the import capability is up to 250 MW from Manitoba, 75 MW from Alberta and 140 MW from North Dakota. The export capability is up to 5 MW to Manitoba, 153 MW to Alberta and 105 MW to North Dakota.

These interconnection capabilities vary with system conditions, including generation and load level. In compliance with the OATT, SaskPower is required to compete with other suppliers for access to these interconnections.

OUTLOOK

Saskatchewan is changing, and so is the future of electricity generation in our province. Our economy and population are growing at a steady rate, as is the need for electricity. Our generation, transmission and distribution infrastructure is aging, and will require us to rebuild, replace, or renew it in its entirety over the next 40 years. And new federal regulations — prompted by climate change — are eliminating Saskatchewan's primary baseload electricity source: conventional coal-fired generation. Together, these realities represent the dawning of one of the most challenging eras ever faced by SaskPower.

In the last five years, peak load has grown by more than 300 MW. Between 2000 and 2010, energy requirements have increased by an average of 1.4% per year. However, between 2010 and 2013 growth has averaged 3.3% per year.

Within Saskatchewan's market, forecasting load will remain challenging due to the often-shifting requirements of our large-scale industrial and commercial customers in the Power class. They represent a significant amount of Saskatchewan's total demand — approximately 100 customers account for almost 40% of our province's load. As a result, if a particular customer project is postponed or cancelled, electricity requirements can be significantly affected.

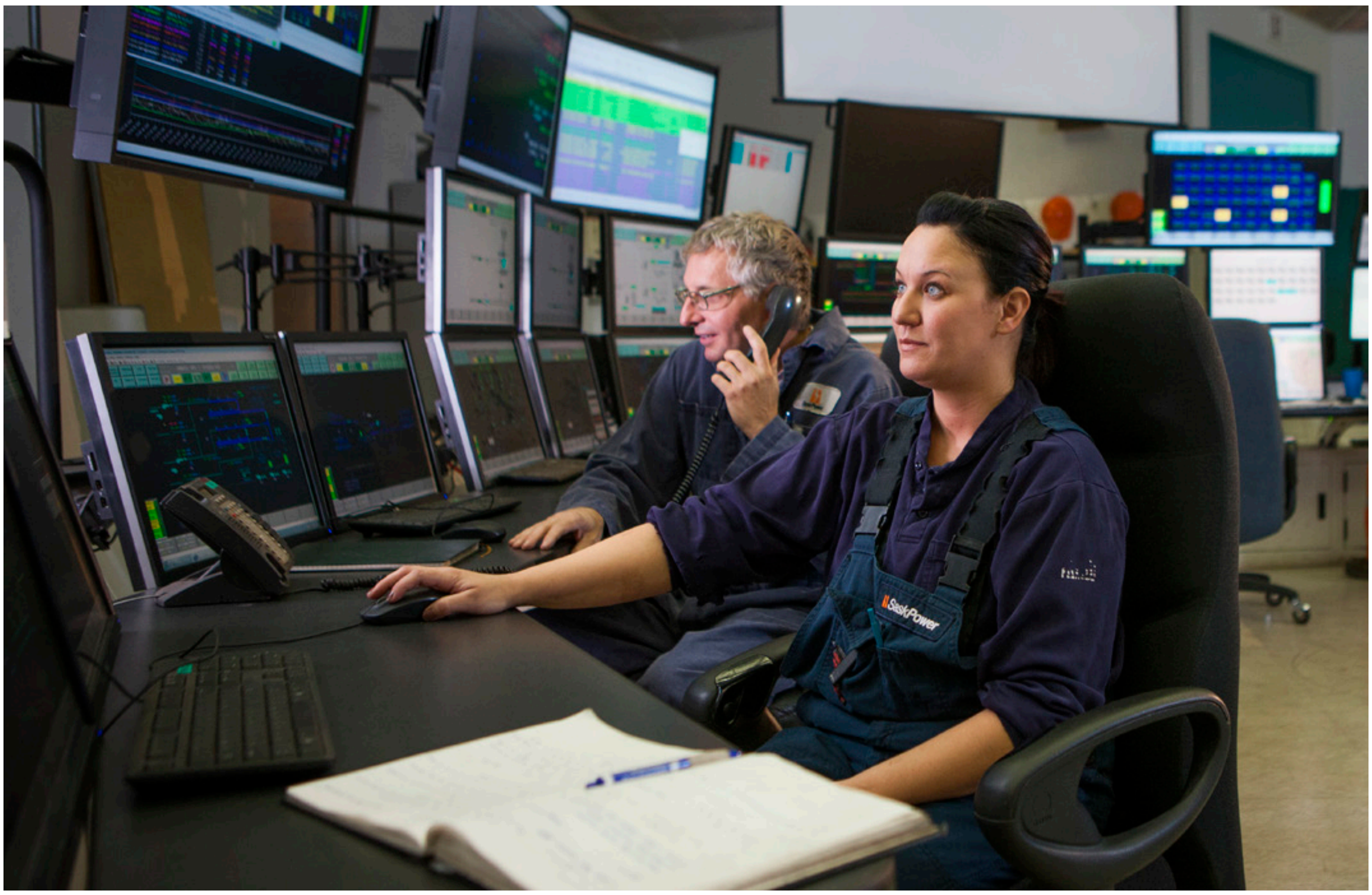
SaskPower is expanding the capacity of our grid to meet the growing demand for electricity. In order to adapt to climate change, Saskatchewan's immediate electricity supply needs are being met with low- or non-emitting sources of generation. We have added over 700 MW in the last five years while retiring 95 MW of coal-fired capacity. SaskPower is forecasting over 400 MW of additional new power generation capacity in the next three years, including:

- Queen Elizabeth Power Station expansion — 205 MW;
- Meadow Lake Tribal Council biomass facility — 36 MW;
- Algonquin Power Chaplin wind facility — 177 MW; and
- Various SaskPower Green Options (GO) Partners Program projects.

We are committed to lessening the overall requirement for electricity by working closely with customers. We have targeted demand side management (DSM) activities — energy efficiency, conservation and load management — to save 100 MW of capacity by 2017. We are also providing opportunities for customer self-generation.

Within the context of a rapidly growing province, aging electrical infrastructure and the need for cleaner energy sources, we are continuously engaged in extensive system planning. In addition to a rolling 10-year Supply Plan that is updated annually, we are also referencing our recently developed 40-Year Outlook and our Far North Supply Strategy.

Our Far North Supply Strategy is focused on meeting growing demand in Saskatchewan's North, which is served by a grid that is completely isolated from our province's southern infrastructure. Meanwhile, the 40-Year Outlook identifies a number of potential scenarios for future electricity supply and is designed to enhance dialogue and research. These scenarios are helping us analyze the potential implications of various supply mixes as we search for a way to find cleaner sources of electricity to replace our retiring baseload conventional coal-fired generation.



Our enterprise-wide strategic context

SaskPower's corporate strategy is designed to maximize organizational performance. In 2013, for the first time in our company's history, nearly all SaskPower employees participated in small workshops to help enhance understanding of our company's strategic direction. Participants came away with a heightened awareness of the challenges SaskPower is facing, what we're doing about them, and what we're aiming for in the future.

Our strategic direction is articulated in our vision, mission, and values statements. Our planning, execution and performance measurement are built around three core strategies and eight key priorities. SaskPower's vision reminds us of the ideals we are pursuing and what we want to achieve in years to come. Our mission tells us why our business exists and defines its unique purpose. Our values are the fundamental principles that guide and govern our behaviour.

SaskPower's core strategies act as our company's areas of critical focus, while our performance drivers are our key priorities. Each core strategy and key priority plays a prominent role in SaskPower's Strategic Plan and Business Plan, which are revised annually. Input is provided by our employees, executive and Board of Directors. The resulting course is closely aligned with the direction of our shareholder, CIC.

During the year, our key priorities were modified to better reflect our company's operating environment. A new performance management process that cascades individual goals down from the President and CEO was also introduced.

In the fall of 2012, the Government of Saskatchewan published the *Saskatchewan Plan for Growth*, which sets out its vision for a province of 1.2 million people by 2020. The plan includes principles, actions and goals to ensure that Saskatchewan is capturing opportunities and meeting the needs of a growing province. It also serves as a complement to the Crown Sector Strategic Priorities and provides a framework for Crown corporation planning.

SaskPower's Strategic Plan aligns with the *Saskatchewan Plan for Growth* and supports a number of the core activities that are critical to the success of the plan, including: building infrastructure for growth; growing and developing Saskatchewan's labour force; increasing competitiveness; advancing Saskatchewan's natural resource and agricultural advantage; fiscal responsibility; and growth with purpose.

OUR VISION

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

OUR MISSION

Reliable, affordable, sustainable power.

OUR VALUES

Safety, dedication and respect.

OUR CORE STRATEGIES AND KEY PRIORITIES

People

- Customer experience
- Workforce excellence
- Stakeholder relations

Financial

- Process efficiency and cost management

Stewardship

- Infrastructure management, renewal and growth
- Supply mix diversification
- Environmental stewardship
- Technology enablement

Our performance measures, targets and initiatives

SaskPower's three core strategies and eight key priorities propel the operational and financial success of our business. They are the foundation of our Corporate Balanced Scorecard, which provides the framework for our day-to-day work, creation of targets, measurement of organizational performance, and execution of long-term planning.

During 2013, we took a number of steps to advance our vision of becoming a world-leading power company. In addition to fulfilling our mission of providing safe, reliable and sustainable power to customers, we made our company stronger by moving forward with our plan for the renewal and growth of our power grid though innovative and sustainable solutions. The targets, results and special initiatives associated with each of SaskPower's core strategies and key priorities are contained within this section.

Core strategy: **PEOPLE**

The success of our business is defined by the strength of our relationships with people — customers, employees and stakeholders at all levels. With a commitment to renew our approach to service, we are seeking to raise customer experience to levels that will rival those of leading companies in any industry. We strive to be an employer of choice, with dedicated, engaged employees working to execute SaskPower's strategy. We welcome dialogue and create opportunities for stakeholders to provide input. Above all else, in all of our activities the safety of our employees and the public is vital.

Our key priorities:

1. Customer experience
2. Workforce excellence
3. Stakeholder relations

KEY PRIORITY #1
CUSTOMER EXPERIENCE

With a continuing positive economic climate in Saskatchewan comes a continuing growth in SaskPower's customer base and demand for services. Since 2011, our company has been connecting over 10,000 new customers per year and we anticipate the trend continuing in 2014. Meanwhile, in 2013 SaskPower experienced a 9% growth in customer calls, receiving 1.1 million.

In order to enable us to serve customers in ways that are relevant to how they live and work, SaskPower has developed a new Customer Experience Strategy (CES) and corresponding measurement framework. The CES has four core areas of focus: creating a customer-first environment; empowering employees to provide customers with an exceptional experience; offering customers choice and control over service and power use; and engaging stakeholders in decisions that impact them.

The CES is designed to assist SaskPower in creating the culture and infrastructure that will enhance customer service. In order to ensure that the CES is executed, a cross functional customer experience team was developed. It includes key senior leaders, and is tasked with making customer experience improvements across our entire company.

Current initiatives that are part of our customer experience modernization program include enhanced online services and a new credit card option for bill payments. SaskPower's social media presence has also increased with the introduction on two unique Twitter feeds — complementing our existing Facebook presence — so that we are able to share information as it becomes available.

Performance measure
CUSTOMER EXPERIENCE SCORE (MASS MARKET/INDUSTRIAL) (10-POINT SCALE) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	5.4/7.1	5.7/7.3	6.2/7.5
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

The customer experience metric is recently developed. It measures performance within four high-level drivers: customer perception; contact experience; products and services; and value for money. These drivers will help SaskPower prioritize areas for improvement based on their overall importance to customers. This measure will be replacing the Customer Satisfaction Index in 2014.

Performance measure
CUSTOMER SATISFACTION INDEX (10-POINT SCALE)

	2012	2013	2014	2015	2016
Target	7.7	7.5	•	•	•
Actual	7.6	7.6			

• Measure will be retired beginning in 2014.

The Customer Satisfaction Index is derived from SaskPower's annual customer satisfaction survey. The measure is the mean score of customer ratings on a zero to 10 scale. In 2013, our company's performance was slightly above the target of 7.5 — essentially unchanged from the previous year.

Our company is continuing work to increase satisfaction across all customer classes. Response times to outages, reliability, new connection service times and communication are among the most prevalent concerns.

Service gains continue to be made through SaskPower's Service Delivery Renewal (SDR) Program, through initiatives such as the Schedule and Dispatch Project, Advanced Metering Infrastructure (AMI) and our new telephony and billing systems. Meanwhile, completion of the new Customer Experience Strategy is facilitating the identification of new opportunities for increasing positive customer experiences.

Requests for high-load movement across the province are another indicator of heightened service requirements resulting from economic development, with a 7% increase in activity during the year as compared to 2012. SaskPower's centralized high-load administrative team received approximately 4,100 applications that resulted in overhead power line vertical clearance, as well as physical escorts or line alterations to accommodate the movement of buildings, tanks or equipment.

During the year, the new Turnkey Solution initiative continued implementation. A collaborative effort between SaskPower, SaskTel and SaskEnergy, it resulted in five major developers taking responsibility for the engineering, materials procurement and installation of Crown distribution infrastructure for 650 residential lots in 2013. Interest is expected to exceed 1,000 residential lots in 2014 and will be afforded to developers outside of the metro centres of Regina and Saskatoon.

While developers get control over scheduling and costing, SaskPower is able to reduce overhead costs while focusing more on design approval and the application of standards associated with new subdivisions. As well, our company can direct more resources to system improvement, maintenance and operations. Saskatchewan's Crown agencies are continuing to pursue opportunities in other areas of service delivery in an effort to improve efficiencies, project coordination and customer experience.

Performance measure
NEW CONNECT DELIVERY PERFORMANCE (%)

	2012	2013	2014	2015	2016
Target	•	60.0	•	•	•
Actual	•	45.0			

• Measure will be retired beginning in 2014.

The new connect delivery performance metric looks at the percentage of new connect delivery jobs with construction completed before the customer need date or 45 days from customer quote acceptance. The new connect delivery performance for 2013 was 45%, which was below target partially as a result of a 6% increase in construction volume during the year.

Despite a large volume of requests, SaskPower experienced a 50% improvement in meeting our target as compared to 2012. Meanwhile, our company marked record spending on distribution new connects of $132 million in 2013.

PURSUING SERVICE EXCELLENCE

Since 2009, SaskPower's SDR Program has been achieving improvements to customer service through initiatives such as implementation of a new billing system, a new interactive customer telephony system, and an improved customer connect process. AMI is another key initiative that will contribute to better service, offering near real-time monitoring of electricity consumption data and operations through the installation of approximately 500,000 smart meters. While SaskPower's existing residential, farm or business electric meters will be replaced with AMI meters, SaskEnergy natural gas meters will be retrofitted with a two-way communication module.

In 2013, we began full deployment of AMI by installing more than 39,000 meters after completing testing in Regina and area. Smart meters offer many future benefits, including automatic meter readings that largely eliminate billing based on estimates; faster service connects and disconnects; and quicker identification and tracking of power outages once supporting technology is in place.

Also as part of SDR, during the year we completed our Schedule and Dispatch Project. Building on the installation of laptop computers in field worker trucks, it is helping optimize how our company schedules, assigns, and acquires real-time updates of fieldwork. Using scheduling and dispatch functionality, our company's goal is to make the best use of resources for prioritizing work, minimizing travel, and shortening power outage durations.

SERVICE RELIABILITY

In response to lower-than-targeted service reliability resulting from aging infrastructure and growing levels of severe weather events, our company continues to take steps to improve maintenance programs and emergency response capabilities.

In addition to taking advantage of enhanced communication and tracking gained by the Schedule and Dispatch Project, rural resource teams have been consolidated to create larger work teams with added flexibility, resource capacity and self-sufficiency in performing preventative and corrective maintenance activities.

Dedicated work teams have been created to develop specialized competencies related to live-line maintenance on distribution and sub-transmission facilities. New maintenance programs related to streetlight maintenance and vegetation management have also been developed, while a comprehensive Distribution Services Maintenance Roadmap is expected in 2014.

Following the major storm activity that resulted in multi-day outages in the previous year, our company made progress in storm management and emergency preparedness. Internal and external stakeholder communications protocols associated with emergency planning and outage response were refined, while a provincial storm room was created. The new Emergency Operations Centre in Saskatoon will serve as the primary operations hub in the event of catastrophic events or widespread outages.

When complete, a comprehensive Outage Management System (OMS) will capitalize on a number of initiatives to improve service. The first phase of the OMS was implemented in 2012 to streamline outage call handling. The second planned OMS phase will bring an efficient, real-time outage response service to our customers by capitalizing on all of the SDR services that have been implemented.

Performance measure
DISTRIBUTION RELIABILITY SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)

	2012	2013	2014	2015	2016
Target	4.2	4.1	5.9	5.8	5.6
Actual	5.9	5.9			

The Distribution SAIDI allows us to track our performance in responding to outages. It is a measure of the average service interruption length in hours that a customer experiences in one year. The SAIDI is influenced by a number of factors, including adverse weather; equipment condition; line contacts; extent of outage; travel time to the trouble point; as well as line staff availability, familiarity with facilities and level of experience.

SaskPower's Distribution SAIDI measured 5.9 in 2013. While this is a greater average interruption length than the target, it is consistent with 2012. The SAIDI measure continues to be above target largely due to aging infrastructure and increased system loading as a result of growing demand.

To improve our performance, our company focuses on a number of initiatives designed to reduce outages that are considered controllable, including: the Rural Electrical Distribution Program, Wood Pole Replacement Program and Vegetation Management Program. However, significant improvements in service levels will be dependent upon long-term increases in capital investment and maintenance activities.

Performance measure
DISTRIBUTION RELIABILITY SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI)

	2012	2013	2014	2015	2016
Target	1.9	1.9	2.4	2.3	2.3
Actual	2.3	2.2			

The Distribution SAIFI represents the number of outages that a customer experiences in one year. Both controllable and uncontrollable interruptions are taken into account. Outages with controllable elements include infrastructure failures, tree contacts, scheduled outages or loss of supply. Uncontrollable factors include lightning and other adverse weather conditions.

In 2013, the Distribution SAIFI measured 2.2. This represents a greater number of outages than the target, however it is an improvement over 2012. As with our company's SAIDI, aging infrastructure and increased load on the distribution system are largely responsible for reduced performance.

Performance measure

TRANSMISSION RELIABILITY SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	250	245	240
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

The Transmission SAIDI allows us to track our performance in responding to outages specifically related to our transmission assets. It is a measure of the interruption length in minutes experienced at a bulk electrical service delivery point in one year. The Transmission SAIDI is influenced by a number of factors, including adverse weather and equipment condition.

The Transmission SAIDI target for 2014 is set at 250.

Performance measure

TRANSMISSION RELIABILITY SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	2.4	2.4	2.3
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

The Transmission SAIFI represents the number of interruptions experienced at a bulk electrical service delivery point in one year.

The Transmission SAIFI target for 2014 is set at 2.4.

KEY PRIORITY #2

WORKFORCE EXCELLENCE

SaskPower recognizes the critical importance of employees in achieving success, especially when it comes to addressing key infrastructure priorities and delivering top quality service. As a result, we are focused on building an ongoing comprehensive workforce strategy that will ensure we have the right people in the right jobs when they are needed.

During 2013, our company began a more deliberate focus to address its critical demographic wave. It is anticipated that within the next five to seven years, SaskPower will lose approximately 1/3 of its employees to retirement. As a result, a succession management framework has been introduced at the most senior levels within SaskPower. In 2014, it will cascade deeper within our organization to ensure the ongoing sustainment of key talent needs. As well, a workforce planning framework has been developed in pilot form, with a plan to develop a robust Workforce Plan encompassing all divisions.

With a record number of hires in 2013, SaskPower remains focused on a number of initiatives to ensure the attraction and retention of key talent. We have completed the successful implementation of the out-of-scope job evaluation initiative, which incorporates a market-based salary structure to ensure the attraction and retention of key talent across SaskPower's management group. We also executed a campaign to attract Power Engineers to Estevan.

During the year, a new job evaluation process reduced the number of management job descriptions from 485 to 13. In addition, our company moved to a performance-based culture for management staff where all pay adjustments will now be merit based.

Meanwhile, we also successfully completed development of an on-line recognition program — BrightLights. It is intended to recognize employees for actions that support SaskPower's values and beliefs. There are opportunities for senior leadership to recognize employees through a points-based process. In addition, all employees have the opportunity to recognize peers across the organization and among each individual employee department. The program also incorporates rewards for long service, safety and retirement.

Our company has continued the centralization of the learning function by launching an online Learning Management System (LMS). When complete, it will house all SaskPower learning materials, including training records, qualifications and other certifications. Currently, there are 14 different training systems in place across the company. The goal is to eventually integrate them into the LMS for ease of use by employees, as well as tracking and reporting efficiency.

In 2013, SaskPower successfully negotiated a two-year contract with the International Brotherhood of Electrical Workers Local 2067, with a focus on market-based pay and achieving continued efficiency gains. Our company also reached a tentative agreement with Unifor Local 649, which includes a market-based pay outcome, along with efficiency gains and more flexible hours of work to address the needs of SaskPower's customers. It was ratified in early 2014.

As part of Canada's Top 100 Employers project, during the year SaskPower was once again named one of the Top Employers for Young People and one of Canada's Best Diversity Employers.

Performance measure
EMPLOYEE ENGAGEMENT SCORE (SIX-POINT SCALE)

	2012	2013	2014	2015	2016
Target	2-2.5	•	2.5	2.5	2.0
Actual	2.5	•			

• Denotes that actuals or targets were not available or reported for that time period.

Our company wants to ensure it has engaged employees that create an environment conducive to the continuous improvement of productivity. Employees with a high level of engagement generally say positive things about their company, want to stay at their company, and strive to do their best work so their company succeeds.

SaskPower has committed to measuring and improving employee engagement. This includes the use of bi-annual employee engagement surveys with mini-surveys completed in between to keep track of engagement levels consistently and measure progress. A low score indicates a better level of engagement.

In 2013, a formal engagement survey was not performed. However, feedback collected after participants attended the company's strategic mapping sessions showed that 72% of employees indicated that they have a good or very good understanding of SaskPower's goals and priorities.

The employee engagement index target for 2014 is 2.5. The long-term goal for our company is a score less than 2.0, which would demonstrate that our employees are highly engaged.

Performance measure
LABOUR BUDGET/REVENUE (%)

	2012	2013	2014	2015	2016
Target	•	13.9	•	•	•
Actual	•	13.6			

• Measure will be retired beginning in 2014.

The labour budget/revenue metric measures salaries and wages paid to SaskPower employees as a percentage of revenue. The result for 2013 was 13.6%, which was better than targeted for the year. This measure demonstrates SaskPower's commitment to managing labour costs within budgets.

SAFETY

For SaskPower, there is nothing more important than employee, contractor and public safety. In order to minimize risks, our company has an Occupational Health and Safety Assessment Series (OHSAS) 18001-registered Safety Management System (SMS). Through the use of integrated policy, procedures, training, education, and reporting, the SMS has helped improve safety practices and reduce work-related injuries significantly since it was implemented. Internal and external SMS audits are held each year to monitor for compliance and ensure it is being used and maintained effectively.

In 2013, an electrical safety committee of internal subject matter experts was formed within the existing SMS. The new Electrical Safety Committee represents the collective interest of SaskPower employees and contractors who perform electrical work or are exposed to electrical hazards.

While corporate safety targets have been met consistently in recent years, critical incidents in the field have been increasing. SaskPower is responding with the adoption of a new safety standard: CAN/ULC-S801-10 Standard for Electric Utility Workplace Electrical Safety for Generation, Transmission and Distribution. It is geared specifically for electrical utilities and provides guidance in a number of key areas, including: minimum approach distances for working near or on energized electrical lines or equipment; protective tools, equipment and devices; working on energized electrical lines and equipment; arc flash protection; radio frequency hazards; and working on isolated electric utility systems.

Outside of our company, SaskPower has established a comprehensive public safety program that is largely driven by hazards identified as high risk. Farming and construction industries are areas of top priority, as well as contractors working on or near our facilities. After a number of years focusing on the agricultural sector, farm safety incidents have declined sharply and surveys indicate a high awareness of issues and how to mitigate them. We continue to build focus on contractor safety, and have partnered with the Construction Safety Association to help enhance our safety messages to workers.

Performance measure
SAFETY INDEX

	2012	2013	2014	2015	2016
Target	2.0	1.5	1.3	1.1	1.0
Actual	1.6	1.4			

In 2013, our company had a safety index of 1.4, which is better than the target and an improvement over the prior year. The Safety Index is comprised of leading and lagging indicators. A lower score indicates better performance.

Leading indicators measure proactive activities that identify hazards and assess, eliminate, minimize and control risks. They evaluate the effectiveness of safety programs and the activities that contribute to the prevention of incidents before they occur. The leading indicators include safety objectives, safety audits, work observations and investigated lost-time injury incidents. Lagging indicators measure the occurrence of safety incidents, including lost-time injury frequency, lost-time injury severity, recordable injury frequency and recordable licensed fleet motor vehicle incident frequency.

While our safety record has steadily improved, we see opportunities for further advancement. During the year, SaskPower marked 3.5 million person hours without a lost time injury at the construction site of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.

KEY PRIORITY #3
STAKEHOLDER RELATIONS

Dialogue with stakeholders — customers, communities, businesses, landowners, Aboriginal groups, municipalities, regulators and government agencies — is essential when we are beginning work to construct new infrastructure or undertake significant upgrades to existing facilities. SaskPower's consultation programs typically include early contact with local officials; distribution of detailed project information; open house sessions; meetings with individuals and interest groups; media releases; advertisements; and direct correspondence and discussion.

In 2013, stakeholders were engaged on approximately 40 transmission projects, including the: Saskatoon Area Reinforcement; Pasqua to Swift Current Transmission Line; Chaplin Wind Interconnection; Morse Wind Interconnection; Superb Area Reinforcement; Winter Area Reinforcement; Golden Lake to Edam Transmission Line; Jansen Area Reinforcement; and Kisbey Substation and Transmission Line. Stakeholder consultations continued in Swift Current and Lanigan regarding potential sites for a new natural gas generation project.

During these consultations, 59 project presentations were delivered to rural municipal, city, town and village councils and 36 public open house information sessions were held across the province. In 2013, consultations were also ongoing with Aboriginal communities on the I1K — Island Falls to Key Lake — Transmission Line and the northern fibre expansion and Winn Bay distribution projects.

ABORIGINAL RELATIONS

The importance of Saskatchewan's First Nations and Métis communities is reflected in SaskPower's comprehensive Aboriginal Relations Strategy, which provides a framework to build positive long-term relationships with Aboriginal communities and to enable the achievement of specific business objectives for our company. It supports Aboriginal economic development activities in Saskatchewan and promotes clear and open communication in response to social, economic and environmental issues that are of mutual concern.

SaskPower's strategy focuses on four key areas: business development; community engagement; community investment; and employment. In 2013, our company and strategy were recognized at the Canadian Council for Aboriginal Business Awards for achieving a committed level in Progressive Aboriginal Relations (PAR). PAR is a corporate social responsibility program that recognizes business' dedication to Aboriginal relations. According to PAR, SaskPower scored high in Aboriginal business development and leadership commitment to Aboriginal relations.

In 2013, SaskPower launched the Certified Workforce Education Program in collaboration with the Black Lake First Nation. Students are participating in an on-site, hands-on training course facilitated by our company. Band members are learning skills that will make them eligible for employment in the construction industry.

During the year, the first 20 students successfully completed the program. It is being presented with assistance from Northlands College, and with funding from Aboriginal Affairs Northern Development Canada, Prince Albert Grand Council, and Government of Saskatchewan Ministry of Economy.

SaskPower continues to engage the community of Sandy Bay regarding impacts of the Island Falls Hydroelectric Station, which was constructed over 80 years ago and is two kilometres away from the community. The purpose is to acknowledge the complex history between Sandy Bay residents and the Island Falls Hydroelectric Station operations and to strengthen relationships.

During the year, members of SaskPower's engagement team and Executive travelled to Sandy Bay to participate in a number of community activities. An external consultant engaged by our company also published a report online that includes findings and recommendations. The next phase of efforts is for Sandy Bay residents and SaskPower to work together through the establishment of a representative community committee.

COMMUNITY

In 2013, a new SaskPower Community Engagement Policy was approved and became effective January 1, 2014. It will improve SaskPower's sponsorship practices by more closely aligning to our company's strategic priorities. The new policy is focused on educational programming within three areas: workforce excellence (building our next generation of employees); safety (keeping our customers safe around electricity); and conservation and efficiency (creating a community of customers who find ways to save power and protect our environment).

During the year, our community partnership and investment program consisted of more than $3.7 million of funding. Highlights include $1 million provided each to Saskatchewan Institute of Applied Science and Technology (SIAST) and Saskatchewan Indian Institute of Technologies (SIIT) to fund programs aligned with SaskPower's future employment needs. SIAST will allocate its sponsorship funds toward building the Power Engineering Technology and Electrical Engineering Technology Programs. SIIT's sponsorship funds will be put toward upgrading the skills of Aboriginal students so that they can meet the necessary requirements to enter trades programs.

Our company also signed a three-year agreement with Mother Teresa Middle School (MTMS) to support the institution's Graduate Support Program and Mentorship Program. MTMS identifies up to 20 youth per year and provides them with a Government of Saskatchewan Ministry-approved, middle school education. These youth are highly motivated marginalized students who live in the inner city of Regina. MTMS aims to help break the cycle of poverty in its target families through the application of its unique model.

In 2013, through the Hospitals of Regina Foundation, SaskPower provided funding for Prostate Artery Embolization (PAE) research. This research is a trial for patients suffering from Benign Prostatic Hypertrophy (BPH), an enlargement of the prostate gland. This is the first trial of its kind in Regina and in Canada. The two-year trial is focused on treating 50 patients and recording the data to continue the research and development of PAE.

A three-year partnership with the Saskatchewan Roughriders Football Club was also formed to highlight SaskPower's safety and conservation messages through the SaskPower Kiss Cam, keystone board advertising, block heater timer giveaways and an interactive tackling dummy display. The partnership gives SaskPower opportunities to educate customers on safety, as well as conservation and efficiency programs.

During the year, our employees logged over 11,000 hours of volunteer time with community organizations and gave over $28,000 to the same institutions. Meanwhile, employees from across the province raised more than $373,000 for the United Way (including SaskPower's matching donation), while Canadian Blood Services named SaskPower one of the top 10 performers for units donated in Saskatchewan in 2013.

Performance measure
CORPORATE REPUTATION INDEX (10-POINT SCALE)

	2012	2013	2014	2015	2016
Target	7.0	7.3	7.2	7.3	7.4
Actual	7.2	7.1			

The Corporate Reputation Index is derived from an annual customer survey and is measured on a 10-point scale. It evaluates SaskPower's reputation with respect to the areas of trust, transparency, commitment to meeting expectations, satisfaction and stakeholder input response.

In 2013, stakeholder surveys were completed and the Corporate Reputation Index of 7.1 was slightly below the target. This is due to decreased ratings by residential and commercial customers. The ratings by Major Accounts improved while ratings by Key Accounts were static. In 2013, SaskPower switched to a bi-annual survey schedule for strategic partners.

As a result, 2012 data was used to populate the 2013 index for this group.

Core strategy: **FINANCIAL**

SaskPower's aim is to continue providing competitive rates in the face of an unprecedented period of infrastructure renewal and growth. We recognize our role in supporting business and quality of life, and believe we have a responsibility to carefully and prudently manage the company's finances. Our company is committed to keeping growth in operating, maintenance and administrative (OM&A) costs less than the proportionate growth in revenue and assets.

Our key priority:

1. Process efficiency and cost management

KEY PRIORITY #1

PROCESS EFFICIENCY AND COST MANAGEMENT

From a financial perspective, addressing Saskatchewan's continued load growth is challenging due to our company's need to simultaneously renew our aging generation, transmission and distribution infrastructure. Like most other North America electric utilities, SaskPower has begun a significant program of reinvestment — capital expenditures are expected to average $1 billion per year over the long term. This estimate does not include the financial commitment required to accommodate the acquisition of additional capacity through partnerships with Independent Power Producers (IPPs).

As our company moves forward, SaskPower will need to continue to demonstrate a sound strategy as we balance the need to finance renewal and growth with the need to maintain competitive rates. Effective cost management and increasing efficiencies will help our company meet the many challenges that have the potential to have an effect on our balance sheet, including: higher costs to maintain and repair aging equipment; higher capital costs as new generation, transmission and distribution infrastructure is added; an increased debt ratio due to increased capital investment; increased costs related to the pursuit of clean energy; and potentially volatile fuel costs, especially for natural gas, which can significantly impact net income.

Performance measure
RETURN ON EQUITY (%)

	2012[1]	2013	2014	2015	2016
Target	7.6	6.4	1.3	2.0	1.9
Actual	7.0	8.2			

1. The 2012 results have been restated for IFRS adjustments and therefore differ from the amounts reported in the prior year.

When it comes to financing infrastructure renewal and growth, a continued strong financial performance is imperative. Return on equity (ROE) is a measure of income before unrealized market value adjustments for the year expressed as a percentage of total equity.

In 2013, the ROE of 8.2% was above the target and an improvement over the prior year. The target reflects a rate of return common to other Canadian electrical utilities. The income results are explained in further detail in the financial results section of the MD&A.

From 2014 through 2016, our company has set reduced ROE targets. This will allow for SaskPower's continued investment in infrastructure renewal and growth, while also assisting our company to maintain competitive rates.

Performance measure
PER CENT DEBT RATIO (%)

	2012[1]	2013	2014	2015	2016
Target	63.8	71.3	74.6	76.4	77.0
Actual	67.1	69.8			

1. The 2012 results have been restated for IFRS adjustments and therefore differ from the amounts reported in the prior year.

Per cent debt ratio provides a measure of debt expressed as a percentage of the total corporate financing structure. In 2013, SaskPower's per cent debt ratio was 69.8% and within target. However, it increased from the prior year as a result of increased borrowings. The per cent debt ratio is discussed in further detail in the financial results section of the MD&A.

As we modernize and expand our infrastructure, debt levels will continue to increase in order to finance our capital program. SaskPower's long-term debt ratio target is between 60–75%. In 2015 and 2016, debt targets are expected to exceed this limit as our company has chosen to accept a higher level of debt in order to keep rate increases to a minimum.

Performance measure
CAPITAL BUDGET SPENT (%)

	2012	2013	2014	2015	2016
Target	•	90-100	•	•	•
Actual	•	114			

• Measure will be retired beginning in 2014.

SaskPower has a multi-year, multi-billion dollar capital program to renew infrastructure and secure future generation supply. The capital budget spent metric compares actual to budgeted capital expenditures for the year. In 2013, capital expenditures totaled $1.32 billion. This exceeded the target of $1.15 billion, as a result of additional costs incurred for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.

This measure will be replaced by the new OM&A as a percentage of property, plant and equipment metric in 2014.

BUSINESS RENEWAL

Our company is taking significant steps to operate our business more efficiently as well as manage or reduce costs. In response to the Saskatchewan Rate Review Panel's recommendations as part of our 2009 application, SaskPower initiated the Business Renewal Program to increase effectiveness and improve performance.

It is a long-term initiative that covers a large number of areas within SaskPower and is creating results in all expense categories, including: OM&A; finance charges; capital spending; and fuel and purchased power. To the end of 2013, SaskPower has realized savings of more than $269 million. Multi-year initiatives include:

- Shifting a portion of borrowing to the short term and replacing equity with lower cost debt in the capital structure;
- Extending the run time between power plant overhauls;
- Transforming procurement practices by optimizing purchasing arrangements;
- Reducing information technology costs through a number of initiatives, such as implementing a new sourcing strategy, reducing the number of printers, outsourcing the service desk, and introducing improvements to the service request process;
- Creating customer connect process improvements, including the redesign of customer connect quoting and construction work processes that have led to the introduction of standardized quick quotes, new expeditor roles, and improved crew efficiencies;
- Lowering office costs by standardizing designs and reducing workspace areas;
- Outsourcing Head Office caretaking activities;
- Eliminating the majority of manual meter reads as AMI is introduced; and
- Increasing productivity by using automated work scheduling and dispatching tools as a result of the recent completion of the Schedule and Dispatch Project.

SaskPower is pursuing other savings initiatives within the Business Renewal Program, including one related to distribution materials management. A new model is being developed to optimize the flow of materials and reduce capital tied up in on-hand inventory. Another savings initiative being developed is related to major transmission project delivery.

While the Business Renewal Program started by focussing on independent consultant recommendations, it has since evolved into a continuous improvement program that creates new savings initiatives as we complete existing activities. This new emphasis is being supported by the building of internal SaskPower capacity in performance benchmarking, as well as business process and benefits realization management. As well, our company is continuing to grow in our ability to measure and forecast program savings.

Performance measure
OPERATING, MAINTENANCE AND ADMINISTRATION (OM&A)/REVENUE (%)

	2012[1]	2013	2014	2015	2016
Target	29.9	29.5	•	•	•
Actual	32.3	29.8			

1. The 2012 results have been restated for IFRS adjustments and therefore differ from the amounts reported in the prior year.

• Measure will be retired beginning in 2014.

Executing the responsible use of resources is crucial to the financial health of SaskPower. The OM&A as a percentage of revenue illustrates SaskPower's operational efficiency. OM&A costs include those expenses associated with the daily operation and maintenance of our business. The lower the ratio, the more efficient our company's operations. The OM&A figure used in the calculation excludes DSM costs.

In 2013, despite significant SaskPower capital and demand growth, OM&A spending was relatively flat. Our company's OM&A as a percentage of revenue was 29.8%, which was slightly higher than target, however decreased relative to the prior year. The drivers for the increase in OM&A relative to the prior year are discussed in further detail in the financial results section of the MD&A.

This measure will be replaced by the new OM&A as a percentage of property, plant and equipment metric in 2014.

Performance measure
OPERATING, MAINTENANCE AND ADMINISTRATION (OM&A)/PROPERTY, PLANT AND EQUIPMENT (%) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	7.6	7.2	7.2
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

Asset management offers SaskPower a way to systematically coordinate activities and practices so that we can optimally manage our assets and their performance. This requires our company to focus on the full life cycle of assets and look for opportunities to reduce capital and maintenance expenditures while improving overall performance. The new OM&A as a percentage of property, plant and equipment metric illustrates whether or not SaskPower's asset management program is achieving results. A lower ratio represents more efficient company operations.

The OM&A as a percentage of property, plant and equipment target for 2014 is 7.6%. SaskPower's objective is to show steady and significant improvements in future years, with a long-term target of 7.0%.

Performance measure
THERMAL UTILITIES RATES (%)

	2012	2013	2014	2015	2016
Target	≤110.0	≤100.0	≤100.0	≤100.0	≤100.0
Actual	77.9	82.0			

At SaskPower, we recognize that the price of electricity has a direct impact on Saskatchewan's competitive position as well as quality of life for residents. As a result, our company has a target of ensuring SaskPower's system average rates are less than or equal to the system average rates for customers served by utilities dependent on thermal generation (using coal, natural gas, or oil).

The 2013 annual survey for thermal rate comparisons shows that SaskPower's system average rates are currently 82% of those other Canadian thermal utilities, across all customer classes. This demonstrates that our company continues to remain competitive with our thermal industry peers in Canada. Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (SRRP), with final approval by cabinet.

In October of 2013, SaskPower requested a system-wide average rate increase of 5.5% effective January 1, 2014; 5% effective January 1, 2015; and 5% effective January 1, 2016. The 2014 rate increase was implemented on an interim basis on January 1, 2014. In April 2014, the SRRP is expected to make a recommendation regarding the complete rate application, with a final decision by cabinet in May.

The requested rate increases are largely due to the need to help cover the costs of replacing and refurbishing old infrastructure, as well as constructing new infrastructure to meet increasing electricity demand. Increases to fuel costs are also a significant factor.

PROPERTIES

In 2013, SaskPower proceeded with implementing its Provincial Properties Strategy and Regina Properties Strategy. A number of new projects were launched, including development of the new Saskatoon Logistics Warehouse, Swift Current Maintenance Centre, Moose Jaw Maintenance Hub and Lloydminster Maintenance Hub. Meanwhile, the Weyburn Maintenance Centre and Wynyard Maintenance Hub were officially opened.

During the year, approvals were obtained to move forward with the consolidation of Regina properties. By 2018, multiple office locations will be combined into four locations: the existing downtown Regina Head Office; the existing Electrical and Gas Inspections office in central Regina; the existing Grid Control Centre in east Regina; and a new facility at the Global Transportation Hub west of Regina — the Logistics Warehouse Complex (LWC).

The LWC will centralize multiple SaskPower business areas — 27 facilities within 12 sites throughout Regina and in White City — currently housed in isolated and obsolete facilities scattered throughout the area. The multipurpose facility will accommodate and centralize SaskPower's logistics, warehousing and ancillary operations and bring in operational efficiencies and subsequent cost savings.

In 2013, refurbishment of our company's 50-year old head office also began. As well, an Amine Trace Analysis Lab was built at our Technical Services & Research building to support carbon capture research activities.

PROCUREMENT

In 2013, SaskPower contributed nearly $2 billion to the provincial economy. This occurred through the procurement of goods and services from Saskatchewan suppliers; payment of salaries, wages and benefits to employees; purchase of coal and natural gas; and acquisition of electricity from IPPs. Our company's contributions also included grants-in-lieu of taxes payable to local governments, as well as coal royalties, water rentals and provincial corporate capital tax payable directly to the Government of Saskatchewan.

To be more transparent, efficient and proactive, SaskPower is reshaping its procurement practices. During the year, the Procurement Transformation Project was focused on reducing costs through increased strategic sourcing of goods and services, reducing processing cycle time and improving the procurement operating model with a focus on strategic supplier relationship management.

A pilot project was established to understand the measurement of supplier performance and tied into a new corporate-wide long-term supplier relationship management strategy that is to be developed in 2014. There were also numerous supplier strategy sessions held (including specific Aboriginal business sessions) to discuss SaskPower's procurement needs and to explain how to participate in opportunities related to our company.

Performance measure
COMPETITIVE VERSUS SINGLE SOURCE PROCUREMENT (%)

	2012	2013	2014	2015	2016
Target	•	65.0	75.0	80.0	80.0
Actual	•	88.0			

• Denotes that actuals or targets were not available or reported for that time period.

The competitive versus single source procurement metric demonstrates the extent to which SaskPower uses single source procurement as opposed to competitive procurement (multiple bids solicited). This measurement aims to promote the reduction of single source procurement in the future. In 2013, 88% of the total procurement dollars were competitively bid, which more than exceeded the target of 65%.

Core strategy: **STEWARDSHIP**

Successfully meeting our mission to provide reliable, affordable and sustainable power for our customers means securing the present and future supply of electricity while addressing environmental responsibilities. As we develop new capacity, our company is also maintaining and upgrading existing generation, transmission and distribution infrastructure to ensure reliability.

Our key priorities:

1. Infrastructure management, renewal and growth
2. Supply mix diversification
3. Environmental stewardship
4. Technology enablement

KEY PRIORITY #1

INFRASTRUCTURE MANAGEMENT, RENEWAL AND GROWTH

For SaskPower and Saskatchewan, 2013 was again a record-setting year for electricity supply and demand. Our province reached a new mark of 76,889 megawatt hours for daily energy consumption and a record peak load of 3,543 MW. SaskPower also set a new all-time record for electricity supplied in a year — 23,155 gigawatt hours.

In addition to a steadily increasing demand for electricity in our province, SaskPower is facing two primary challenges as our company prepares to meet future electricity needs while maintaining competitive rates: aging infrastructure and climate change. Because much of our company's grid was built between 1960 and 1985, over the next 40 years we'll need to replace, refurbish or expand most of our generation fleet as well as our transmission and distribution system. Meanwhile, new federal carbon dioxide (CO_2) emission regulations have eliminated conventional coal-fired power generation — the long-time foundation of our system — as a future supply option.

Our company has a comprehensive action plan in place to meet Saskatchewan's electricity needs. In addition to providing opportunities for customer self-generation, we are offering an increasing variety of DSM initiatives to customers that focus on energy efficiency, conservation and load management.

Through a multi-year, multi-billion dollar commitment, our plan also includes the renewal and expansion of the province's electricity system. Either in partnership with IPPs or through internal projects, we are adding low- or non-emitting forms of generation such as biomass, coal with carbon capture and sequestration (CCS), natural gas and wind. Looking decades ahead, we are continuing to examine a variety of low-carbon options that include: biomass, coal with CCS retrofits, cogeneration, geothermal, hydro, imports, natural gas, solar and wind.

POWERING SASKATCHEWAN

In 2013, the newly constructed 260-MW North Battleford Generating Station began contributing power to the provincial electrical grid. The combined cycle natural gas facility can generate enough electricity to power approximately 250,000 homes. Northland Power — an IPP — was chosen to build and operate the plant though a 20-year PPA.

During the year, our company also celebrated the 50th anniversary of the E.B. Campbell Hydroelectric Station while retiring coal-fired Boundary Dam Power Station Unit #1. Meanwhile, we looked to the Queen Elizabeth Power Station where construction of a $532 million expansion began that will add enough capacity to power an additional 205,000 homes.

One of the major components of the Queen Elizabeth project will see the "D" Plant at the natural gas facility converted from simple cycle to combined cycle. Combined cycle facilities are 10-15% more efficient. The power station was officially commissioned in 1959, and has a net capacity of 430 MW. After the expansion is completed in 2015, an additional 205 MW will be available.

Including the Queen Elizabeth Power Station expansion, during the next three years we're expecting to add over 400 MW of capacity. This total also includes the 36-MW Meadow Lake Tribal Council biomass facility; the 177-MW Algonquin Power Chaplin wind facility; and a variety of SaskPower GO Partners Program projects.

When it comes to our vast transmission and distribution network, like much of our supply capacity it also requires considerable replacement, upgrades and expansion to improve reliability and meet growing demand. During 2013, construction was underway on the new $380-million I1K Transmission Line. It will connect the Island Falls Hydroelectric Station to the planned Key Lake Switching Station and is needed to improve reliability and accommodate increased electricity demand in Saskatchewan's North.

Numerous other transmission and distribution projects were underway during the year to strengthen Saskatchewan's network while accommodating more load, including the Saskatoon Area Reinforcement and the TransCanada Corporation Piapot and Grassy Creek Transmission Lines projects. In 2013, SaskPower spent $36 million on distribution system capacity increases and $55 million on distribution system renewal. Meanwhile, $147 million was spent on transmission system capacity increases — including the I1K Transmission Line — and $27 million on transmission system renewal.

Performance measure
PREVENTABLE OUTAGES

	2012	2013	2014	2015	2016
Target	•	63.0	61.1	59.3	57.5
Actual	•	58.3			

• Denotes that actuals or targets were not available or reported for that time period.

The preventable outages measure calculates the number of preventable transmission and distribution outages per 1,000 kilometres of lines. Preventable outages take place as a result of system failure, faulty equipment and overload, as well as contact with trees, birds and other animals.

The preventable outages result for 2013 was 58.3, which was better than target. This demonstrates effectiveness in SaskPower's approach to minimizing outages deemed as preventable. Mitigating activities include effective vegetation management, pole maintenance, quality line patrols and repair, and wildlife protection.

In 2013, our ongoing Wood Pole Replacement Program continued. Of the estimated 1.16 million treated wood poles in service, approximately 100,000 poles were tested for decay, carpenter ant infestation and mechanical damage.

Under normal conditions, the life span of a wood power pole is 45 years. Through our company's maintenance program, the life span can extend to more than 65 years. While maintenance costs are just over $200 per pole on average, replacement costs are upwards of $3,000 per pole.

During the year, a group of transmission lattice tower structures received a major refurbishment to harden the system serving the Prince Albert and La Ronge areas. In order to improve service reliability to customers in the Beauval, Buffalo Narrows and La Loche areas, extensive vegetation clearing was done along the ML3 line. Meanwhile, the continuation of our company's Rural Electrical Distribution Program saw nearly 700 km of rural line rebuilt in 2013.

Performance measure
EQUIVALENT AVAILABILITY FACTOR (%) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	87.4	88.2	86.5
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

The Equivalent Availability Factor (EAF) is a new measure which represents the percentage of time that a generating unit is capable of producing electricity, adjusted for any temporary reductions in generating capability due to equipment failures, maintenance or other causes. This measure is commonly used in the utility industry and, although higher percentages are better, targets are set giving consideration to prudent equipment maintenance requirements.

The EAF target for 2014 is 87.4%.

During the year, SaskPower invested over $210 million in capital to improve the efficiency, reliability and performance of generation facilities. This includes work at Boundary Dam Power Station, Poplar River Power Station, Shand Power Station, Queen Elizabeth Power Station, Coteau Creek Hydroelectric Station, E.B. Campbell Hydroelectric Station, Island Falls Hydroelectric Station, and Landis Power Station.

Performance measure
PLANNED VERSUS EMERGENCY MAINTENANCE (%)

	2012	2013	2014	2015	2016
Target	•	46.0	50.0	54.0	58.0
Actual	•	65.5			

• Denotes that actuals or targets were not available or reported for that time period.

The planned versus emergency maintenance metric calculates the percentage of total dollars spent by Transmission Services and Distribution Services on planned maintenance as compared to emergency maintenance.

In 2013, 66% of total dollars was spent on planned maintenance rather than emergency maintenance. This outperformed the target for the year. There were no major transmission events requiring emergency maintenance during the year, which contributed to the positive results.

KEY PRIORITY #2

SUPPLY MIX DIVERSIFICATION

Currently, SaskPower relies on a diverse portfolio of generation sources to meet demand. By using diverse generation technologies we are able to minimize overall corporate risk by providing a hedge against supply and fuel price volatility. We are also able to better ensure a consistently reliable, affordable and sustainable source of electricity for our customers.

Historically, our company had a supply mix that was predominately made up of coal and hydro generating stations. However, during the past two decades, our supply portfolio has become much more diversified in response to rising climate change issues, tougher environmental regulations, rising capital costs, and the rapid development of wind power and other green technologies.

Today, SaskPower is well positioned to meet the electricity needs of the province through 2020 thanks to a comprehensive supply planning process that takes into consideration new generation; life extensions and retirements; and DSM. Our company also continues to study a range of scenarios 40 years in to the future that contemplate future sources of power generation and what might work best for Saskatchewan in the face of considerable uncertainty. We continue to evaluate a variety of mixes that include DSM and potentially make use of technologies such as coal with carbon capture; cogeneration; geothermal; natural gas; hydro; wind; solar; and biomass.

On a number of fronts, SaskPower is taking steps to further diversify its supply mix. In addition to further studying the potential for hydroelectricity development in our province's North, during the year SaskPower moved closer to understanding if geothermal can be a future source of clean, reliable and economic electricity for Saskatchewan. Our company signed a contribution agreement with Deep Earth Energy Production Corp., a geothermal company based in Saskatoon. Our investment will provide partial funding for a Front End Engineering Design Study to determine the technical and economic viability of geothermal electricity in the province. Our company will cost share the study 50/50 alongside Natural Resources Canada.

SaskPower is also considering the viability of purchasing 25 MW of capacity from Manitoba Hydro for a seven-year period. In 2013, the two parties signed a Term Sheet that would see the transaction beginning in 2015. The power would be delivered to the North through existing transmission lines. In addition to this potential deal, a Memorandum of Understanding (MOU) was signed during the year to open a discussion between SaskPower and Manitoba Hydro about more potential partnerships in the future.

Performance measure

NON-THERMAL SUPPLY SOURCES (%) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	25.5	26.2	29.3
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

This new measure reflects the non-thermal fuel sources as a percentage of SaskPower's total installed generation capacity (including IPP-contracted capacity). Non-thermal fuel sources include hydro, wind, waste heat, and other green options.

The non-thermal supply source as a percentage of the total installed generation capacity target for 2014 is 25.5%.

KEY PRIORITY #3

ENVIRONMENTAL STEWARDSHIP

Our commitment to providing customers with sustainable power demands that SaskPower remains environmentally accountable. Our company uses the globally recognized International Organization for Standardization (ISO) 14001 Environmental Management System (EMS) to improve our corporate policies, procedures and processes that relate to environmental performance.

SaskPower's EMS provides employees and contractors with a structure designed to help us identify, monitor and manage the impact of our business on the environment while encouraging continuous improvement. ISO 14001 registrations are maintained through annual independent EMS audits conducted at SaskPower facilities across the province. Qualified SaskPower personnel also conduct yearly internal EMS audits.

As part of the first year of operation with our new Corporate Environmental and Regulatory Management Strategy, in 2013 we made the decision to centralize environmental services. Work began on the restructuring of our ISO 14001-certified EMS, and integration where appropriate with our OHSAS 18001-certified Safety Management System. This decision will allow for alignment with and efficiency in the company's approach to managing environmental issues. An integrated Health, Safety and Environment Policy was also approved by SaskPower's Executive and Board of Directors.

During the year, our company agreed to Terms of Reference with the Government of Saskatchewan Ministry of Environment for a Priority Issues Committee. A key item being managed under the action plan for the committee is improvements to sulphur dioxide (SO_2) emissions reductions at the Shand Power Station.

In 2013, environmental screening was conducted on over 50 major projects and over 650 distribution projects to ensure that environmental risks were identified and managed during the design and planning of infrastructure. A key achievement was receiving environmental clearance under the Government of Saskatchewan *Environmental Assessment Act* for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project carbon capture system. All operating permits for the facility were received.

To better our company's understanding of environmental impacts and support the recovery of species at risk, SaskPower has conducted or entered into several collaborative research agreements. We have joined with the University of Saskatchewan (U of S) to assess flood impacts on biological productivity downstream of E.B. Campbell Hydroelectric Station, as well as the U of S and Trent University to study caribou habitat and population. Meanwhile, we are also working on a fish movement and entrainment study on the Tobin and Codette Reservoirs.

During 2013, a review of SaskPower's polychlorinated biphenyl (PCB) management program was completed. It resulted in a comprehensive action plan to better manage PCB risk and to virtually eliminate PCBs from SaskPower's system over the next 10 years. Work also continued on the identification and elimination of high level (>500 ppm) PCB equipment from SaskPower's system to meet federal regulations.

THE CARBON CHALLENGE

Climate change continues to represent the single most influential factor associated with the future of electricity generation in Saskatchewan. New federal regulations concerning CO_2 have eliminated conventional coal-fired generation — SaskPower's primary baseload electricity source — as a generation option for the future.

To enable the continued use of this resource, SaskPower is completing construction of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. When commissioned in 2014, it will be the world's first commercially viable large-scale carbon capture and storage project at a coal-fired power station. The project will produce 110 MW of baseload electricity and reduce greenhouse gas emissions by one million tonnes of CO_2 each year. The addition of carbon capture and storage represents the largest environmental upgrade ever contemplated for a coal-fired power station in Canada.

The captured CO_2 will be transported by pipeline to nearby oil fields in southern Saskatchewan where it will be used for enhanced oil recovery (EOR). CO_2 not used for EOR will be stored in the Aquistore Project, which SaskPower acquired from the Petroleum Technology Research Centre in 2013. In addition to using CO_2 for EOR, there will be opportunities for the sale of other by-products from the Boundary Dam project. SO_2 will be captured, converted to sulphuric acid and sold for industrial use. Fly ash, a by-product of coal combustion, will also be sold for use in ready-mix concrete and for other applications.

During the year, more than 60 representatives from governments and organizations from 12 countries attended SaskPower's first-ever Carbon Capture and Storage Information and Planning Symposium. Hosted by SaskPower in Regina, it allowed individuals to learn about the SaskPower Carbon Capture and Storage Global Consortium and experience gained from the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.

Also scheduled for completion in 2014 is our company's Shand Carbon Capture Test Facility. Created in collaboration with Hitachi, Ltd., the facility will offer a neutral platform for international vendors to verify and improve post-combustion technologies in a commercial setting.

Performance measure
CO_2 EMISSIONS INTENSITY (TONNES CO_2e/GWh) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	670	665	646
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

The CO_2 emissions intensity indicator measures the amount of carbon dioxide equivalent (CO_2e) emissions from all Saskpower-owned generation and electricity purchased from Independent Power Producers.

The target for 2014 is 670 tonnes per GWh.

EFFICIENCY, CONSERVATION AND LOAD MANAGEMENT

DSM — energy efficiency, conservation and load management — is playing an important and growing role in securing Saskatchewan's electricity supply. By helping customers manage the amount or timing of electricity use, we can eliminate, defer or reduce the need for new generation and related power line infrastructure, while realizing the associated environmental and economic benefits. Meanwhile, customers are able to experience energy savings.

SaskPower is targeting 100 MW of savings by the end of 2017 through a portfolio of energy efficiency and conservation programs. Education, technical support services and financial incentives are key components of our DSM strategy. It is estimated that 10% to 15% of DSM-related energy savings can be expected from the industrial market, 50% to 60% from the commercial market, 30% to 35% from the residential market and up to 10% from customer self-generation with renewables.

In 2013, our company expanded energy efficiency programming to help commercial, industrial, institutional and residential customers reduce their electricity use. SaskPower provided education, technical support and financial incentives on more technologies and products than ever before, and in more communities.

The Industrial Energy Optimization Program continued to grow, with approximately 20 customers formally engaged and at various stages of the program cycle. The program offers technical assistance to industrial customers in order to identify energy-saving opportunities; provide financial incentives that help advance the adoption of energy efficient practices; and support the development and implementation of energy savings capital projects.

The Commercial Lighting Incentive Program expanded in scope in order to reach the province's 30,000 businesses. It provides access to more than 40 premium energy efficient lighting products. Businesses see lighting bill savings once they switch their old and less efficient technology to energy efficient lighting.

Our company also continues to deliver an energy management service that provides energy audits and facility upgrades to help commercial and institutional customers reduce energy costs — the Energy Performance Contracting (EPC) Program. In 2013, we commissioned upgrades at Casino Regina and are at various stages of construction and implementation with various health regions and facilities.

During the year, the Block Heater Timer Program was one of our most successful initiatives in the residential sector. It is designed to manage plug load and to shift electricity use away from peak periods. The program distributed 120,000 timers, bringing the total number distributed since 2011 to 255,000. In 2013, the program accounted for over 10 MW of energy savings.

SaskPower's Refrigerator Recycling Program is offered to residents province-wide so they can conveniently have their old refrigerators and freezers — manufactured in 1995 or earlier — picked-up and recycled free of charge. In 2013, there were 6,101 appliances collected and recycled, resulting in nearly 1 MW of savings. Since the program started in 2011, there have been 21,843 appliances collected and recycled.

Our company continues to offer the Municipal Ice Rink Program to help communities identify and implement energy efficiency measures in ice rinks. In 2013, a total of 28 rinks received energy audits, audit reports and recommended measures to improve energy efficiency.

Performance measure
DEMAND SIDE MANAGEMENT (DSM) – ACCUMULATED PEAK SAVINGS (MW)

	2012	2013	2014	2015	2016
Target	46	63	72	81	91
Actual	56	77			

DSM is continuing to play a larger role in SaskPower's operations. The DSM accumulated peak savings indicator measures the progress being made in delivering new DSM programs. It records demand reduction in megawatts. The accumulated demand reduction will be achieved through energy efficiency, demand response, customer self generation, and system improvement programs that are designed to achieve energy and demand savings.

In 2013, the total accumulated demand savings of 77 MW was above target as a result of the success of the Residential Block Heater Program. The metric is calculated using an appropriate end-use load factor and the amount of energy savings estimated at the customer site. DSM remains on a 10-year track to achieve 100 MW of savings by 2017.

FLY ASH

A by-product of burning finely pulverized coal in coal-fired stations, fly ash is sold for use in ready-mix concrete, mine backfill, oil well cementing, road base stabilization and liquid waste stabilization applications. Each tonne of fly ash captured and sold that replaces cement prevents roughly one tonne of CO_2 from entering the atmosphere.

In 2013, our company sold approximately 180,000 tonnes of fly ash from the Boundary Dam and Shand Power Stations.

SASKPOWER SHAND GREENHOUSE

Since 1991, SaskPower Shand Greenhouse has been using waste heat from the nearby Shand Power Station to grow millions of tree, shrub and native plant seedlings. They have been provided to the community for use in land reclamation and other environmental planting projects. In the past year, the subsidiary formed to operate Shand Greenhouse was dissolved and its operations and staff became part of SaskPower's Environment Department.

During the year, Shand Greenhouse distributed 515,000 seedlings throughout Saskatchewan, bringing total distribution to nearly nine million. Demand for seedlings showed a significant increase in 2013, as more rural residents turned to Shand Greenhouse as a source of plant material for their projects. Over 12,000 native plant seedlings were produced for re-vegetation and educational activities with Canadian Wildlife Service, First Nations University of Canada, Allen Sapp Gallery Healing Garden and the Native Plant Society of Saskatchewan.

Educating future consumers about the impacts of their energy choices is of equal importance at Shand Greenhouse. This effort is anchored by the Energy and Our Environment Program, which features classroom presentations, a poster contest, and a video contest for high school students. These initiatives — combined with greenhouse tours — resulted in an estimated 1,200 students being reached in 2013.

KEY PRIORITY #4
TECHNOLOGY ENABLEMENT

Technology has the potential to add significant value to our company as we explore new ways of generating and delivering power as well as interacting with our customers. SaskPower's Information Technology Strategy has propelled us towards a business centric model that supports innovation.

SaskPower is increasing system reliability and security by adopting the IEC 61850 Standard for station protection and control integration. It modernizes switching and substation design as well as operation. It uses ethernet communications and fibre optic cables to coordinate protection and control. The standard significantly reduces the requirements for cabling and streamlines testing, as well as lessens commissioning times. The benefits include lower design, build and operating costs; increased power quality; and shortened outage response times. SaskPower has delivered several switching stations and substations based on the new standard, including at Chaplin, Yorkton, Lloydminster, Estevan, and Neudorf. Other stations in progress include the Auburnton, Martensville, Kisbey, and Golden Lake Switching Stations.

New technology is the foundation of all SDR initiatives, including the new Customer Relationship and Billing System, Schedule and Dispatch Project, AMI, and Outage Management System. Business intelligence tools have been introduced to enhance and optimize data management and reporting,while business process modeling is being used to link processes to technology and resources.

End-user enablement is one of the key focus areas in the ten-year SaskPower Strategic Technology Plan. It will change the way that we interact and do business with our customers. We made great strides in 2013 with the pilot of 10 mobile applications that allow users to do a variety of things, from reporting street light outages to requesting tree trimming.

During 2013, significant work was done to enhance customer experience. A new telephony system was built to handle the SaskPower contact centre calls for the collections, inquiries, inspections and outage program areas. The new solution included new IP phones, a new contact centre application and a new outage application. Customer Service Representatives are able to serve our customers in a faster, more efficient manner, and customer wait times have been reduced.

Meanwhile, we have begun to develop new and improved tools for customer self-service on the MyPower Account application. They include self-service forms and advanced search functionality, which will allow for a more engaging and efficient customer experience. Work has also been done to redesign the saskpower.com website to enable self-service options.

During 2013, SaskPower secured access to SaskTel's tower infrastructure to support the AMI network. This agreement allows the extension of our company's network to support AMI meter reads, and will enable further capabilities through smart grid and asset management. The agreement also supports the strategic partnership between SaskTel and SaskPower to share infrastructure and reduce overall costs.

A new strategy was approved in 2013 that outlines the necessary actions required to more fully realize a smart grid at SaskPower. A smart grid has many benefits, including those related to home energy management, outage reporting and alerts, remote meter reading, remote connects and disconnects, and interactive multi-channel communication.

Performance measure
INFORMATION TECHNOLOGY DEVELOPMENT SPEND (%) (NEW)

	2012	2013	2014	2015	2016
Target	•	•	>30%	>30%	>30%
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

This new measure reflects the proportion of the Information Technology & Security budget that is devoted to innovative and forward-looking initiatives, as opposed to operational spending.

The target for 2014 is to spend more than 30% of information technology spending on information technology development.

2013 financial results

(in millions)	2013	2012	Change
Revenue			
Saskatchewan electricity sales	**$ 1,878**	$ 1,687	$ 191
Exports	**62**	49	13
Net sales from electricity trading	**3**	14	(11)
Share of profit from equity accounted investees	**3**	5	(2)
Other revenue	**99**	100	(1)
	2,045	1,855	190
Expense			
Fuel and purchased power	**550**	513	37
Operating, maintenance and administration	**621**	618	3
Depreciation and amortization	**355**	316	39
Finance charges	**262**	205	57
Taxes	**55**	47	8
Other losses	**35**	27	8
	1,878	1,726	152
Income before the following	**$ 167**	$ 129	$ 38
Unrealized market value adjustments	**(53)**	6	(59)
Net income	**$ 114**	$ 135	$ (21)
Return on equity[1]	**8.2%**	7.0%	1.2%

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

The primary factors contributing to the change in income for the year ending December 31, 2013, are presented below:

Explanation of change (in millions)	**Increase (decrease)**
Income before unrealized market value adjustments, for the year ending December 31, 2012	**$ 129**
Increase in Saskatchewan electricity sales as a result of increased demand and rate increase	**191**
Decrease in other revenues	**(1)**
Fuel and purchased power costs up due to increased generation and unfavourable fuel mix variance	**(37)**
Increased operating costs as a result of asbestos delay costs offset by lower maintenance activities	**(3)**
Depreciation expense higher as a result of capital program and IPP generation assets	**(39)**
Increased interest expense on finance leases	**(57)**
Taxes increased as a result of growth in capital base	**(8)**
Increased environmental provisions	**(8)**
Income before unrealized market value adjustments, for the year ending December 31, 2013	**$ 167**

Highlights and summary of results

SaskPower's consolidated income before unrealized market value adjustments was $167 million in 2013 compared to $129 million in 2012. The increase in earnings was primarily due to higher Saskatchewan electricity sales. The return on equity was 8.2%, up 1.2 percentage points from the previous year.

Total revenue was $2,045 million, up $190 million from 2012. Saskatchewan electricity sales were up $191 million as a result of the system-wide average rate increase of 5.0% that became effective January 1, 2013, and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers were 20,753 GWh, up 1,256 GWh or 6.4% compared to the prior year.

Exports increased a total of $13 million due to higher sales prices and volumes as a result of increased market opportunities in Alberta. The increase in export sales was offset by a decrease in other revenues as a result of less trading opportunities and lower customer contributions.

Total expense was $1,878 million, up $152 million from 2012. Fuel and purchased power costs increased $37 million as a result of increased generation and an unfavourable change in the fuel mix, as lower cost coal generation was replaced with more expensive natural gas generation. OM&A costs were up $3 million as the result of increased salaries and benefits as well as additional costs incurred in 2013 during the refurbishment of Boundary Dam Unit #3 as a result of asbestos issues. These costs were offset by lower planned and emergency maintenance costs.

Depreciation expense increased $39 million compared to 2012 as SaskPower invested $1.3 billion in capital and $700 million in a new IPP generation asset in 2013. Finance charges increased $57 million compared to 2012 due to additional interest expense incurred as a result of higher borrowings and finance leases, partially offset by higher interest capitalized.

Taxes increased by $8 million as a result of growth in the Corporation's capital tax base. Finally, other losses increased $8 million due to additional environmental provisions established during the year.

SaskPower reported $53 million of unrealized market value net losses in 2013, compared to $6 million in net gains in 2012. The unrealized market value adjustments represent the change in the market value of our company's outstanding natural gas hedges, electricity contracts, and debt retirement funds at year-end.

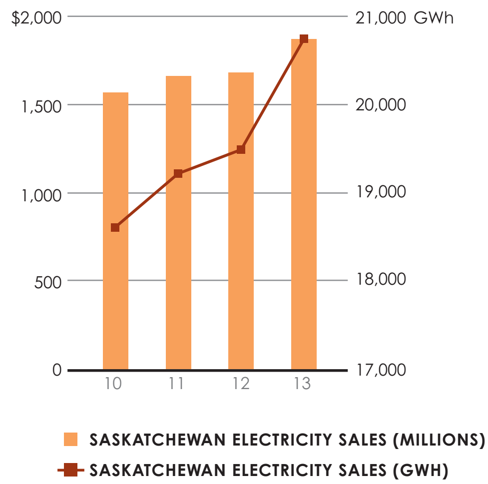
Revenue

A. Saskatchewan electricity sales

(in millions)	2013	2012	Change
Saskatchewan electricity sales	**$ 1,878**	$ 1,687	$ 191

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 were $1,878 million, up $191 million from 2012. The increase was due to the system-wide average rate increase of 5.0% that became effective January 1, 2013, and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers were 20,753 GWh, up 1,256 GWh or 6.4% compared to the prior year. The increase in sales volumes is attributed to a growth in all customer classes.

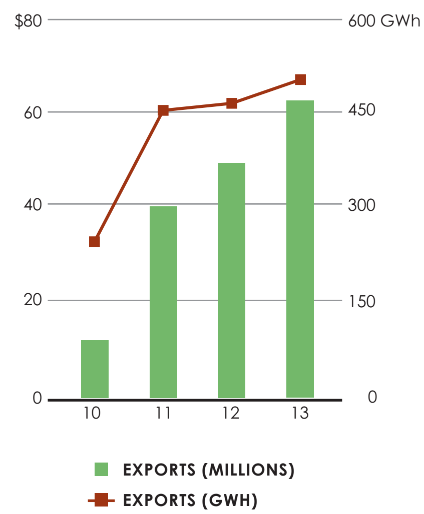


B. Exports

(in millions)	2013	2012	Change
Exports	**$ 62**	$ 49	$ 13

Exports represent the sale of SaskPower's available generation to other regions in Canada and the United States. The bulk of our company's exports are traditionally made to the neighbouring Alberta and Midcontinent Independent 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 SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were $62 million in 2013, up $13 million from 2012. Exports increased significantly due to an increase in the average sales price to Alberta. The average export sales price increased from $107/megawatt hour (MWh) in 2012 to $125/MWh in 2013. Export sales volumes also increased 37 GWh, or 8% compared to 2012.

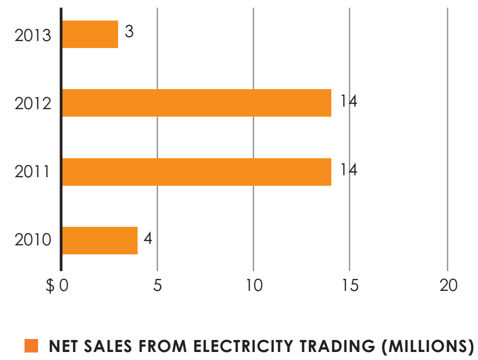


C. Net sales from electricity trading

(in millions)	2013	2012	Change
Electricity trading revenue	**$ 20**	$ 29	$ (9)
Electricity trading costs	**(17)**	(15)	2
Net sales from electricity trading	**$ 3**	$ 14	$ (11)

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 $20 million, down $9 million from 2012. Overall trading volumes decreased 95 GWh to 266 GWh in 2013. The decline in revenues and trading volumes was due in part to the limited ability to sell into Alberta during maintenance on the British Columbia/Alberta tie-line. As a result of the loss of revenues, the Corporation's margin was reduced to $3 million in 2013.

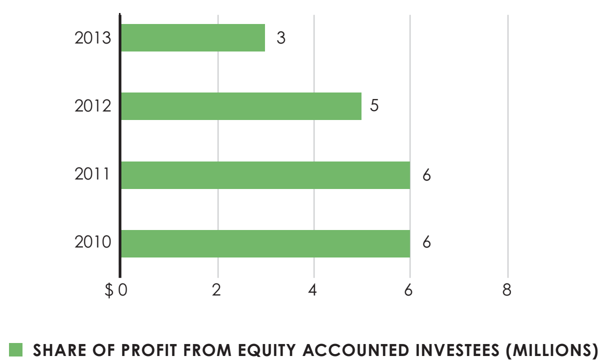


D. Share of profit from equity accounted investees

(in millions)	2013	2012	Change
Share of profit from equity accounted investees	**$ 3**	$ 5	$ (2)

SaskPower accounts for its 30% ownership in the MRM Cogeneration Station (MRM) using the equity method. MRM is a 172-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.

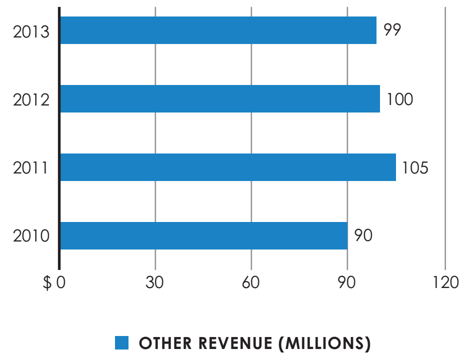
SaskPower's share of profit from its investment in MRM was $3 million in 2013, down $2 million from the prior year. In 2013, more electricity was used by the mine which resulted in less energy available to sell into Alberta.



E. Other revenue

(in millions)	2013	2012	Change
Other revenue	**$ 99**	$ 100	$ (1)

Other revenue includes various non-electricity products and services. Other revenue decreased $1 million to $99 million in 2013. The decline was largely attributable to lower customer contributions from large transmission customers. Customer contributions are funds received from certain customers for the costs of service connections. These contributions are recognized immediately in income when the related property, plant and equipment is available for use.



Expense

A. Fuel and purchased power

(in millions)	2013	2012	Change
Fuel and purchased power	**$ 550**	$ 513	$ 37

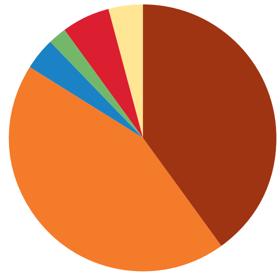
SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities and through power purchase agreements (PPAs), as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's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

Fuel and purchased power costs were $550 million in 2013, up $37 million from 2012. The $37 million increase is a result of unfavourable volume and fuel mix variances offset by a favourable price variance.

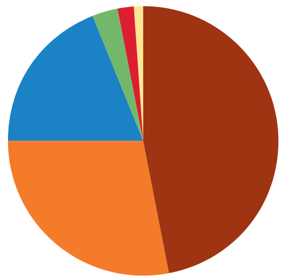
Total generation and purchased power was 23,155 GWh in 2013, an increase of 1,026 GWh or 5% compared to 2012. The increased generation was required to supply the growth in Saskatchewan and export sales. The higher demand resulted in an estimated $25 million increase in fuel and purchased power costs.

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 2013, coal generation was down 600 GWh or 5% compared to 2012. The decreased coal generation was replaced with more expensive natural gas generation. The Corporation's natural gas generation during the year accounted for 28% of total generation, compared to 22% in the prior year. This unfavourable change in the fuel mix resulted in an estimated $29 million increase in fuel and purchased power costs.

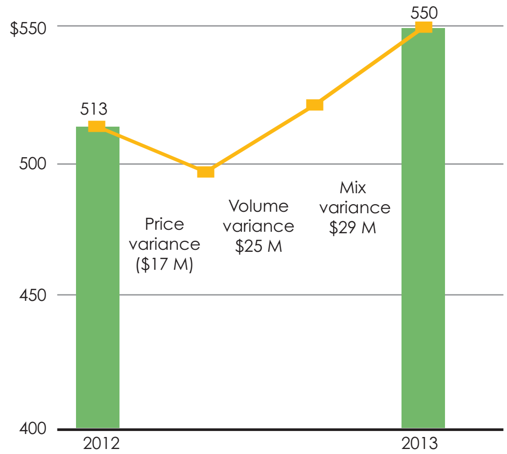
These unfavourable variances were partially offset by an overall decrease in the price of fuel due to lower average natural gas prices which resulted in an estimated $17 million decrease in fuel and purchased power costs.



2013 FUEL AND PURCHASED POWER – $550 MILLION



2013 GROSS ELECTRICITY SUPPLIED – 23,155 GWH



2013 FUEL AND PURCHASED POWER VARIANCE

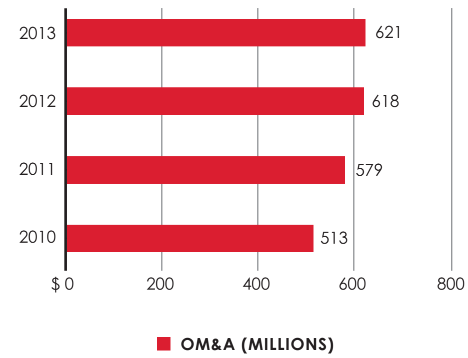
B. Operating, maintenance and administration (OM&A)

(in millions)	2013	2012	Change
OM&A	**$ 621**	$ 618	$ 3

OM&A expense includes salaries and benefits; external services; materials and supplies and other operating costs. OM&A expense was $621 million in 2013, up $3 million from 2012. The increase was largely due to an increase in salaries and benefits as a result of general economic increases; job evaluation and collective bargaining settlements.

In addition in 2013, additional costs were incurred during the delay as a result of asbestos issues encountered during the refurbishment of Boundary Dam Unit #3.

These increases were partially offset by lower maintenance expenses as a result of a decrease in the number of major generation facility overhauls as well as reduced summer storm emergency maintenance in 2013 as compared to 2012.

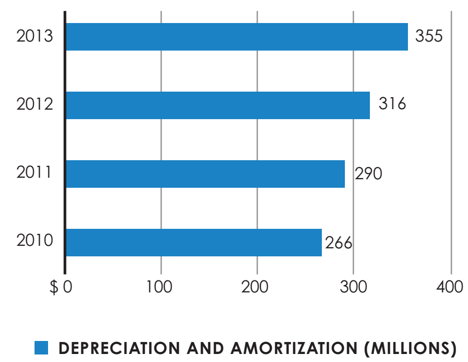


C. Depreciation and amortization

(in millions)	2013	2012	Change
Depreciation and amortization	**$ 355**	$ 316	$ 39

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 $355 million in 2013, up $39 million from 2012. The rise was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures. In addition, following the completion of an internal depreciation study in 2012, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective January 1, 2013, and resulted in approximately a $6 million increase to depreciation expense in 2013.

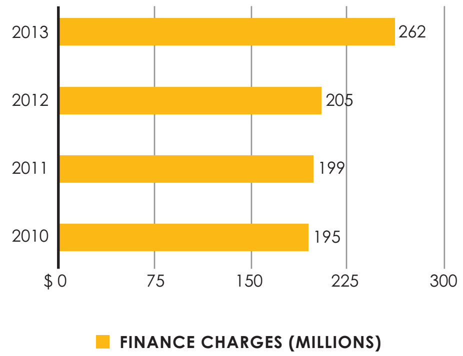


D. Finance charges

(in millions)	2013	2012	Change
Finance charges	**$ 262**	$ 205	$ 57

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 $262 million in 2013, up $57 million from 2012. The increase in finance charges was attributable to a $78 million increase in finance lease expense as a result of the commissioning of the North Battleford Generating Station and additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. The Corporation also incurred $2 million of additional interest related to its defined benefit pension plan. Finally, debt retirement fund earnings also decreased $4 million compared to the prior year. These increases in finance charges were partially offset by a $27 million increase in interest capitalized during the year as a result of $1,318 million in capital spending in 2013.



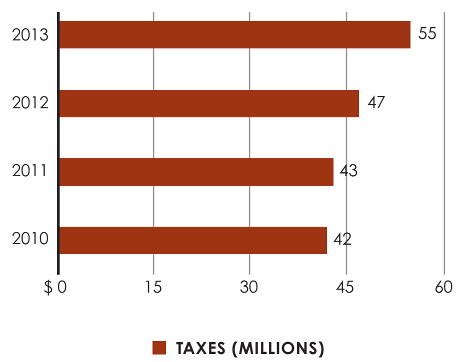
E. Taxes

(in millions)	2013	2012	Change
Taxes	**$ 55**	$ 47	$ 8

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 $55 million in 2013, up $8 million from 2012. This increase was primarily due to a $6 million increase in corporate capital tax as a result of growth in the Corporation's capital tax base.

There was also a $2 million increase in grants-in-lieu of taxes as a result of rising Saskatchewan electricity sales.



F. Other losses

(in millions)	2013	2012	Change
Other losses	**$ 35**	$ 27	$ 8

Other losses include the net losses on asset disposals and retirements, foreign exchange and environmental remediation activities.

Other losses were $35 million in 2013, up $8 million compared to 2012. The $8 million increase was due to additional environmental provisions set up to cover the costs of clean-up at various diesel site locations.

Also included in other losses were amounts written-off for damaged pole inventory and the unamortized value of assets that were retired during the year, including Boundary Dam Units #1 and #3.

G. Unrealized market value adjustments

(in millions)	2013	2012	Change
Natural gas contracts	**$ (29)**	$ 19	$ (48)
Natural gas inventory revaluation	**3**	3	–
Electricity contracts	**6**	(4)	10
Debt retirement funds	**(33)**	(12)	(21)
Unrealized market value adjustments	**$ (53)**	$ 6	$ (59)

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 year of $53 million compared to a $6 million net gain in the prior year.

SaskPower has outstanding natural gas hedges of approximately 76 million notional gigajoules (GJs) to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2014 to 2022. The unrealized market value losses on these outstanding natural gas hedges and forward natural gas contracts were $29 million, which represents a $48 million decline from the prior year. The losses are the result of a decline in the forward price of natural gas and the settlement of natural gas hedge contracts. These unrealized losses 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 improved. As a result, SaskPower recognized a $3 million reversal of its previous write-down of its natural gas inventory.

Unrealized market value gains related to SaskPower's outstanding electricity derivative contracts were $6 million, a $10 million increase from the prior year.

Finally, the Corporation also recorded $33 million in market value losses related to its debt retirement funds, which represents a $21 million decline compared to the prior year. The decline in the market value of the debt retirement funds is primarily due to an increase in long-term interest rates which negatively impacts the value of the bonds in the debt retirement fund portfolio.

2013 quarterly results

The following chart outlines the quarterly results of SaskPower in 2013:

(in millions)	Q1	Q2	Q3	Q4	Total
Revenue					
Saskatchewan electricity sales	$ 478	$ 456	$ 455	$ 489	**$ 1,878**
Exports	11	28	20	3	**62**
Net sales from electricity trading	1	3	–	(1)	**3**
Share of profit from equity accounted investees	1	2	–	–	**3**
Other revenue	22	18	28	31	**99**
	513	507	503	522	**2,045**
Expense					
Fuel and purchased power	143	124	127	156	**550**
Operating, maintenance and administration	137	152	156	176	**621**
Depreciation and amortization	83	86	93	93	**355**
Finance charges	49	58	77	78	**262**
Taxes	12	15	14	14	**55**
Other losses	2	2	11	20	**35**
	426	437	478	537	**1,878**
Income (loss) before the following	$ 87	$ 70	$ 25	$ (15)	**$ 167**
Unrealized market value adjustments	(7)	(18)	(30)	2	**(53)**
Net income (loss)	$ 80	$ 52	$ (5)	$ (13)	**$ 114**

Financial condition

The following chart outlines changes in the consolidated statement of financial position from December 31, 2012, to December 31, 2013:

(in millions)	Increase (decrease)	Explanation of change
Cash and cash equivalents	$ (4)	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	4	Timing of receipts.
Inventory	22	Increase in supplies for capital projects.
Prepaid expenses	1	Timing of payments.
Property, plant and equipment	1,611	Capital additions offset by depreciation expense and asset disposals and retirements.
Intangible assets	14	Capitalization of new software costs less amortization expense.
Debt retirement funds	(22)	Redemptions and market value adjustments less instalments and earnings.
Investments accounted for using equity method	3	MRM equity investment income.
Other assets	(2)	Amortization of long-term coal supply agreements.
Accounts payable and accrued liabilities	102	Increase in capital and import accruals.
Accrued interest	1	Increase in long-term debt.
Risk management liabilities (net of risk management assets)	19	Losses on natural gas hedges.
Short-term advances	41	Increase in short-term advances to finance SaskPower's capital expenditures.
Long-term debt (including current portion)	588	New borrowings offset by repayments.
Finance lease obligations (including current portion)	702	Commissioning of North Battleford Generating Station in June.
Employee benefits	(187)	Actuarial gains on the defined benefit pension plan offset by employee benefits paid.
Provisions	(4)	Higher interest rates used to discount the liability offset by increased decommissioning costs.
Equity	365	2013 comprehensive income.

Liquidity and capital resources

SaskPower raises most of its capital through internal operating activities and through borrowings obtained from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows our company to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides SaskPower with the authority to have outstanding borrowings of up to $8 billion. This includes $1.4 billion which may be borrowed by way of temporary loans through the Government of Saskatchewan and through available credit of $51 million at financial institutions.

The other major sources of financing utilized by our company include non-recourse debt that was issued in 2001 to finance SaskPower's share of the Cory Cogeneration Station and $660 million in equity advances that were provided by CIC from 1989–1992 to form CIC's equity capitalization in SaskPower.

Cash flow highlights

A. Operating activities

(in millions)	**2013**	2012	Change
Cash provided by operating activities	**$ 572**	$ 396	$ 176

Cash provided by operating activities was $572 million, up $176 million compared to the prior year. The increase was primarily the result of higher charges to operations not involving cash, such as depreciation and unrealized market value adjustments.

B. Investing activities

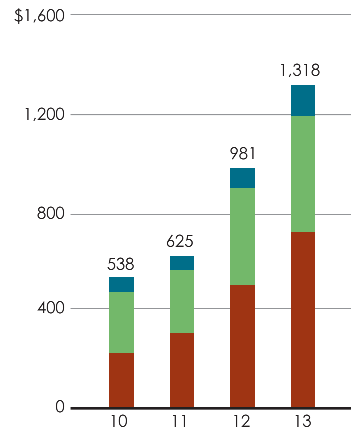
(in millions)	**2013**	2012	Change
Generation	**$ 721**	$ 506	$ 215
Transmission and distribution	**474**	393	81
Other	**123**	82	41
Total capital expenditures	**$ 1,318**	$ 981	$ 337
Less: Interest capitalized	**(57)**	(30)	(27)
Net costs of removal of assets	**3**	7	(4)
Distributions from equity accounted investees	**–**	(4)	4
Cash used in investing activities	**$ 1,264**	$ 954	$ 310

In order to ensure a safe, reliable and sustainable supply of electricity for its customers, SaskPower spent a record $1,318 million on various capital projects during 2013, compared to $981 million in 2012. Our company invested in the following areas during the year:

- $511 million on the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.
- $210 million on renewing other generation assets, including $81 million on the repowering of the Queen Elizabeth Power Station.
- $165 million to connect customers to the SaskPower electric system.
- $265 million on increasing capacity and sustaining transmission and distribution infrastructure. This includes $68 million on the I1K transmission line.
- $44 million for other transmission and distribution assets, including $20 million for vehicles and equipment.
- $123 million on other property, plant and equipment, including $37 million on the Advanced Metering Infrastructure Project implementation; $27 million on corporate information and technology assets; and $25 million to purchase land for the new Logistics Warehouse Complex.

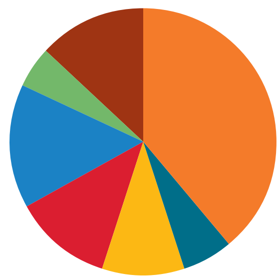
Also included in the cash flows used in investing activities were the following:

- $3 million in net costs incurred on the disposal and retirement of certain assets.



CAPITAL EXPENDITURES (MILLIONS)

- GENERATION
- TRANSMISSION AND DISTRIBUTION
- OTHER



2013 CAPITAL EXPENDITURES – $1.318 BILLION

- BOUNDARY DAM ICCS PROJECT – 39%
- QUEEN ELIZABETH REPOWERING – 6%
- GENERATION INFRASTRUCTURE – 10%
- CUSTOMER CONNECTS – 12%
- T&D INFRASTRUCTURE & SUSTAINMENT – 15%
- I1K TRANSMISSION LINE – 5%
- OTHER – 13%

C. Financing activities

(in millions)	2013	2012	Change
Net proceeds from short-term advances	$ 41	$ 512	$ (471)
Proceeds from long-term debt	690	207	483
Repayment of long-term debt	(101)	(4)	(97)
Debt retirement fund redemptions (instalments)	7	(27)	34
Principal repayment of finance lease obligations	(5)	(3)	(2)
Net increase in finance lease obligations	7	1	6
Realized gains (losses) on cash flow hedges	49	(2)	51
Dividends paid	–	(120)	120
Cash provided by financing activities	**$ 688**	$ 564	$ 124

In 2013, $688 million of cash was provided by financing activities, compared to $564 million in 2012. The cash was used to finance the Corporation's capital program.

Capital management

(in millions)	December 31 2013	December 31 2012	Change
Long-term debt	$ 3,568	$ 2,980	$ 588
Short-term advances	804	763	41
Finance lease obligations	1,137	435	702
Total debt	**$ 5,509**	$ 4,178	$ 1,331
Debt retirement funds	(368)	(390)	22
Bank indebtedness (cash and cash equivalents)	2	(2)	4
Total net debt	**$ 5,143**	$ 3,786	$ 1,357
Retained earnings	1,461	1,347	114
Accumulated other comprehensive income (loss)	102	(149)	251
Equity advances	660	660	–
Total capital	**$ 7,366**	$ 5,644	$ 1,722
Per cent debt ratio[1]	**69.8%**	67.1%	2.7%

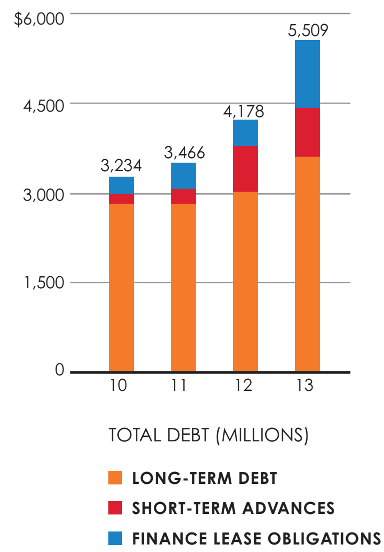
1. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents).

Total debt position

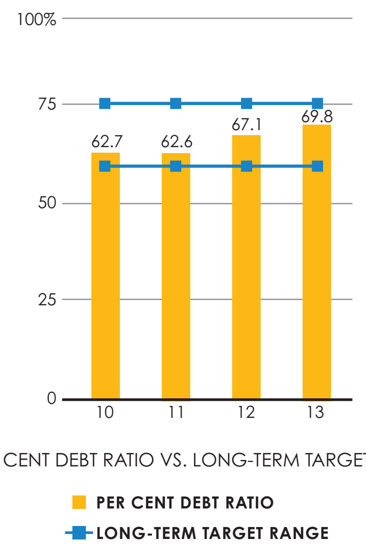
SaskPower's total debt position (including finance lease obligations) was $5.5 billion at December 31, 2013, up $1.3 billion from the prior year. The increase was the result of the following:

- The Corporation, through the Government of Saskatchewan's General Revenue Fund, transacted the following:
  - On February 20, 2013, the Corporation borrowed $200 million of long-term debt at a discount of $5 million. The debt issue had a coupon rate of 3.40%; an effective interest rate of 3.54%; a hedged rate of 3.28%; and a maturity date of February 3, 2042.
  - On October 2, 2013, the Corporation borrowed $400 million of long-term debt at a discount of $5 million. The debt issue had a coupon rate of 3.90%; an effective interest rate of 3.97%; a hedged rate of 3.44%; and a maturity date of June 2, 2045.
  - On December 12, 2013, the Corporation borrowed $100 million of floating rate debt maturing on December 12, 2016. The coupon rate for the floating rate debt is the 3-month Canadian Dealer Offer Rate.
- The Corporation borrowed an additional $41 million in short-term advances. The short-term advances are due to the Government of Saskatchewan's General Revenue Fund. The advances have interest rates ranging from 0.997% to 1.000% and mature between January 2 and April 1, 2014.
- On July 15, 2013, the Corporation repaid $97 million of long-term debt. The debt had an effective interest rate of 8.63%. In addition, the Corporation repaid $4 million of non-recourse debt and recognized $1 million in amortization of debt premiums.
- Lastly, finance lease obligations increased $702 million as a result of the commissioning of the North Battleford Generating Station on June 5, 2013.

As a result, SaskPower's per cent debt ratio increased from 67.1% at the end of 2012 to 69.8% at the end of 2013.



TOTAL DEBT (MILLIONS)



PER CENT DEBT RATIO VS. LONG-TERM TARGET RANGE

Debt retirement fund redemptions (instalments)

(in millions)	2013	2012	Change
Debt retirement fund redemptions	$ 34	$ –	$ 34
Debt retirement fund instalments	(27)	(27)	–

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 year, our company redeemed $34 million of debt retirement funds upon repayment of $97 million of long-term debt which matured on July 15, 2013. SaskPower also made $27 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. In addition, the Corporation earned $18 million (included with finance charges and classified as non-cash operating activities) on the debt retirement funds for the year.

Dividends

Historically, SaskPower has paid dividends to CIC based on the CIC Dividend Policy. In 2013, CIC determined that the Corporation would not be required to pay dividends due to the company's significant investments in property, plant and equipment.

Contractual obligations

SaskPower has the following significant long-term contractual obligations as at December 31, 2013, which will impact cash flows in 2014 and beyond:

(in millions)	1 year	1 - 5 years	More than 5 years
Long-term debt (including principal and interest)	$ 207	$ 918	$ 6,148
Debt retirement fund instalments	34	136	569
Future minimum lease payments	164	692	2,675

SaskPower's financing requirements for the next year will include $207 million in principal and interest payments, $34 million of debt retirement fund instalments and $164 million in minimum lease payments under existing PPAs. Included in the future minimum lease payments is the availability payments related to the PPAs, which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

Outlook

2014 budget vs. 2013 actual results

The following chart outlines the 2014 budget as compared to SaskPower's 2013 actual results. 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.

(in millions)	**Budget 2014**	Actual 2013	Change
Revenue			
Saskatchewan electricity sales	**$ 1,980**	$ 1,878	$ 102
Exports	**28**	62	(34)
Net sales from electricity trading	**7**	3	4
Share of profit from equity accounted investees	**1**	3	(2)
Other revenue	**128**	99	29
	2,144	2,045	99
Expense			
Fuel and purchased power	**587**	550	37
Operating, maintenance and administration	**648**	621	27
Depreciation and amortization	**425**	355	70
Finance charges	**383**	262	121
Taxes	**57**	55	2
Other losses	**17**	35	(18)
	2,117	1,878	239
Income before the following	**$ 27**	$ 167	$ (140)
Unrealized market value adjustments	**–**	(53)	53
Net income	**$ 27**	$ 114	$ (87)
Return on equity	**1.3%**	8.2%	(6.9)%

SaskPower's income before unrealized market value adjustments is expected to be $27 million in 2014, resulting in a return on equity of 1.3%.

Revenues of $2,144 million are expected to increase $99 million as a result of the system-wide average interim rate increase of 5.5% that became effective January 1, 2014, and a 359 GWh or 1.7% increase in electricity sales volumes.

The increase in revenue, however, is expected to be more than offset by a $239 million increase in expenses in 2014. The primary driver is a $175-million increase in capital-related expenses, including depreciation, finance charges, taxes and other losses. SaskPower invested $1.3 billion in capital and $700 million in new IPP generation assets in 2013, and an additional $1.2 billion is expected to be invested in 2014.

Fuel and purchased power costs are expected to increase $37 million as a result of higher generation volumes to source increased demand, rising natural gas prices and an unfavourable change in the fuel mix. OM&A expense is expected to increase $27 million due to increased operation and maintenance activities at SaskPower's generation facilities and new initiatives, including the AMI and outage management system programs.

2014 capital expenditures

(in millions)	**Budget 2014**	Actual 2013	Change
Capital expenditures	**$ 1,200**	$ 1,318	$ (118)

SaskPower expects to continue to make substantial investments in its infrastructure over the next 10 years. Capital expenditures in 2014 are forecast to be approximately $1.2 billion. This includes over $600 million in costs to improve and expand the Corporation's transmission and distribution infrastructure, including the new I1K transmission line and connecting new customers to SaskPower's grid; $286 million on new generation initiatives, including the repowering of Queen Elizabeth Power Station; and $140 million to maintain and refurbish the existing generation fleet.

Related party transactions

SaskPower also has a number of routine transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to our company by virtue of common control by the Government of Saskatchewan. These transactions with related parties are settled at prevailing market prices under normal trade terms. Related party transactions are disclosed in *Note 30* to the consolidated financial statements.

Analysis of critical accounting policies and estimates

SaskPower's significant accounting policies are described in *Note 3* to the consolidated financial statements. Some of these policies involve accounting estimates that require management to make particularly subjective or complex judgments about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Board of Directors and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

Revenue

Electric revenues are billed on a systematic basis over a monthly or quarterly period for all SaskPower customer classes. At the end of each month, SaskPower makes an estimate of the electricity delivered to its customers since their last billing date. The estimated unbilled revenue is based on several factors, including estimated consumption for each customer, applicable customer rates and the number of days between the last billing date and the end of the period. As at December 31, 2013, total Saskatchewan electricity sales of $1,878 million included $65 million of estimated unbilled revenue.

Allowance for doubtful accounts

An allowance for doubtful accounts is calculated for both energy and non-energy sales. The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible based on past experience. Historically, SaskPower has not written-off a significant portion of its accounts receivable balances.

Depreciation

Property, plant and equipment represent 89% of total assets recognized on SaskPower's statement of financial position. Included in property, plant and equipment are the generation, transmission, distribution and other assets of SaskPower. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation commences when the property, plant and equipment is ready for its intended use. The estimated useful life of property, plant and equipment is based on manufacturers' guidance, past experience and future expectations regarding the potential for technical obsolescence. The estimated useful lives of the components are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. A one-year increase in the average estimated service life of each of the major asset classes of property, plant and equipment would result in a $23 million decrease to depreciation expense in the current year.

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, 2013. The impact of the change in estimated useful lives was a $6 million increase to depreciation expense in 2013. See *Note 3(e)* and *Note 9* to the consolidated financial statements for additional discussion of SaskPower's depreciation expense.

Provisions

A provision is recognized if, as a result of a past event, SaskPower has a present legal or constructive obligation that can be estimated reliably. It must also be probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in profit or loss as a finance expense.

Decommissioning

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. SaskPower recognizes decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. Our company recognizes provisions to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes provisions for the decommissioning of assets containing PCBs in excess of existing federal regulations.

The fair value of the estimated decommissioning costs is recorded as a provision, with an offsetting amount capitalized and included as part of property, plant and equipment. The decommissioning provisions are increased periodically for the passage of time by calculating interest expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation. Decommissioning provisions are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the obligation and the related asset.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of SaskPower, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. SaskPower reviews its estimates of future environmental expenditures on an ongoing basis.

A 0.5% increase in the discount rate would result in a $10 million decrease to the decommissioning provisions and environmental remediation liabilities and would have no material impact on finance expense in the current year. See *Note 3(h)* and *Note 23* to the consolidated financial statements for additional discussion of SaskPower's provisions.

Employee benefits

As explained in *Note 3(o)* and *Note 31* in the consolidated financial statements, SaskPower provides post-retirement benefits to employees, including those from a defined benefit pension plan (the Plan). The Plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

An independent actuary calculates the funded status of the Plan, at December 31 each year based on assumptions regarding discount rates, wage and salary increases, age at retirement, contribution levels, future investment performance and future pension indexing. Current service costs are recognized in the statement of income as OM&A expense. Interest expense (income), which is calculated by applying the discount rate to the net accrued benefit obligation, is included in the statement of income as finance charges. The actuarial gains and losses of the Plan are recognized directly in other comprehensive income. As at December 31, 2013, the current status of the Plan recognized on the statement of financial position was a Plan deficit of $103 million.

Actuarial gains and losses

Actuarial gains and losses on Plan assets are determined by calculating the difference between actual and expected returns of the Plan assets based upon the discount rate at the beginning of the year. Actuarial gains and losses on the accrued benefit obligation are calculated by an independent actuary based on the discount rate in effect at the end of the year. For the year ending December 31, 2013, $198 million in net actuarial gains were recognized directly in other comprehensive income relating to SaskPower's defined benefit pension plans.

Changes in the long-term assumptions, including the discount, inflation and mortality rates can have a significant impact on the pension costs of SaskPower.

Discount rate

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The discount rate was increased from 3.75% at the beginning of the year to 4.50% at the end of the year to reflect the change in bond markets over that period. A 0.25% increase in the discount rate would result in a $22 million decrease in the net accrued benefit obligation recorded in the consolidated financial statements.

Inflation rate

The inflation rate is the annualized percentage change in the consumer price index. The inflation rate was decreased from 2.50% at the beginning of the year to 2.00% at the end of the year to be consistent with the overall decline in discount rates. A 0.25% decrease in the inflation rate would result in a $6 million increase in the net accrued benefit obligation recorded in the consolidated financial statements.

Mortality rates

Rates of mortality are used to determine the proportion of members who will survive to retirement age and the probability that pension payments will or will not be required at the point in time at which the future payments are due. A one-year increase in the life expectancy of the members of the Plan would result in a $24 million increase in the net accrued benefit obligation recorded in the consolidated financial statements.

Recent and future accounting policy changes

Refer to *Note 4* to the consolidated financial statements for information pertaining to accounting changes effective in 2013.

The following new standards and amendments to standards and interpretations have been issued, however are not yet effective for the year ended December 31, 2013, and have not been applied in preparing the consolidated financial statements. SaskPower is currently reviewing the new accounting standards to determine the potential impact, if any, on its consolidated financial statements. The Corporation does not have any plans to early adopt the new standards.

IFRS 9, *Financial Instruments*

IFRS 9 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. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to classification and measurement of financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within net income. In November 2013, the IASB announced a new hedge accounting model which will form part of IFRS 9. The new model represents significant improvements in hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. In addition, the IASB further approved removing the January 1, 2015, mandatory effective date of IFRS 9, pending the finalization of the impairment and classification and measurement requirements.

Amendments to IAS 32, *Financial Instruments: Presentation* in respect of offsetting

On December 16, 2011, the IASB issued amendments to IAS 32 as part of its offsetting project. The amendments clarify certain items regarding offsetting financial assets and financial liabilities. The amendments are to be applied retrospectively and will be effective for annual periods beginning on or after January 1, 2014.

Risk management

SaskPower is subject to a variety of risks and uncertainties that could impact the achievement of our business objectives and the Corporation's financial and operating performance. Strategic, financial, operational, environmental, compliance and reputation risks are managed through an Enterprise Risk Management (ERM) Program that protects value and enables performance by managing and aligning sound risk management practices with our strategic business objectives. While our philosophy is that risk management is the responsibility of all employees, specific responsibilities are described below.

The Board of Directors provides oversight and stewardship of the Corporation. It establishes policies and procedures, defines acceptable risk tolerance and receives an annual report of SaskPower's top risks to satisfy itself that effective risk management systems and processes are in place. The report provides a holistic view of the Corporation's top risks, how the magnitude and probability of the risks are assessed, who is responsible to manage these risks, and how these risks are mitigated. The report helps the Board of Directors fulfill its requirement to understand the key risks inherent to the Strategic Plan and to direct management to address any risk levels it believes are not optimal to improve performance and for preservation and creation of shareholder value.

The Audit & Finance Committee of the Board of Directors reviews the Corporation's risk appetite and tolerances, risk profile and the appropriateness of the ERM Program. The Audit & Finance Committee assists the Board of Directors in fulfilling its oversight responsibility relating to risk management, accounting and internal control as well as the integrity of financial statements and the reporting process. In addition, the Audit & Finance Committee has oversight responsibilities for the internal audit function and the external auditors' qualifications, terms and conditions of appointment, remuneration, independence, performance and reports.

The President and CEO has ultimate accountability for risk management and is supported by the executive. They form the SaskPower ERM Committee and are assigned risk management oversight, including review of the annual risk register.

SaskPower's ERM Program delivers a consistent and robust approach which conforms to the CIC Risk Management Minimum Standards Policy.

SaskPower's risk management is supported by experienced risk professionals who are responsible for compiling risk reporting for the Board, Audit & Finance Committee and executive. They participate in risk identification, analysis, monitoring and reporting across all divisions and major projects. They analyze commercial and environmental risk exposures in our assets and trading operations, as well as ensure our daily market price exposure is kept within approved risk metrics including value at risk (VaR), position limits, term limits and market limits. SaskPower utilizes insurance as a key tool in managing risk in conjunction with risk identification, analysis, and control. SaskPower employs risk and insurance management professionals and maintains appropriate insurance policies to mitigate the impact of losses arising from the operation or failure of our assets.

SaskPower's Internal Audit function compliments ERM by providing assurance on the ERM Program's effectiveness by attesting to the effectiveness of internal controls as part of a risk-based work plan.

Major risk factors

Top risk factors are identified each year that could impact SaskPower corporate strategies and priorities, influence financial and operating results and affect achievement of our business objectives. The risks are identified and assessed by executive and business divisions that provide a top-down and a bottom-up view of enterprise risks. These risks do not occur in isolation and must be considered in conjunction with each other and in the context of the SaskPower organization. The following section addresses the top risks facing SaskPower in 2014.

1. **Infrastructure**
   A large portion of SaskPower's critical generation and distribution assets are near or at the end of their expected service life. Aging assets are increasingly expensive to maintain and operate and may be less efficient than newer technologies. Reliability and maximized uptime of existing generation, transmission and distribution facilities is fundamental to ensuring a safe, continuous and adequate supply of electricity to service new and existing customers. Significant financial and other resources are required to monitor and properly maintain the existing

asset base and to replace major components to ensure optimal asset value. Inadequate infrastructure will impact reliability and contribute to customer experience issues, threaten or disrupt normal business operations, and require significant financial and other resources to maintain reliable service.

SaskPower is managing reliability and infrastructure risk by:

- Implementing a Business Renewal Program and an asset management framework to strengthen asset management capabilities, optimize capital spending and support information, technology and processes;
- Monitoring technological advances and evaluating their impact upon our existing generating fleet and related maintenance programs;
- Centralizing decision making, in an effort to focus on highest priority apparatus;
- Determining risk profile by asset class;
- Implementing generation, transmission and distribution asset sustainment programs;
- Using preventative maintenance programs and activities; inspections; reliability surveys; control systems; and operator monitoring, control and intervention; and
- Establishing appropriate preparedness measures and contingency planning for critical assets and sensitive customers.

Our facilities are exposed to the effects of severe weather events, natural disasters and man-made events (including cyber and physical attacks). Low frequency, high impact catastrophic events are also a threat. Although constructed, operated and maintained to industry standards, our facilities may not withstand occurrences of these types in all circumstances. Losses from lost revenues and repair costs could be substantial, especially for many facilities that are located in remote areas. This risk is partly mitigated because our transmission system is designed and operated to withstand the loss of any single major element. In most cases, it possesses inherent redundancy that provides alternate means to deliver power to our customers. In the event of any outage, we would make the repairs necessary and fund the repairs from operating earnings.

SaskPower has business continuity and emergency plans to deal with a variety of adverse events. Our company has continued to implement recommendations to enhance business continuity and disaster recovery programs corporate-wide.

2. Workforce management

SaskPower faces many challenges in attracting and maintaining a safe and productive workforce as a result of changes in the workforce. Over the next five to seven years, a significant number of SaskPower employees will be eligible for retirement, contributing to a period of challenging transition. Additional challenges may arise from the following:

- Shortage of critical skills;
- Competition for talent;
- Reduced productivity due to turnover in positions;
- Inability to complete critical work due to vacant positions;
- Failure to maintain fair compensation with respect to market rate changes; and
- Failure to transfer knowledge from existing employees, leaving insufficient expertise.

To ensure we have the required skill sets for the future, SaskPower has developed a proactive workforce strategy that includes sourcing strategies for key skills, targeted recruitment, succession planning, and key training and apprenticeship programs. SaskPower is also reviewing benefit programming with a focus on attracting and retaining future employees.

Strategies are in place to deal with unique, location-based challenges where recruitment and retention are challenging due to a lack of affordable housing. Meanwhile, Human Resources maintains a Diversity Department focusing on promoting inclusion in the workplace.

In 2013, a major job evaluation project was completed to simplify job descriptions. It included a comprehensive market comparison of salaries to ensure that SaskPower is offering comparable compensation with other companies. A new corporate-wide recognition program, as well as a centralized learning workgroup, was also introduced in 2013. In 2014, a new Performance Management Program will be implemented and will involve goal cascading to align corporate strategies and key areas of focus.

3. Supply chain

SaskPower's operations may be impacted by not having a secure, reliable base of suppliers. They are needed to provide goods and services in sufficient quantities and quality, at a competitive cost and at appropriate times to maintain and support ongoing operations and projects. There is also a risk that sufficient qualified suppliers will not bid on contracts. The supplier environment may be impacted by labour costs, recession, exchanges rates, commodity prices or macro/global economic shifts. Significant financial costs, delays in project delivery, disruption in operations and reputational damage may be experienced due to:

- Substandard products or services;
- Delays in material delivery or a breakdown in the supplier's distribution system;
- Uncertain market conditions affecting affordability and availability of products and / or services;
- Breakdown or bankruptcy of suppliers; and
- Natural disasters.

SaskPower is working to enhance the existing supplier ecosystem to develop a larger pool of suppliers to address availability, reliability and competitive cost issues. To manage procurement practices, SaskPower maintains or provides:

- Adherence to construction standards;
- Competitive sourcing;
- Supplier debriefs; and
- Supplier information sessions on how to work with SaskPower.

In 2013, the Procurement Transformation Project was focused on addressing issues around strategic and competitive sourcing, including internal processes and supplier relationships. In addition, the Law Department completed the first phase of its Contract Standardization Project. It is designed to minimize risks, save time, reduce negotiation, facilitate ease of use, increase efficiency and ensure a consistent approach to legal issues, as well as align with the approved signing authorities.

4. Security (cyber and physical)

SaskPower is subject to criminal or malicious attacks, both in cyber and physical ways. This could potentially result in the disruption of business operations and service and lead to the loss of or damage to information, facilities and equipment. The results can lead to loss of customer trust and stakeholder confidence as well as additional costs of recovery and restoration.

Our company's daily business operations rely on information and operational technologies which need to be maintained, supported, protected and secured to ensure confidentiality, integrity and availability of associated systems and information. SaskPower has various policies and procedures pertaining to the protection of corporate assets and recovery or reinstatement of critical systems in the event of an adverse event or system failure. Programs are also in place to monitor system performance and to maintain facilities and assets.

An Enterprise Security Policy has been developed to address threats and solutions for sabotage and information theft. In addition, our company employs cyber and physical security professionals who have responsibility for security, threat and risk assessment and security investigations.

The Enterprise Security function continues as an independent entity responsible for security risk governance, enterprise wide informational technology, operational technology and physical and personnel security controls. An Information Technology & Security Strategic Plan and SaskPower Strategic Technology Plan were created to educate and inform decision makers as well as engage and prepare the organization for technology change.

SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems. Our company maintains reasonable levels of insurance to protect itself against theft- or vandalism-related losses.

5. Project delivery

SaskPower has identified the need to invest significant amounts of capital in long-term projects to ensure continuing reliability; maintain, upgrade and expand infrastructure; and meet emerging environmental requirements. There is risk that large projects may not be completed at all, may be completed on materially different terms or timing than initially anticipated or the intended benefits of the project may not be realized. The timing, costs and outcome of planned projects may be influenced by a large number of conditions including weather conditions, delays in obtaining or failure to obtain regulatory approvals, delays in obtaining key materials, skill or labour shortages or other events beyond the control of SaskPower.

As SaskPower is currently working on several large infrastructure projects, our company faces risks associated with cost overruns, schedule delays and construction performance. Our company employs professional Project Managers for planning, estimating, executing, cost controlling and preparing risk assessments and management plans for these projects.

SaskPower is nearing completion of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. When commissioned in 2014, it will be the world's first commercially viable large-scale carbon capture and storage project at a coal-fired power station. The project will produce 110 MW of baseload electricity and reduce GHG emissions by one million tonnes of CO_2 each year. The project involves complex emerging technology, critical partnerships, and significant financial exposure. An external operational readiness review has been completed.

The AMI project began full-scale deployment of smart meters in the fall of 2013. Implementation will lead to enhanced customer service and outage management.

A Project Delivery Office (PDO) has been established to develop processes and methodologies related to the delivery of transmission projects. Initiatives in the PDO will lead to greater overall grid reliability, more timely key customer connections and enhanced customer satisfaction.

During this period of infrastructure renewal, we have established a debt ratio target range of 60-75%, which enables us to take on extra debt when heavy capital spending is required while maintaining rate competitiveness. SaskPower will use flexibility as needed when significant rate increases are required to finance infrastructure renewal and growth.

6. Environment

SaskPower faces a significant number of environmental risks as a result of changes in environmental regulations, particularly regarding CO_2 emissions for existing and new coal-fired generation that come into effect in 2015. In addition, SaskPower is experiencing increased political and public attention to environmental issues which may lead to more legislation and higher compliance costs. Environmental regulatory changes and heightened regulatory scrutiny may affect generation and transmission operations, as well as future supply options. SaskPower is modeling generation scenarios that will assist our company in meeting both compliance and electricity demand.

Failure to comply with rules and regulations pertaining to air or water quality, waste management, natural resources, species at risk, and health and safety may give cause to a number of sanctions that could include fines, penalties, and administrative costs and even stop work orders.

We manage regulatory risks by working with governments, regulators and other stakeholders to ensure regulatory compliance and the resolution of any issues that may arise. Management believes that the necessary approvals have been obtained and are maintained for our existing operations and that our company's business is conducted in accordance with applicable laws.

Carbon capture and storage initiatives, the smart grid strategy, the Business Renewal and Asset Management Programs are all corporate responses to external influences. SaskPower has a 40-Year Outlook which considers a number of generation portfolios, including renewable options, to meet future requirements and to manage fuel costs.

7. Stakeholder engagement

SaskPower stakeholders are individuals or groups who have an impact on our business, or who are affected by our activities, products or services. SaskPower interacts with a variety of stakeholders within the scope of our operations, including the Aboriginal community, customers, business partners, employees, shareholders, governments, regulatory bodies, contractors and other Crown corporations.

Through the company's Strategic Relations area, SaskPower manages various programs to build and maintain positive relations with stakeholders, as well as raise awareness and acceptance of our business strategy and implementation. This has included developing policies and procedures for working with the Aboriginal community and ensuring our shareholders have a clear understanding of our business so that we are unified for progression of our current and future plans.

8. Change management

SaskPower is in a period of significant change and renewal that will result in a transformation of how our company does business. As SaskPower initiates changes needed to secure its future, our company's corporate culture will need to change. Care will be needed to ensure that the positive qualities of our company's culture are preserved and reinforced, while new attributes are added.

For an organization to realize the benefits of change, one of the requirements is that people accept or buy into the change. Therefore, effective and open communication across the organization is essential. In 2013, SaskPower's Strategic Direction was communicated to employees through a series of workshops across the organization to help employees understand how the work they do contributes to achieving the company's goals. In addition, changes to the performance management system were introduced which will support the communication and alignment of business goals to support business objectives.

SaskPower also manages change management through regular planning cycles, long-term asset planning, prioritizing in operational decision making and project risk management.

9. Fuel supply

Having sufficient fuel available when required for generation is essential to maintaining SaskPower's ability to meet the province's electricity requirements. A disruption in the Corporation's energy supply or wholesale energy markets could adversely affect SaskPower operations, its financial condition or its ability to meet electricity demand and service customers.

Our fuel supply planning process endeavours to take all possibilities into account, including input costs, generation options, smart grid technologies, regulatory changes, load projects, as well as DSM. SaskPower manages the fuel supply, market and commodity price risk by:

- Using a 40-Year Leadership Outlook to study supply mix options while engaging in ongoing research to explore fuel options to support a diversified portfolio;
- Ensuring contracts are in place for natural gas and coal security of supply at negotiated quantities, terms and prices;
- Ensuring efficient coal handling and storage facilities are in place so that the coal being delivered can be processed in a timely and efficient manner;
- Monitoring and maintaining coal specifications, carefully matching the specifications with the requirements of SaskPower's plants;
- Contracting suitable pipeline market access and storage in Alberta and Saskatchewan to meet SaskPower's gas generation requirements;
- Optimizing the fuel portfolio for the most efficient dispatch and use of assets leads to improved overall system efficiencies;
- Mitigating the impact of natural gas price risk and focusing on asset optimization, which includes the use of storage and transportation services, physical purchases and financial hedges in accordance with the SaskPower Board-approved policy with a 10-year hedge time horizon; and
- Monitoring and expanding market opportunities to evolve natural gas optimization and undertake longer-term gas contracts.

10. Safety

Employee safety is central to our operations. Working on or around high voltage equipment has inherent risk, as does work in confined spaces, around moving machinery, in high temperature and high pressure environments, and at heights or in other potentially dangerous circumstances. Poor safety performance can result in loss of productivity due to injury, accident investigation and low employee engagement. SaskPower has extensive policies, standards, procedures and controls in place to minimize the risk of a harmful contact by an employee, contractor or a member of the public. This includes maintaining compliance with the internationally recognized OHSAS 18001 specification.

SaskPower has established an educational resource and program to help inform the public of the hazards of power lines and delivers this information at public venues around the province.

SaskPower's Safety Department has integrated improvement opportunities based on findings of a 2013 critical incident review. In addition, a centralized function for review of critical incidents is being implemented to improve the quality, integrity, consistency and efficiency of our company's investigation process.

SaskPower is adopting the CAN/ULC-S801-10 Standard for Electric Utility Workplace Electrical Safety for Generation, Transmission and Distribution. It provides guidance for utility companies in areas that include minimum approach distances for working on or near energized electrical lines or equipment, protective tools, equipment and devices, and radio frequency hazards.

Consolidated financial

STATEMENTS AND NOTES

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Report of Management

The consolidated financial statements of Saskatchewan Power Corporation (SaskPower; the Corporation) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to March 5, 2014. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate, and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit & Finance Committee of the Board of Directors.

The Board of Directors, through the Audit & Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit & Finance Committee consists entirely of outside Directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the Independent Auditor's Report have been reviewed by the Audit & Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit & Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditor's responsibility is to express its opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards.

On behalf of management,

Sandeep Kalra

Robert Watson
President and Chief Executive Officer
March 5, 2014

Sandeep Kalra
Vice-president and Chief Financial Officer

Management's Report on Internal Control over Financial Reporting

I, Robert Watson, President and Chief Executive Officer of Saskatchewan Power Corporation, and I, Sandeep Kalra, Vice-president and Chief Financial Officer of Saskatchewan Power Corporation, certify the following:

(a) That we have reviewed the consolidated financial statements included in the Annual Report of Saskatchewan Power Corporation. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report fairly present, in all material respects, the financial condition, results of operations, and cash flows, as of December 31, 2013.

(b) That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Saskatchewan Power Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

(c) That Saskatchewan Power Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Saskatchewan Power Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Power Corporation.

(d) That Saskatchewan Power Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Power Corporation can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Robert Watson
President and Chief Executive Officer
March 5, 2014

Sandeep Kalra
Vice-president and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying consolidated financial statements of Saskatchewan Power Corporation, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Power Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

March 5, 2014

Regina, Saskatchewan

Consolidated statement of income

(in millions)

For the year ended December 31	2013	2012
		(Restated - *Note 4*)
Revenue		
Saskatchewan electricity sales	$ 1,878	$ 1,687
Exports	62	49
Net sales from electricity trading *(Note 5)*	3	14
Share of profit from equity accounted investees *(Note 18)*	3	5
Other revenue *(Note 6)*	99	100
	2,045	1,855
Expense		
Fuel and purchased power *(Note 7)*	550	513
Operating, maintenance and administration *(Note 8)*	621	618
Depreciation and amortization *(Note 9)*	355	316
Finance charges *(Note 10)*	262	205
Taxes *(Note 11)*	55	47
Other losses *(Note 12)*	35	27
	1,878	1,726
Income before the following	167	129
Unrealized market value adjustments *(Note 13)*	(53)	6
Net income	$ 114	$ 135

See accompanying notes

Consolidated statement of comprehensive income

(in millions)

For the year ended December 31	2013	2012
		(Restated - *Note 4*)
Net income	$ 114	$ 135
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income:		
Realized gains (losses) on derivatives designated as cash flow hedges	49	(2)
Change in fair value of derivatives designated as cash flow hedges	4	(4)
Items that will not be reclassified to net income:		
Net actuarial gains (losses) on defined benefit pension plans *(Note 31)*	198	(15)
	251	(21)
Total comprehensive income	$ 365	$ 114

See accompanying notes

Consolidated statement of financial position

(in millions)

As at	**December 31 2013**	December 31 2012	January 1 2012
		(Restated - *Note 4*)	(Restated - *Note 4*)
Assets			
Current assets			
Cash and cash equivalents	**$ –**	$ 2	$ –
Accounts receivable and unbilled revenue	**268**	264	236
Inventory *(Note 14)*	**187**	165	154
Prepaid expenses	**8**	7	6
Risk management assets *(Note 25)*	**9**	3	6
	472	441	402
Property, plant and equipment *(Note 15)*	**7,641**	6,030	5,387
Intangible assets *(Note 16)*	**76**	62	52
Debt retirement funds *(Note 17)*	**368**	390	353
Investments accounted for using equity method *(Note 18)*	**40**	37	36
Other assets *(Note 19)*	**7**	9	11
Total assets	**$ 8,604**	$ 6,969	$ 6,241
Liabilities and equity			
Current liabilities			
Bank indebtedness	**$ 2**	$ –	$ 4
Accounts payable and accrued liabilities	**443**	341	342
Accrued interest	**53**	52	49
Risk management liabilities *(Note 25)*	**63**	38	52
Short-term advances *(Note 20)*	**804**	763	251
Current portion of long-term debt *(Note 21)*	**5**	101	4
Current portion of finance lease obligations *(Note 22)*	**6**	5	3
	1,376	1,300	705
Long-term debt *(Note 21)*	**3,563**	2,879	2,774
Finance lease obligations *(Note 22)*	**1,131**	430	434
Employee benefits *(Note 31)*	**153**	340	315
Provisions *(Note 23)*	**158**	162	149
Total liabilities	**6,381**	5,111	4,377
Equity			
Retained earnings	**1,461**	1,347	1,332
Accumulated other comprehensive income (loss)	**102**	(149)	(128)
Equity advances *(Note 24)*	**660**	660	660
Total equity	**2,223**	1,858	1,864
Total liabilities and equity	**$ 8,604**	$ 6,969	$ 6,241

See accompanying notes

On behalf of the Board,

Robert Pletch
Chair

Mick MacBean
Director

Consolidated statement of changes in equity

(in millions)	Retained earnings (Restated - *Note 4*)	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 (Restated - *Note 4*)	Equity advances	**Total** (Restated - *Note 4*)
Equity					
Balance, January 1, 2012	$ 1,332	$ –	$ (128)	$ 660	**$ 1,864**
Net income	135	–	–	–	**135**
Other comprehensive income (loss)	–	(6)	(15)	–	**(21)**
Dividends	(120)	–	–	–	**(120)**
Balance, December 31, 2012	**$ 1,347**	**$ (6)**	**$ (143)**	**$ 660**	**$ 1,858**
Net income	114	–	–	–	**114**
Other comprehensive income (loss)	–	53	198	–	**251**
Dividends	–	–	–	–	**–**
Balance, December 31, 2013	**$ 1,461**	**$ 47**	**$ 55**	**$ 660**	**$ 2,223**

See accompanying notes

Consolidated statement of cash flows

(in millions)

For the year ended December 31	2013	2012
		(Restated - *Note 4*)
Operating activities		
Net income	**$ 114**	$ 135
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization *(Note 9)*	**355**	316
Finance charges *(Note 10)*	**262**	205
Other losses *(Note 12)*	**35**	27
Unrealized market value adjustments *(Note 13)*	**53**	(6)
Employee benefits *(Note 31)*	**(4)**	(3)
Share of profit from equity accounted investees *(Note 18)*	**(3)**	(5)
Allowance for obsolescence *(Note 14)*	**2**	–
Environmental remediation expenditures *(Note 23)*	**(2)**	–
	812	669
Net change in non-cash working capital *(Note 29)*	**77**	(36)
Interest paid	**(317)**	(237)
Cash provided by operating activities	**572**	396
Investing activities		
Property, plant and equipment additions	**(1,225)**	(922)
Intangible assets additions	**(36)**	(29)
Net costs of removal of assets	**(3)**	(7)
Distributions from equity accounted investees *(Note 18)*	**–**	4
Cash used in investing activities	**(1,264)**	(954)
Decrease in cash before financing activities	**(692)**	(558)
Financing activities		
Net proceeds from short-term advances	**41**	512
Proceeds from long-term debt *(Note 21)*	**690**	207
Repayment of long-term debt *(Note 21)*	**(101)**	(4)
Debt retirement fund redemptions (instalments) *(Note 17)*	**7**	(27)
Principal repayment of finance lease obligations	**(5)**	(3)
Net increase in finance lease obligations	**7**	1
Realized gains (losses) on derivatives designated as cash flow hedges	**49**	(2)
Dividends paid	**–**	(120)
Cash provided by financing activities	**688**	564
(Decrease) increase in cash	**(4)**	6
Cash and cash equivalents (bank indebtedness), beginning of year	**2**	(4)
(Bank indebtedness) cash and cash equivalents, end of year	**$ (2)**	$ 2

See accompanying notes

Notes to the consolidated financial statements

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2014.

(b) Basis of measurement

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

- Inventory at lower of cost and net realizable value defined in *Note 3(c)*.
- Financial instruments that are accounted for according to the financial instrument categories defined in *Note 3(n)*.
- Provisions defined in *Note 3(h)*.
- Employee benefit plans accrued benefit obligations defined in *Note 3(o)*.

(c) Functional and presentation currency

These 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.

(d) Use of estimates and judgments

The preparation of the 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 further described in the following summary of significant accounting policies and related notes:

- Electricity deliveries not yet billed at period-end and allowance for doubtful accounts *[Note 3(i)]*.
- Allowance for inventory obsolescence *[Notes: 3(c) and 14]*.
- Underlying estimates of useful lives and related depreciation and accumulated depreciation *[Notes: 3(d), 3(e), 9 and 15]*.
- Carrying amounts of provisions and underlying estimates of future cash flows *[Notes: 3(h) and 23]*.
- Fair value of financial instruments *[Notes: 3(n) and 25]*.
- Carrying amounts of employee benefits and underlying actuarial assumptions *[Notes: 3(o) and 31]*.

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

- Identification of arrangements which contain a lease *[Notes: 3(m) and 22]*.
- Revenue recognition of customer contributions *[Notes: 3(i) and 6]*.

(e) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. In particular, amendments to IAS 32, *Financial Instruments: Presentation* in respect of offsetting (which will be effective for annual periods beginning on or after January 1, 2014) and IFRS 9, *Financial Instruments* (for which the effective date of adoption has not been determined). The Corporation is currently reviewing the new standards to determine the potential impact, if any. SaskPower does not have any plans to early adopt the new standards.

3. Significant accounting policies

(a) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries with all significant inter-company transactions and balances being eliminated.

Separate audited financial statements are prepared annually for its operating wholly owned subsidiary, NorthPoint Energy Solutions Inc. (NorthPoint). SaskPower International Inc. (wholly owned subsidiary) has no active operations beyond its interests as joint operators of Cory Cogeneration Station and Cory Cogeneration Funding Corporation (CCFC) and its investment in MRM Cogeneration Station, over which it exerts significant influence.

ii) Associates

Associates are those entities in which the Corporation has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted for investees) and are recognized initially at cost. The consolidated financial statements include the Corporation's share of the total comprehensive income and equity movements of equity accounted for investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases *(Note 18)*.

The Corporation has classified the following investment as an associate:

- 30% ownership interest in the MRM Cogeneration Station. The 172 -megawatt (MW) natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

iii) Joint operations

Joint operations are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide the Corporation with rights to the assets and liabilities related to the arrangement.

The Corporation has classified the following joint arrangements as joint operations:

- 50% ownership interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year power purchase agreement (PPA).
- 50% ownership interest in CCFC. CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

The consolidated financial statements include the Corporation's proportionate share of the joint operation assets, liabilities, revenue and expenses.

(b) Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents includes cash, bank indebtedness and short-term investments that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(c) Inventory

Maintenance materials, supplies, natural gas, coal and other fuel inventory are recorded at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Replacement cost is used as management's best estimate of the net realizable value for maintenance materials, supplies, coal and other fuel inventory. Net realizable value for natural gas inventory is determined using the near-month AECO C natural gas market prices as appropriate. Inventories are written down to net realizable value on an item by item basis.

In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology. Maintenance materials and supplies are charged to inventory when purchased and expensed or capitalized when used. Natural gas, coal and other fuel inventory are charged to inventory when purchased and expensed as consumed or sold *(Note 14)*.

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost or deemed cost less accumulated depreciation and accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, services and direct labour. Borrowing costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction period at the weighted average cost of borrowings. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are expensed as incurred *(Note 15)*.

When property, plant and equipment are disposed of or retired, the related costs less accumulated depreciation are de-recognized. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds less costs of removal and the carrying amount of the asset. The gain or loss on asset disposals and retirements is recognized in profit or loss as other losses (gains) *(Note 12)*.

Assets held under finance leases are initially recognized at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation *(Note 22)*.

(e) Depreciation

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation commences when the property, plant and equipment is ready for its intended use. Land is not depreciated.

The estimated useful life of property, plant and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. Their estimated useful lives are reviewed annually and any changes are applied prospectively. 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, 2013, and resulted in a $6 million increase to depreciation expense in 2013.

The estimated useful lives of the major classes of property, plant and equipment are:

Asset class	Estimated useful lives (years)
Generation	5 – 100
Transmission	3 – 55
Distribution	3 – 40
Other	4 – 60

A one-year increase in the estimated useful life of each of the major classes of property, plant and equipment would result in a $23 million decrease to depreciation expense in the current year.

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term *(Note 9)*.

(f) Intangible assets

The Corporation's only identifiable intangible asset is software. Software is recorded at cost less accumulated amortization and accumulated provisions for impairment. Software costs include the cost of externally purchased software packages and for internally developed programs, related external and direct labour costs. Maintenance of existing software programs is expensed as incurred *(Note 16)*.

Amortization is calculated on a straight-line basis over five years — the estimated useful life of the Corporation's software programs. Estimated useful lives of intangible assets are reviewed annually and any changes are applied prospectively *(Note 9)*.

(g) Impairment of assets

At each reporting date, the Corporation evaluates its property, plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors which could indicate an impairment exists include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset or cash generating unit (CGU) exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows to be derived from a CGU. At the reporting date, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write-down was required.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in profit or loss as finance expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i) <u>Decommissioning</u>

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes provisions to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes provisions for the decommissioning of assets containing polychlorinated biphenyls (PCBs) in excess of existing federal regulations.

The fair value of the estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. The decommissioning provisions are increased periodically for the passage of time by calculating interest expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation. Decommissioning provisions are periodically reviewed and any changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized as an increase or decrease in the carrying amount of the obligation and the related asset. If the asset value is fully depreciated the changes are recognized in profit or loss as other losses (gains) *(Note 23)*.

ii) <u>Environmental remediation</u>

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis. Changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized in profit or loss as other losses (gains) *(Note 23)*.

iii) Onerous contracts
A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract *(Note 23)*.

(i) Revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business. Revenue is recognized when it is probable that future economic benefits will flow to the Corporation and these benefits can be measured reliably.

i) Electricity
Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by provincial cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electricity deliveries not yet billed at period-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer, applicable customer rates and the number of days between the last billing date and the end of the period.

Electricity trading revenues are reported on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value *(Notes: 5 and 25)*.

ii) Customer contributions
Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are recognized immediately in profit or loss as other revenue when the related property, plant and equipment is available for use *(Note 6)*.

iii) Other
Wind power incentives received from the Government of Canada for electricity generated from the Centennial and Cypress Wind Power Facilities are recognized as other revenue upon delivery of the electricity into the SaskPower grid. Other revenue also includes gas and electrical inspections and fly ash sales which are recorded upon delivery of the related good or service *(Note 6)*.

(j) Government grants

Government grants are recognized initially as deferred revenue when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in profit or loss as an offset against operating, maintenance and administration (OM&A) in the same period in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are netted against the capitalized asset costs and recognized in profit or loss over the useful life of the asset.

(k) Finance charges

Finance expense is comprised of interest expense on short-term and long-term borrowings, interest on provisions, interest on employee benefit plans and finance costs related to leased assets. Interest expense is recognized in profit or loss, using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognized as a finance expense as the costs accrue *(Note 10)*.

Finance income is comprised of earnings on debt retirement funds. Finance income is recognized in profit or loss as earned *(Note 10)*.

(l) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenues and expenses are translated at the rate prevailing at the transaction date. Foreign currency translation gains and losses are included in profit or loss in the period in which they arise.

(m) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. The Corporation has assessed its arrangements to determine whether they contain a lease. Certain take-or-pay PPAs, which in management's judgment give SaskPower the exclusive right to use specific production assets, meet the definition of a lease. These arrangements have been classified as finance leases.

Assets held under finance leases are initially recognized at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense.

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term.

All other transactions in which SaskPower is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease *(Notes: 15 and 22)*.

(n) Financial instruments

i) Classification and measurement

SaskPower classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; loans and receivables; and other liabilities *(Note 25)*. All financial instruments are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs that are directly attributable to the acquisition of issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of income in unrealized market value adjustments. Financial instruments classified as loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

Derivative financial instruments, including natural gas and electricity contracts, are recognized as a financial asset or a financial liability on the trade date. All derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the consolidated statement of financial position as risk management assets and liabilities. Subsequent changes in fair value of these derivative financial instruments, with the exception of the effective portion of derivatives designated as cash flow hedges, are recognized in the consolidated statement of income in unrealized market value adjustments.

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. SaskPower entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

ii) Hedges

In order to qualify for hedge accounting, the Corporation designates derivatives as hedges through formal documentation of all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. This process includes linking derivatives to specific assets and liabilities or to specific firm commitments or forecast transactions. The Corporation formally assesses both at the hedge's inception and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of the hedged item and the timing of the cash flows is similar.

The Corporation enters into bond forward agreements to hedge exposures to anticipated changes in interest rates on forecasted issuances of debt. The Corporation chooses to designate these contracts 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, with the fair value being recognized as risk management assets and liabilities on the consolidated statement of financial position.

Ineffective portions of hedges are recorded in profit or loss immediately. When the derivatives expire upon the issuance of debt, the resulting gain or loss recorded in accumulated other comprehensive income is amortized to profit or loss over the term of the debt. If no debt is issued, the gain or loss is recognized in profit or loss immediately.

iii) Embedded derivatives

As at December 31, 2013, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

iv) Fair value

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. 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 25)* 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. Natural gas options (two-way collars) are valued using over-the-counter or end-market pricing received from the reference dealer. 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 PPAs. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

(o) Employee benefits

The Corporation has a defined contribution pension plan, defined benefit pension plans, and other benefit plans that provide retirement benefits for its employees.

i) Defined contribution pension plan

A defined contribution pension plan is a post-employment benefit under which SaskPower pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized in OM&A expense in the period during which services are rendered by employees *(Note 31)*.

ii) Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior periods. The obligation is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The fair value of plan assets is deducted from the present value of the defined benefit obligation to determine the plan surplus or deficit. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the lower of the plan surplus and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Current service costs are recognized in profit or loss as OM&A expense. Interest expense (income) is calculated by applying the discount rate to the net accrued benefit obligation and recognized as finance charges. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss. The Corporation recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income in the period in which they arise *(Note 31)*.

iii) Other benefit plans

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who chose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements *(Note 31)*.

4. Application of new and revised International Financial Reporting Standards

(a) IFRS 11, *Joint Arrangements*

Effective January 1, 2013, SaskPower retrospectively adopted IFRS 11, *Joint Arrangements*, which replaced IAS 31, *Interests in Joint Ventures*. SaskPower accounted for its jointly controlled interest in the Cory Cogeneration Station and the Cory Cogeneration Funding Corporation using the equity method under IAS 31. Under IFRS 11, these joint arrangements meet the definition of joint operations and as such the Corporation recognized its proportionate share of the assets and liabilities. The impact upon adoption of the new standard is as follows:

Consolidated statement of income (in millions)	**Increase (decrease) Year ended December 31 2012**
Share of profit from equity accounted investees	$ (7)
Operating, maintenance and administration	1
Finance charges	(8)
Adjustment to net income	**$ –**

Consolidated statement of financial position (in millions)	**Increase (decrease) January 1 2012**	**Increase (decrease) December 31 2012**
Investments accounted for using equity method	$ (41)	$ (44)
Total assets	**$ (41)**	**$ (44)**
Bank indebtedness (cash and cash equivalents)	$ (2)	$ (2)
Accounts payable and accrued liabilities	4	3
Current portion of long-term debt	4	4
Long-term debt	67	63
Finance lease obligations	(118)	(117)
Provisions	4	5
Total liabilities and equity	**$ (41)**	**$ (44)**

Consolidated statement of cash flows (in millions)		**Increase (decrease)** **Year ended** **December 31** **2012**
Operating activities	$	7
Investing activities		(4)
Finance activities		(3)
Adjustment to cash and cash equivalents	**$**	**–**

(b) IAS 19, *Employee Benefits*

Effective January 1, 2013, SaskPower retrospectively adopted the amendments to IAS 19, *Employee Benefits*. The amendments required remeasurements (actuarial gains and losses and the actual return on plan assets) to be recognized immediately in other comprehensive income and all current service costs and interest income (expense) to be recognized immediately in net income. Interest income (expense) will be calculated by applying the discount rate to the net accrued benefit obligation. In addition, under the revised standards, the cumulative amount of actuarial gains and losses recorded in other comprehensive income related to the Corporation's defined benefit pension plans will no longer be transferred to retained earnings. Instead, the actuarial gains and losses will remain in accumulated other comprehensive income (loss). The impact upon the adoption of the new standard is as follows:

Consolidated statement of comprehensive income (in millions)		**Increase (decrease)** **Year ended** **December 31** **2012**
Operating, maintenance and administration	$	5
Finance charges		13
Adjustment to net income	**$**	**(18)**
Net actuarial losses on defined benefit pension plans	$	(18)
Adjustment to other comprehensive income (loss)	**$**	**18**

Consolidated statement of financial position (in millions)	**Increase (decrease)**			
		January 1 **2012**		**December 31** **2012**
Retained earnings	$	128	$	143
Accumulated other comprehensive loss		(128)		(143)
Total equity	**$**	**–**	**$**	**–**

Applicable new disclosures have been provided in *Note 31*.

(c) IFRS 13, *Fair Value Measurement*

Effective January 1, 2013, SaskPower prospectively adopted IFRS 13, *Fair Value Measurement*. This new standard establishes a single framework for measuring fair value. Under IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price). The fair value measurement of certain electricity contracts was revised upon adoption of the new standard. The $1 million change in the adjustment to the valuation technique is recognized in profit or loss for the year ended December 31, 2013.

In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, SaskPower has not made any new disclosures required by IFRS 13 for the 2012 comparable period. Applicable new disclosures for 2013 have been provided in *Note 25*.

(d) Other new standards

The following new standards and amendments to standards, effective for annual periods beginning on or after January 1, 2013, have been applied in preparing these consolidated financial statements:

Standard	Description	Impact
IFRS 10, *Consolidated Financial Statements*	This new standard 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.	Adopted retrospectively effective January 1, 2013, with no impact to the consolidated financial statements.
IFRS 12, *Disclosure of Interests in Other Entities*	This new standard establishes a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and unconsolidated structured entities.	Adopted prospectively effective January 1, 2013. Applicable new disclosures are provided in *Note 3(a)iii* and *Note 18*.
Amendments to IAS 1, *Presentation of Financial Statements*	These new amendments require items within other comprehensive income that may be reclassified to profit or loss to be grouped together.	Adopted retrospectively effective January 1, 2013. The presentation format of the consolidated statement of comprehensive income has been changed to comply with the new standards.
IAS 27, *Separate Financial Statements*	This new standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements.	Adopted retrospectively effective January 1, 2013, with no impact to the consolidated financial statements.
Amendments to IAS 28, *Investments in Associates and Joint Ventures*	These new amendments are required to be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee and provide guidance on the application of the equity method.	Adopted prospectively effective January 1, 2013, with no impact to the consolidated financial statements.
Amendments to IFRS 7, *Financial Instruments: Disclosures*	These new amendments were issued to address common disclosure requirements related to financial instruments.	Adopted retrospectively effective January 1, 2013. No additional disclosures have been provided as there are no financial assets and liabilities that are subject to enforceable master netting arrangements which have been offset in the statement of financial position.

5. Net sales from electricity trading

(in millions)	2013	2012
Electricity trading revenue	**$ 20**	$ 29
Electricity trading costs	**(17)**	(15)
	$ 3	$ 14

6. Other revenue

(in millions)	2013	2012
Customer contributions	**$ 46**	$ 51
Fly ash sales	**7**	7
Gas and electrical inspections	**18**	17
Wind power production incentives	**5**	6
Miscellaneous revenue	**23**	19
	$ 99	$ 100

7. Fuel and purchased power

(in millions)	2012	2011
Coal	**$ 223**	$ 222
Gas	**241**	214
Imports	**31**	31
Hydro	**21**	19
Wind	**10**	9
Other	**24**	18
	$ 550	$ 513

Gas costs include the fuel charges associated with the electricity generated from SaskPower-owned gas-fired facilities and the cost of fuel related to PPAs with the Cory Cogeneration Station, Meridian Cogeneration Station, Spy Hill Generating Station and North Battleford Generating Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Wind includes the cost of electricity obtained through SaskPower's PPA with the SunBridge Wind Power and Red Lily Wind Power Facilities. Other includes the cost of electricity obtained through PPAs with Prince Albert Pulp and NRGreen Heat Recovery Facilities and the cost of demand response programs.

8. Operating, maintenance and administration (OM&A)

(in millions)	2013	2012 (Restated – *Note 4*)
Salaries and benefits	**$ 290**	$ 275
Employee long-term benefits *(Note 31)*	**24**	25
External services	**206**	206
Materials and supplies	**27**	36
Other	**74**	76
	$ 621	$ 618

9. Depreciation and amortization

(in millions)	2013	2012
Depreciation expense *(Note 15)*	**$ 333**	$ 298
Amortization of intangible assets *(Note 16)*	**22**	18
	$ 355	$ 316

10. Finance charges

(in millions)	2013	2012 (Restated – *Note 4*)
Finance expense		
Interest on long-term debt	**$ 191**	$ 180
Interest on finance leases	**119**	55
Interest on short-term advances	**8**	5
Net interest on employee benefit plans *(Note 31)*	**15**	13
Interest on provisions *(Note 23)*	**4**	5
Other interest and charges	**1**	–
	338	258
Less: interest capitalized	**(57)**	(30)
amortization of debt premium net of discounts *(Note 21)*	**(1)**	(1)
	280	227
Finance income		
Debt retirement fund earnings *(Note 17)*	**(18)**	(22)
	(18)	(22)
	$ 262	$ 205

11. Taxes

(in millions)	2013	2012
Grants-in-lieu of taxes to 13 cities	**$ 23**	$ 21
Saskatchewan corporate capital tax	**32**	26
	$ 55	$ 47

12. Other losses

(in millions)	2013	2012
Net losses on asset disposals and retirements	**$ 20**	$ 17
Net costs of removal of assets	**3**	7
Environmental provisions	**12**	3
	$ 35	$ 27

13. Unrealized market value adjustments

(in millions)	2013	2012
Natural gas contracts *(Note 25)*	**$ (29)**	$ 19
Natural gas inventory revaluation *(Note 14)*	**3**	3
Electricity contracts *(Note 25)*	**6**	(4)
Debt retirement funds *(Note 17)*	**(33)**	(12)
	$ (53)	$ 6

14. Inventory

(in millions)	December 31 2013	December 31 2012
Maintenance materials and supplies	$ 169	$ 149
Allowance for obsolescence	(10)	(8)
	159	141
Natural gas	15	14
Coal	11	11
Other fuel	2	2
	187	168
Unrealized natural gas market revaluation	–	(3)
	$ 187	$ 165

During the year, $301 million (2012 – $279 million) of natural gas, coal and other fuel inventory and $180 million (2012 – $190 million) of maintenance materials and supplies were consumed. There was a provision made to write-down inventory by $3 million (2012 – $1 million) offset by $1 million (2012 – $1 million) in obsolete inventory that was written-off against the provision during 2013. In addition, $5 million of damaged pole inventory was directly written-off to expense in 2013.

15. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, January 1, 2012	$ 4,253	$ 533	$ 966	$ 2,660	$ 517	$ 448	**$ 9,377**
Additions	208	–	95	208	60	981	**1,552**
Disposals and/or retirements	(30)	–	(4)	(19)	(9)	–	**(62)**
Transfers	–	–	–	–	(6)	(589)	**(595)**
Balance, December 31, 2012	**$ 4,431**	**$ 533**	**$ 1,057**	**$ 2,849**	**$ 562**	**$ 840**	**$ 10,272**
Additions	24	700	95	245	75	1,318	**2,457**
Disposals and/or retirements	(121)	–	(6)	(20)	(17)	–	**(164)**
Transfers	–	–	–	–	–	(493)	**(493)**
Balance, December 31, 2013	**$ 4,334**	**$ 1,233**	**$ 1,146**	**$ 3,074**	**$ 620**	**$ 1,665**	**$ 12,072**
Accumulated depreciation							
Balance, January 1, 2012	$ 2,087	$ 160	$ 412	$ 1,120	$ 211	$ –	**$ 3,990**
Depreciation expense	131	21	26	85	35	–	**298**
Disposals and/or retirements	(21)	–	(1)	(15)	(8)	–	**(45)**
Transfers	–	–	–	–	(1)	–	**(1)**
Balance, December 31, 2012	**$ 2,197**	**$ 181**	**$ 437**	**$ 1,190**	**$ 237**	**$ –**	**$ 4,242**
Depreciation expense	132	42	30	92	37	–	**333**
Disposals and/or retirements	(110)	–	(3)	(16)	(15)	–	**(144)**
Transfers	–	–	–	–	–	–	**–**
Balance, December 31, 2013	**$ 2,219**	**$ 223**	**$ 464**	**$ 1,266**	**$ 259**	**$ –**	**$ 4,431**
Net book value							
Balance, January 1, 2012	**$ 2,166**	**$ 373**	**$ 554**	**$ 1,540**	**$ 306**	**$ 448**	**$ 5,387**
Balance, December 31, 2012	**$ 2,234**	**$ 352**	**$ 620**	**$ 1,659**	**$ 325**	**$ 840**	**$ 6,030**
Balance, December 31, 2013	**$ 2,115**	**$ 1,010**	**$ 682**	**$ 1,808**	**$ 361**	**$ 1,665**	**$ 7,641**

During the year, $57 million (2012 – $30 million) of interest costs were capitalized at the weighted average cost of borrowings rate of 5.50% (2012 – 6.20%).

16. Intangible assets

(in millions)	Software
Cost	
Balance, January 1, 2012	$ 168
Additions	23
Disposals and/or retirements	–
Transfers	6
Balance, December 31, 2012	**$ 197**
Additions	36
Disposals and/or retirements	–
Transfers	–
Balance, December 31, 2013	**$ 233**

Accumulated amortization	
Balance, January 1, 2012	$ 116
Amortization expense	18
Disposals and/or retirements	–
Transfers	1
Balance, December 31, 2012	**$ 135**
Amortization expense	22
Disposals and/or retirements	–
Transfers	–
Balance, December 31, 2013	**$ 157**

Net book value	
Balance, January 1, 2012	**$ 52**
Balance, December 31, 2012	**$ 62**
Balance, December 31, 2013	**$ 76**

17. Debt retirement funds

(in millions)	
Debt retirement funds	
Balance, January 1, 2012	$ 353
Debt retirement fund instalments	27
Debt retirement fund redemptions	–
Debt retirement fund earnings	22
Debt retirement fund market value gains (losses)	(12)
Balance, December 31, 2012	**$ 390**
Debt retirement fund instalments	27
Debt retirement fund redemptions	(34)
Debt retirement fund earnings	18
Debt retirement fund market value gains (losses)	(33)
Balance, December 31, 2013	**$ 368**

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2013, scheduled debt retirement fund instalments for the next five years are as follows:

(in millions)	**2014**	**2015**	**2016**	**2017**	**2018**
Debt retirement fund instalments	$ 34	$ 34	$ 34	$ 34	$ 34

18. Investments accounted for using equity method

(in millions)	MRM
	(Restated – *Note 4*)
Investments accounted for using equity method	
Balance, January 1, 2012	$ 36
Profit (loss)	5
Distributions	(4)
Balance, December 31, 2012	**$ 37**
Profit (loss)	3
Distributions	–
Balance, December 31, 2013	**$ 40**

MRM Cogeneration Station (MRM)

The Corporation has a 30% ownership interest in the MRM Cogeneration Station. The 172-MW natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

The Corporation's interest in MRM is summarized below:

(in millions)	December 31 2013	December 31 2012
Statement of financial position		
Current assets	**$ 33**	$ 23
Non-current assets	**177**	182
Current liabilities	**(36)**	(27)
Non-current liabilities	**(41)**	(54)
Net assets	**$ 133**	$ 124
SaskPower's 30% investment share	**$ 40**	$ 37

(in millions)	December 31 2013	December 31 2012
Statement of income		
Revenue	**$ 49**	$ 51
Expense	**(40)**	(34)
Profit (loss)	**$ 9**	$ 17
SaskPower's 30% investment share	**$ 3**	$ 5

19. Other assets

(in millions)		December 31 2013		December 31 2012
Long-term coal supply agreements	$	**3**	$	6
Investment		**2**		1
Other long-term receivables		**2**		2
	$	**7**	$	9

Long-term coal supply agreements

This includes prepaid amounts made in accordance with long-term coal supply agreements. The prepaid amount is amortized on a straight-line basis over the period of benefit.

Investment

This represents an investment in the Master Asset Vehicle II (MAVII) instrument. The investment is recorded at its estimated fair value at December 31, 2013 *(Note 25)*.

20. Short-term advances

(in millions)		December 31 2013		December 31 2012
Short-term advances	$	**804**	$	763

The short-term advances are due to the Government of Saskatchewan's General Revenue Fund. As at December 31, 2013, the advances have interest rates ranging from 0.997% to 1.000% and mature between January 2 and April 1, 2014. As at December 31, 2012, the advances have interest rates ranging from 0.997% to 0.999% and mature between January 2 and April 3, 2013.

21. Long-term debt

(in millions)

	(Restated – *Note 4*)
Long-term debt	
Balance, January 1, 2012	$ 2,778
Issues during the period	207
Repayments during the period	(4)
Amortization of debt premium net of discounts	(1)
Balance, December 31, 2012	**$ 2,980**
Issues during the period	690
Repayments during the period	(101)
Amortization of debt premium net of discounts	(1)
	$ 3,568
Less: current portion of long-term debt	(5)
Balance, December 31, 2013	**$ 3,563**

Long-term debt is comprised of recourse debt — advances from the Government of Saskatchewan's General Revenue Fund — and non-recourse debt which is used to finance the Cory Cogeneration Station. Under the terms of the non-recourse debt, lenders have recourse limited to the station's assets.

Recourse debt – advances from the Government of Saskatchewan's General Revenue Fund (in millions):

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premium (discount)	Outstanding amount
December 20, 1990	December 15, 2020	11.23	9.97	$ 129	$ (1)	$ 128
February 4, 1992	February 4, 2022	9.27	9.60	240	5	245
July 21, 1992	July 15, 2022	10.06	8.94	256	(1)	255
May 30, 1995	May 30, 2025	8.82	8.75	100	(1)	99
August 8, 2001	September 5, 2031	6.49	6.40	200	(2)	198
January 15, 2003	September 5, 2031	5.91	6.40	100	5	105
May 12, 2003	September 5, 2033	5.90	5.80	100	(1)	99
January 14, 2004	September 5, 2033	5.68	5.80	200	3	203
October 5, 2004	September 5, 2035	5.50	5.60	200	3	203
February 15, 2005	March 5, 2037	5.09	5.00	150	(2)	148
May 6, 2005	March 5, 2037	5.07	5.00	150	(1)	149
February 24, 2006	March 5, 2037	4.71	5.00	100	4	104
March 6, 2007	June 1, 2040	4.49	4.75	100	4	104
April 2, 2008	June 1, 2040	4.67	4.75	250	3	253
December 19, 2008	June 1, 2040	4.71	4.71	100	–	100
September 8, 2010	June 1, 2040	4.27	4.75	200	15	215
November 7, 2012	February 3, 2042	3.22	3.40	200	7	207
February 20, 2013	February 3, 2042	3.54	3.40	200	(5)	195
October 2, 2013	June 2, 2045	3.97	3.90	400	(5)	395
December 12, 2013	December 12, 2016	Floating	CDOR[1]	100	–	100
				$ 3,475	**$ 30**	**$ 3,505**

1. The coupon rate for this floating rate note is the 3-month Canadian Dealer Offer Rate (CDOR) less a margin payable quarterly. There are no debt retirement fund requirements for this debt issuance.

On January 10, 2014, the Corporation borrowed an additional $200 million of long-term debt at a discount of $2 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 3.95% and matures on June 2, 2045.

Non-recourse debt (in millions):

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premium (discount)	Outstanding amount
April 26, 2001	March 31, 2014, to December 31, 2025	7.87	7.59	$ 33	$ –	$ 33
April 26, 2001	March 31, 2014, to June 30, 2026	7.88	7.60	31	(1)	30
				$ 64	**$ (1)**	**$ 63**

As at December 31, 2013, scheduled principal debt retirement requirements for the next five years are as follows:

(in millions)	**2014**	**2015**	**2016**	**2017**	**2018**
Recourse debt	$ –	$ –	$ 100	$ –	$ –
Non-recourse debt	5	5	5	5	5
	$ 5	$ 5	$ 105	$ 5	$ 5

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding *(Note 17)*.

22. Finance lease obligations

(in millions)	**December 31 2013**	December 31 2012	January 1 2012
		(Restated – *Note 4*)	(Restated – *Note 4*)
Total future minimum lease payments	**$ 3,531**	$ 1,111	$ 1,167
Less: future finance charges on finance leases	**(2,394)**	(676)	(730)
Present value of finance lease obligations	**$ 1,137**	$ 435	$ 437
Less: current portion of finance lease obligations	**(6)**	(5)	(3)
	$ 1,131	$ 430	$ 434

As at December 31, 2013, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Future minimum lease payments	$ 164	$ 692	$ 2,675
Present value of finance lease obligations	6	48	1,083

On June 5, 2013, the Corporation recognized a new finance lease obligation upon commissioning of the North Battleford Generating Station. SaskPower has a long-term PPA to purchase the electricity generated from this facility.

23. Provisions

(in millions)	Decommissioning (Restated – *Note 4*)	Environmental remediation	Onerous contracts	Total (Restated – *Note 4*)
Provisions				
Balance, January 1, 2012	$ 109	$ 39	$ 1	**$ 149**
Charged to income:				
New obligations	1	–	–	**1**
Change in discount rate	2	1	–	**3**
Interest	4	1	–	**5**
Capitalized to property, plant and equipment:				
New obligations	2	–	–	**2**
Change in discount rate	3	–	–	**3**
Settled during the period	–	–	(1)	**(1)**
Balance, December 31, 2012	**$ 121**	**$ 41**	**$ –**	**$ 162**
Charged to income:				
New obligations	15	–	–	**15**
Change in discount rate	(3)	–	–	**(3)**
Interest	3	1	–	**4**
Capitalized to property, plant and equipment:				
New obligations	–	–	–	**–**
Change in discount rate	(18)	–	–	**(18)**
Settled during the period	(2)	–	–	**(2)**
Balance, December 31, 2013	**$ 116**	**$ 42**	**$ –**	**$ 158**

Sensitivity of assumptions

Sensitivity of provisions to changes in the discount and inflation rate on the recorded liability as at December 31, 2013, is as follows:

(in millions)	Undiscounted cash flows	Discounted cash flows	Discount rate +0.5%	Discount rate -0.5%	Inflation rate +0.5%	Inflation rate -0.5%
Decommissioning	$ 253	$ 116	$ (10)	$ 11	$ 13	$ (11)
Environmental remediation	43	42	–	–	–	–

Decommissioning

SaskPower estimates the undiscounted amount of cash flows required for decommissioning is approximately $253 million, which will be incurred between 2014 and 2043. The majority of these costs will be incurred between 2036 and 2043. Rates, based on the Government of Saskatchewan bond yields — ranging from 2.32% to 4.06% — were used to calculate the carrying values of the provisions. No funds have been set aside by the Corporation to settle the decommissioning provisions.

Environmental remediation

SaskPower estimates the undiscounted amount of cash flows required for environmental remediation is approximately $43 million, which will be incurred by 2015. A rate of 2.32% based on the Government of Saskatchewan five-year bond yield, was used to calculate the carrying value of the provisions. No funds have been set aside by the Corporation to settle the environmental remediation obligations.

24. Equity advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

25. Financial instruments

(in millions)			**December 31, 2013** Asset (liability)		December 31, 2012 (Restated – *Note 4*) 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	**$ –**	**$ –**	$ 2	$ 2
Accounts receivable and unbilled revenue	L&R[2]	N/A	**268**	**268**	264	264
Debt retirement funds	FVTPL[1]	2	**368**	**368**	390	390
Other assets — investment	FVTPL[1]	3	**2**	**2**	1	1
Financial liabilities						
Bank indebtedness	FVTPL[1]	1	**$ (2)**	**$ (2)**	$ –	$ –
Accounts payable and accrued liabilities	OL[3]	N/A	**(443)**	**(443)**	(341)	(341)
Accrued interest	OL[3]	N/A	**(53)**	**(53)**	(52)	(52)
Short-term advances	OL[3]	N/A	**(804)**	**(804)**	(763)	(763)
Long-term debt	OL[3]	2	**(3,568)**	**(4,080)**	(2,980)	(3,993)
Finance lease obligations	OL[3]	3	**(1,137)**	**(1,215)**	(435)	(508)

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.

   There were no items transferred between levels in 2013.

Level 3 investment continuity

(in millions)	
Investment	
Balance, January 1, 2012	$ 1
Gains (losses) recognized in profit (loss)	–
Gains (losses) recognized in other comprehensive income (loss)	–
Balance, December 31, 2012	**$ 1**
Gains (losses) recognized in profit (loss)	1
Gains (losses) recognized in other comprehensive income (loss)	–
Balance, December 31, 2013	**$ 2**

Risk management assets and liabilities

			December 31, 2013		December 31, 2012	
(in millions)	Classification	Level[2]	Asset	Liability	Asset	Liability
Natural gas contracts						
Two-way collars	FVTPL[1]	2	$ –	$ –	$ –	$ –
Fixed price swap instruments	FVTPL[1]	2	1	(63)	2	(31)
Forward agreements	FVTPL[1]	2	3	–	1	(2)
Electricity contracts						
Contracts for differences	FVTPL[1]	2	–	–	–	–
Forward agreements	FVTPL[1]	2	5	–	–	(1)
Interest rate risk management						
Bond forward agreements	FVTPL[1]	2	–	–	–	(4)
			$ 9	$ (63)	$ 3	$ (38)

1. FVTPL – Fair value through profit or loss.

2. 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.

26. Financial risk management

Market risk

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management and the Board.

(a) Commodity prices

i) Natural gas contracts

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain PPAs that have a cost component based on the market price of natural gas. As at December 31, 2013, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 62% of its budgeted natural gas purchases for 2014, 49% for 2015, 40% for 2016, 39% for 2017, 31% for 2018, 29% for 2019, 21% for 2020, 17% for 2021 and 10% for 2022.

Based on the Corporation's December 31, 2013, closing positions on its financial natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $70 million improvement in the unrealized market value adjustments recognized in profit or loss for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at December 31, 2013.

ii) Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is a commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to determine the potential change in value of the proprietary trading portfolio, over a 10-day period within a 95% confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/covariance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period. However, this may not be possible if the market becomes illiquid. SaskPower recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio and management review. At December 31, 2013, the VaR associated with electricity trading activities was $nil.

(b) Interest rates

i) Short- and long-term borrowings

The Corporation is exposed to interest rate risk on the Corporation's shorter-term variable interest rate debt. At December 31, 2013, SaskPower had $804 million in short-term advances outstanding as well as $100 million of floating rate long-term debt. The Corporation is also exposed to interest rate risk arising from fluctuations in interest rates on future short-term and long-term borrowings. Interest rate risk on these expected future borrowings is managed by having an appropriate mix of fixed and floating rate debt. The expected borrowings in 2014 are $850 million, of which $150 million is short-term.

The Corporation expects to have an average balance of $1 billion in short-term debt outstanding throughout 2014. If interest rates were to increase by 100 basis points, this would result in approximately a $10 million increase in finance charges related to this short-term variable interest rate debt.

ii) Debt retirement funds

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Government of Saskatchewan's General Revenue Fund. The Corporation has classified these investments as fair value through profit or loss and, therefore, recognized the change in the market value in profit or loss for the period. At December 31, 2013, SaskPower had $368 million in debt retirement funds. The fair value of the debt retirement funds is driven largely by interest rates. The estimated impact of a 1% increase in interest rates, assuming no change in the amount of debt retirement funds, would be a $42 million decrease in the market value of the debt retirement funds.

(c) Foreign exchange rates

The Corporation faces exposure to the United States/Canadian dollar exchange rate primarily through the sale of electricity to customers in the United States, as well as from the purchase of goods and services that are payable in United States dollars. The Corporation may utilize financial instruments to manage this risk. As at December 31, 2013, the Corporation had no outstanding foreign exchange derivative contracts. The impact of fluctuations in foreign exchange rates on SaskPower's financial instruments is not considered significant to the Corporation. Therefore, a sensitivity analysis of the impact on profit or loss has not been provided.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not have a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2013, is limited to the fair value of the financial assets recognized as follows:

(in millions)	**December 31 2013**	December 31 2012
		(Restated – *Note 4*)
Financial assets		
Cash and cash equivalents	**$ –**	$ 2
Accounts receivable and unbilled revenue	**268**	264
Risk management assets	**9**	3
Debt retirement funds	**368**	390
Investment	**2**	1
	$ 647	$ 660

(a) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at December 31, 2013:

(in millions)	**December 31 2013**	December 31 2012
Current	**$ 241**	$ 247
30 to 59 days	**8**	4
60 to 89 days	**3**	4
90 days and greater	**14**	12
	266	267
Allowance for doubtful accounts	**(7)**	(7)
Miscellaneous receivables	**9**	4
	$ 268	$ 264

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

(b) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.

(c) Debt retirement funds are on deposit with the Government of Saskatchewan's General Revenue Fund and invested as the Minister of Finance may determine. At December 31, 2013, the Minister has invested these funds primarily in provincial government and federal government bonds with varying maturities. These coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2013, is considered low.

(d) In 2009, the Corporation converted its investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) to longer-term interest paying notes, Master Asset Vehicle II (MAVII), which will be paid off as the underlying assets mature in December 2016. As of December 31, 2013, the investment has been written-down by 20% to reflect the uncertainty with respect to SaskPower being repaid the full value of its initial investment. It is recognized in other assets on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2013:

			Contractual cash flows				
(in millions)	Carrying amount	Contractual cash flows	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Financial liabilities							
Bank indebtedness	$ 2	$ 2	$ 2	$ –	$ –	$ –	$ –
Accounts payable and accrued liabilities	443	443	443	–	–	–	–
Accrued interest	53	53	53	–	–	–	–
Risk management liabilities[1]	63	63	63	–	–	–	–
Short-term advances	804	804	804	–	–	–	–
Long-term debt	3,568	7,220	51	103	205	713	6,148
	$ 4,933	**$ 8,585**	**$ 1,416**	**$ 103**	**$ 205**	**$ 713**	**$ 6,148**

1. The terms and conditions of certain derivative financial instrument contracts require SaskPower to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of credit limits granted. As at December 31, 2013, the Corporation had no collateral posted related to these contracts.

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

27. Capital management

The Corporation's objective when managing capital is to ensure adequate capital to support the operations and growth strategies of the Corporation. SaskPower raises most of its capital through internal operating activities and through funds obtained by borrowing from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to $8 billion. This includes $1.4 billion which may be borrowed by way of temporary loans through the Government of Saskatchewan and through available credit of $51 million at financial institutions.

The Corporation's capital structure consists of long-term debt net of debt retirement funds, short-term advances, finance lease obligations, bank indebtedness, retained earnings, accumulated other comprehensive income (loss) and equity advances.

The Corporation monitors its capital structure using the per cent debt ratio. The per cent debt ratio target is 60% to 75%. The per cent debt ratio is calculated as total net debt divided by total capital as follows:

(in millions)	December 31 2013	December 31 2012
		(Restated – *Note 4*)
Long-term debt	**$ 3,568**	$ 2,980
Short-term advances	**804**	763
Finance lease obligations	**1,137**	435
Total debt	**$ 5,509**	$ 4,178
Debt retirement funds	**(368)**	(390)
Bank indebtedness (cash and cash equivalents)	**2**	(2)
Total net debt	**$ 5,143**	$ 3,786
Retained earnings	**1,461**	1,347
Accumulated other comprehensive income (loss)	**102**	(149)
Equity advances	**660**	660
Total capital	**$ 7,366**	$ 5,644
Per cent debt ratio	**69.8%**	67.1%

28. Commitments and contingencies

(a) SaskPower has entered into contracts to purchase natural gas expected to cost $714 million (2012 – $817 million) based on forward market prices until 2022. This includes fixed price forward contracts with a notional value of $705 million (2012 – $811 million) which apply for the own-use scope exception.

(b) At 2013 prices, the Corporation also has forward commitments of $1,316 million (2012 – $1,030 million) extending until 2024 for future minimum coal deliveries.

(c) The Corporation is forecasting to spend $1.2 billion on capital projects in 2014.

(d) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $11 million (2012 – $26 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

(e) SaskPower has committed to electricity and natural gas trading sales of $58 million (2012 – $52 million) and electricity and natural gas trading and transmission purchases of $104 million (2012 – $103 million). These contracts are considered derivative financial instruments and changes in their fair value have been included in profit or loss.

(f) The Corporation has issued letters of credit in the amount of $6 million (2012 – $3 million) related to electricity trading activities and physical natural gas purchases. In addition, the Corporation has provided a promissory note as acceptable credit support up to $5 million for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

(g) SaskPower has various other legal matters pending which, in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

29. Net change in non-cash working capital

(in millions)	2013	2012
		(Restated – *Note 4*)
Accounts receivable and unbilled revenue	**$ (4)**	$ (28)
Inventory	**(21)**	(8)
Prepaid expenses	**(1)**	(1)
Other assets	**1**	2
Accounts payable and accrued liabilities	**102**	(1)
	$ 77	$ (36)

30. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

In December 2013, SaskPower purchased 145 acres of land from the Global Transportation Hub Authority at a cost of $25 million. The land will be used to build a new Logistics Warehouse Complex.

The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Government of Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

Key management personnel compensation

Key management personnel include Board Members and executive officers. The compensation paid to key management for employee services is shown below:

(in millions)		**2013**		2012
Salaries and short-term employee benefits	**$**	**5**	$	4
Post-employment benefits		**–**		–
Termination benefits		**–**		–
Other long-term benefits		**–**		–
	$	**5**	$	4

31. Employee benefits

(in millions)		**Defined Benefit Pension Plan**		**Other Benefit Plans**		**Total**
		(Restated - *Note 4*)				(Restated - *Note 4*)
Employee benefits						
Balance, January 1, 2012	$	262	$	53	**$**	**315**
Current service cost		2		8		**10**
Net interest expense		11		2		**13**
SaskPower funding contribution		–		–		**–**
SaskPower benefits paid		–		(13)		**(13)**
Actuarial loss (gain)		15		–		**15**
Balance, December 31, 2012	**$**	**290**	**$**	**50**	**$**	**340**
Current service cost		–		7		**7**
Net interest expense		11		4		**15**
SaskPower funding contribution		–		–		**–**
SaskPower benefits paid		–		(11)		**(11)**
Actuarial loss (gain)		(198)		–		**(198)**
Balance, December 31, 2013	**$**	**103**	**$**	**50**	**$**	**153**

Defined benefit pension plan

The Corporation sponsors a defined benefit pension plan (the Plan) that has been substantially closed to employees since 1977. The Plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*.

The Plan provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI). The measurement date of the latest actuarial valuation used to determine the Plan assets and obligations was September 30, 2013 and the results were extrapolated to December 31, 2013.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2011. Under current Canada Revenue Agency guidelines, an actuarial valuation for funding purposes is to be completed at a minimum, every three years.

The Plan is solely the obligation of the Corporation. The Corporation is not obligated to fund the Plan but is obligated to pay benefits under the terms of the Plan as they come due. SaskPower has a Board-approved funding policy which is based on the funding actuarial valuation and requires the Plan deficit to be funded over 10 years when the funded status is less than 95%. In accordance with the funding policy, no contributions were made by SaskPower during 2013.

(a) Status of the Plan

The actuarial valuation measured at September 30, 2013 and extrapolated to December 31, 2013, showed that the Plan had an actuarial deficit of $103 million (2012 – $290 million). The calculation of the pension plan deficit is as follows:

(in millions)	December 31 2013	December 31 2012
Plan assets		
Fair value, beginning of year	**$ 746**	$ 726
Actual return on plan assets	**106**	78
Employer funding contributions	**–**	–
Employee funding contributions	**–**	1
Benefits paid	**(61)**	(59)
Fair value, end of year	**$ 791**	$ 746
Accrued benefit obligation		
Balance, beginning of year	**$ 1,036**	$ 988
Current service cost	**–**	2
Interest cost	**38**	41
Benefits paid	**(61)**	(59)
Actuarial (gain) loss on accrued benefit obligation	**(119)**	64
Balance, end of year	**$ 894**	$ 1,036
Plan deficit	**$ (103)**	$ (290)

(b) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation are:

	December 31 2013	December 31 2012
Discount rate, beginning of year	**3.75%**	4.25%
Discount rate, end of year	**4.50%**	3.75%
Long-term rate of compensation increases	**2.00%**	2.00%
Remaining service life (years)	**0.00**	0.00
Long-term inflation rate	**2.00%**	2.50%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%

The duration of the Plan as at December 31, 2013, is 10.2 years.

Sensitivity of assumptions

Sensitivity of defined benefit plan to changes in the discount, inflation and mortality rates on the accrued benefit obligation and employee benefits expense as at December 31, 2013 is as follows:

	Discount rate		**Inflation rate**		**Life expectancy**
(in millions)	**+0.25%**	**-0.25%**	**+0.25%**	**-0.25%**	**+1 year**
Accrued benefit obligation	$ (22)	$ 23	$ (6)	$ 6	$ 24
Employee benefits expense	–	–	–	–	–

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations.

(c) Benefit plan asset allocation

The following is a summary of the asset mix of the Plan's investments:

	December 31 2013	December 31 2012
Equity securities	**56.7%**	52.5%
Debt securities	**31.6%**	35.4%
Real estate and infrastructure	**11.4%**	11.7%
Short-term securities	**0.3%**	0.4%
	100.0%	100.0%

(d) Benefit payments

The benefit payments expected to be made to beneficiaries over the next five years are as follows:

(in millions)	**2014**	**2015**	**2016**	**2017**	**2018**
Expected benefit payments	$ 66	$ 66	$ 65	$ 64	$ 63

Defined contribution pension plan

The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current service. These contributions are charged to income when made. The employee benefits expense for the defined contribution pension plan recorded in OM&A expense is as follows:

(in millions)	**2013**	2012
Employee benefits expense	**$ 17**	$ 15

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan and a voluntary early retirement plan.

The significant actuarial assumptions adopted in measuring the Corporation's other benefit plans are:

	December 31 2013	December 31 2012
Discount rate	**3.75 - 4.00%**	3.25%
Long-term rate of compensation increases	**2.00%**	2.00%
Long-term inflation rate	**2.00%**	2.50%
Remaining service life (years)	**7.37**	7.85

The duration of the plans as at December 31, 2013, is between 3.7 and 5.6 years.

Cumulative actuarial gains and losses

The cumulative amount of actuarial gains and losses recorded in other comprehensive income related to the Corporation's defined benefit pension plans is as follows:

(in millions)	**December 31 2013**	December 31 2012
		(Restated - *Note 4*)
Balance, beginning of year	**$ 143**	$ 128
Actuarial loss (gain) on plan assets:		
Experience adjustments	**(79)**	(31)
Changes in actuarial assumptions	**–**	(18)
Actuarial loss (gain) on accrued benefit obligations:		
Experience adjustments	**(8)**	9
Changes in actuarial assumptions	**(111)**	55
Balance, end of year	**$ (55)**	$ 143

Corporate GOVERNANCE

Accountability is a principal component of SaskPower's corporate values and is essential in our relationship with our customers, stakeholders and shareholder. In order to ensure the continuing presence of a sound corporate governance structure, our company remains committed to ongoing evaluation. Our aim is to strengthen transparency while executing a comprehensive program of reporting.

Company structure

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of SaskPower. In practice, directives are normally in the following forms: CIC Crown subsidiary policies applying to all CIC Crowns; CIC Board resolutions and directives; and CIC management directives.

As the shareholder of SaskPower, CIC provides oversight of our company's operations. Communication is implemented through written policies and directives issued by CIC's management or its Board of Directors, as well as verbally through discussions with SaskPower leaders. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. SaskPower also provides ad hoc reports to CIC upon request.

Where required by legislation or policy directive, our company submits performance management and investment decisions for review and approval by CIC and provincial cabinet. Through its Chair, who is an outside Director, the SaskPower Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

The Legislative Assembly of Saskatchewan appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual reports, financial statements and operations of Crown corporations and related agencies. The Minister Responsible for Saskatchewan Power Corporation and our company's senior executives are called before the committee to answer questions about the year under review and issues of topical concern.

Governing our company

The Board of Directors is responsible for the general stewardship of SaskPower. It is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action for SaskPower. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and Business Plan. It participates in identifying business risks and oversees the implementation of appropriate systems to achieve a balance between risks incurred and potential returns.

All of SaskPower's Board Members, including the Chair, are independent of management. The expectations and responsibilities of Directors are outlined in terms of reference. Board Members receive a comprehensive orientation and continuing education. In addition to being subject to SaskPower's Code of Conduct Policy, Board Members are also bound by the CIC Directors' Code of Conduct. Peer evaluations are completed every two years.

Director	Meetings attended[1]
Rob Pletch, Chair[2]	4
Joel Teal, Chair[3]	3
Bill Wheatley, Vice-chair	6
Tamara Emsley[4]	2
Judy Harwood	7
Mitchell Holash	7
Karri Howlett[5]	7
Nicholas Kaufman	7
Bryan Leverick	7
Mick MacBean	6
Andy McCreath[6]	0
Lorne Mysko	7
Leslie Neufeld	7
Tammy Van Lambalgen[7]	5

1. There were a total of seven meetings held in 2013.
2. Appointed June 25, 2013.
3. Resigned May 31, 2013.
4. Appointed February 14, 2013, and resigned September 30, 2013.
5. Appointed February 14, 2013.
6. Resigned February 25, 2013
7. Appointed May 8, 2013.

Visit saskpower.com for a full description of SaskPower's corporate governance practices, including Board and Director terms of reference.

Leadership by committee

During the year, the Board reviewed the strategic direction of SaskPower, as well as numerous operational, financial, environmental, human resource and governance items. The Board also continues to adopt policies and processes to enable effective communication with our shareholder, stakeholders and the public.

Our company's Board has standing committees to assist in discharging specific areas of responsibility. In 2013, the Board had three standing committees:

Audit & Finance Committee
Five meetings
Chair: Mick MacBean
Members: Bryan Leverick, Leslie Neufeld, Lorne Mysko (appointed May 23, 2013), Rob Pletch (ex officio) and Bill Wheatley

The Audit & Finance Committee's Terms of Reference mandate the committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The committee oversees the risk management reporting of SaskPower and directly interacts with the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with our company's overall strategic planning and public policy objectives.

During 2013, the committee reviewed annual and interim financial statements, regular risk reporting packages, Corporate Balanced Scorecard reporting, the 2014 Business Plan, as well as the Deloitte and Provincial Auditor 2012 audit summaries. The committee approved the work plan for the Internal Audit Department and monitored quarterly reporting on irregularities. Although there were no material irregularities in 2013, quarterly reporting enhances and underscores ongoing vigilance in this area.

The committee is also responsible for reviewing proposed capital and operating, maintenance and administration projects and initiatives that are material from a risk or value perspective prior to referral to the Board. In 2013, the committee reviewed, and recommended to the Board for approval, the purchase of land at the Global Transportation Hub for the construction of a Logistics Warehouse Complex. The committee also monitored the Corporation's progress on a number of significant projects that were previously approved by the Board, including SaskPower's Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and its Advanced Metering Infrastructure program. A proposal to purchase 25 MW of power from Manitoba Hydro over seven years commencing in 2015 was also considered by the committee and recommended for approval. In addition, the committee recommended that the Corporation proceed with an application for a three-year rate increase starting in 2014.

Environment, Occupational Health & Safety Committee
Four meetings
Chair: Judy Harwood
Members: Tamara Emsley (appointed May 23, 2013, and resigned September 30, 2013), Mitch Holash, Nick Kaufman, Andy McCreath (resigned February 25, 2013), Lorne Mysko and Rob Pletch (ex officio)

The Environment, Occupational Health & Safety Committee is charged with ensuring that our company proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements. Highlights of the committee's activities in 2013 include: reviewing SaskPower's General Health and Safety Policy; monitoring SaskPower's safety performance throughout the year; and reviewing the condition of SaskPower's dam and ash lagoon facilities.

In 2013, the committee revised its Terms of Reference to ensure that its written mandate reflects current best practices for environmental and safety committees of other energy companies. The committee also continued to monitor federal and provincial regulatory developments relating to greenhouse gas emissions, as well as the Corporation's compliance with environmental regulatory requirements.

Governance/Human Resources Committee
Six meetings (including one for new Board Member orientation)
Chair: Bryan Leverick
Members: Judy Harwood, Mitch Holash, Karri Howlett (appointed March 21, 2013), Lorne Mysko (removed May 23, 2013), Rob Pletch (ex officio) and Tammy Van Lambalgen (appointed May 23, 2013)
The Governance/Human Resources Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. The committee's governance-related duties include serving as ethics advisor for the Board, monitoring and evaluating overall Board performance on a biannual basis, providing guidance on governance issues to Directors, and recommending governance issues for discussion by the Board or committees.

In 2013, the committee reviewed and recommended to the Board for approval: amendments to SaskPower's electrical inspection regulations; amendments to *The Gas Inspection Act, 1993*; revisions to SaskPower's Code of Conduct; and a Community Engagement Policy.

The Governance/Human Resources Committee is also charged with overseeing SaskPower's human resources strategies, programs and practices. In 2013, the committee reviewed and recommended to the Board: adjustments to the Corporation's compensation framework for out-of-scope employees as a result of a comprehensive corporate job evaluation review as well as a new short-term incentive plan framework for a portion of its out-of-scope employees.

Assessing our governance performance

Our company is committed to regularly revisiting key elements of SaskPower's decision-making processes to ensure we continue to meet best practice standards. As a Crown corporation, SaskPower is not required to comply with Canadian Securities Administrators (CSA) Governance Guidelines. However, we use these guidelines to benchmark our governance practices.

Our company's practices are substantially consistent with CSA standards, as set out in the following scorecard:

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Composition of the Board 3.1 The Board should have a majority of independent Directors.	As of December 31,2013, the Board was comprised of 11 independent Directors.	Yes
3.2 The Chair of the Board should be an independent Director. Where this is not appropriate, an independent Director should be appointed to act as "Lead Director." However, either an independent Chair or an independent Lead Director should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent Director.	Yes
Meetings of independent Directors 3.3 The independent Directors should hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance.	All members are independent. The Board typically has at least one in camera session without management at every meeting.	Yes
Board mandate 3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	The Board has a written mandate in its terms of reference, where it explicitly acknowledges that the Board of Directors functions as a steward of the company.	Yes

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;	The terms of reference for a Director state that Directors shall require "of themselves and corporate employees high standards of ethical behaviour…" The President and CEO mandate also places accountability on that position for ensuring activities and practices of the company are ethical and compliant with the law.	Yes
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board, working with the executive, provides strategic direction to SaskPower. Formally, this is accomplished with the annual approval of the Strategic Plan.	Yes
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The Board identifies principal risks to the company on an annual basis. Either directly or through the Audit & Finance Committee, the Board monitors the company's risk management programs. It also oversees the implementation of risk management systems. The Audit & Finance Committee meets regularly to review reports and discuss significant risk concerns with both the internal and external auditors.	Yes
(d) succession planning (including appointing, training and monitoring senior management);	The Board terms of reference state that the Board is responsible for succession planning.	Yes
(e) adopting a communication policy for the issuer;	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	Yes
(f) the issuer's internal control and management information systems; and	The Board has approved an internal control program. SaskPower has documented and evaluated the design of the company's internal controls over financial reporting, including the adequacy of its information systems. Our company has developed a testing program to regularly evaluate the effectiveness of these controls. SaskPower's CEO and CFO annually certify that our company has developed an appropriate set of internal controls over financial reporting and that the controls are working effectively.	Yes
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.[1]	The Governance/Human Resources Committee is responsible for and reports to the Board on corporate governance matters. The committee also functions as the ethics advisor for the Board.	Yes
The written mandate of the Board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent Directors), and	The Board assumes responsibility for adopting policies and processes to enable effective communication with the shareholder, stakeholders and the public. To facilitate feedback from employees, the Board has adopted a whistle blower policy.	Yes
(ii) expectations and responsibilities of Directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Expectations and responsibilities of Directors, including participation in and preparation for meetings, are outlined in the terms of reference for a Director.	Yes

1. Issuers may consider appointing a Corporate Governance Committee to consider these issues. A Corporate Governance Committee should have a majority of independent Directors, with the remaining members being "non-management" Directors.

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Position descriptions 3.5 The Board should develop clear position descriptions for the Chair of the Board and the Chair of each Board committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	The Governance/Human Resources Committee annually reviews the terms of reference for the Board Chair as well as Committee Chairs. These are approved by the Board. The Board has also adopted a President and CEO mandate.	Yes
Orientation and continuing education 3.6 The Board should ensure that all new Directors receive a comprehensive orientation. All new Directors should fully understand the role of the Board and its committees, as well as the contribution individual Directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its Directors). All new Directors should also understand the nature and operation of the issuer's business.	The Governance/Human Resources Committee terms of reference state that it shall recommend a Director orientation and continuing education policy. New Directors receive a comprehensive orientation to corporate issues and processes. Comprehensive briefing materials are also provided to new members covering key aspects of our company's business. The expectations of individual Directors are set out in the terms of reference for a Director approved by the Board. These expectations include attendance at meetings, participation in Board and committee work, and advance preparation for each meeting.	Yes
3.7 The Board should provide continuing education opportunities for all Directors, so that individuals may maintain or enhance their skills and abilities as Directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	SaskPower Board Members are offered the opportunity to attend The Director's College. Sponsored by CIC, this modular program focuses on the highest calibre governance practices, including technical and behavioural aspects of board governance. Directors who complete all five modules of the program are eligible to write a final examination and receive certification as a chartered corporate Director. In addition, our company provides opportunities to participate in site visits and tours. The Board also receives industry-specific briefings as a backdrop for policy and investment decisions.	Yes
Code of Business Conduct and Ethics 3.8 The Board should adopt a written Code of Business Conduct and Ethics (a Code). The Code should be applicable to Directors, officers and employees of the issuer. The Code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	SaskPower has a written Code of Conduct Policy applicable to Directors, officers and employees. It is intended to provide both general and specific guidelines to protect and guide SaskPower personnel faced with ethical, moral and legal dilemmas during the course of their employment or in carrying out their duties. The Board has the responsibility to review and revise the Code, as required. The Board has further strengthened this directive by adopting a whistle blower policy and implementing an anonymous reporting process to help deter wrongdoing. Quarterly irregularity reporting has been implemented to keep the Board informed of compliance issues.	Yes
(a) conflicts of interest, including transactions and agreements in respect of which a Director or Executive Officer has a material interest;	The Code addresses conflicts of interest. Board Members complete and file annual conflict of interest declarations with the office of the General Counsel as well as declare any conflicts on the spot as they may arise in a meeting setting. Board Members are also bound by the CIC Directors' Code of Conduct.	Yes
(b) protection and proper use of assets and opportunities;	Property and inventions are covered in the Code as well as the appropriate use of business assets.	Yes
(c) confidentiality of corporate information;	Confidentiality is covered in the Code, including SaskPower information that contains third party information and personal information about personnel and customers.	Yes

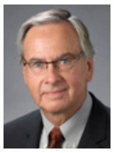
CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Fair dealing is covered in the General Conduct Principles section of the Code as follows: "SaskPower expects personnel to conduct themselves…in a manner that is and is perceived to be fair and evenhanded, and to carry on their activities within the scope of their duties and in compliance with applicable laws and this Code and related policies. The public is entitled to expect and receive…fair and equitable treatment and compliance with confidentiality expectations and laws, whether in the provision of services or in the acquisition of property."	Yes
(e) compliance with laws, rules and regulations; and	The Code requires Directors, officers and employees to comply with applicable laws and related policies.	Yes
(f) reporting of any illegal or unethical behaviour.	The Code places an onus on employees to report suspected illegal or unethical behaviour. This is facilitated by specific procedures for reporting and investigating unethical conduct and other irregularities, which are appended to the Code.	Yes
3.9 The Board should be responsible for monitoring compliance with the Code. Any waivers from the Code that are granted for the benefit of the issuer's Directors or Executive Officers should be granted by the Board (or a Board committee) only. Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a Director or Executive Officer which constitutes a material departure from the Code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the Code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the Board has or has not sanctioned the departure(s), and • any measures the Board has taken to address or remedy the departure(s).	The Governance/Human Resources Committee's terms of reference state that it shall monitor and report annually to the Board concerning compliance with the CIC Director's Code of Conduct and to "review and report to the Board on conflict of interest matters involving Directors." There were no waivers granted in 2013 with respect to Code compliance by Directors, Officers or employees.	Yes
Nomination of directors 3.10 The Board should appoint a Nominating Committee.	As a Crown corporation, the appointment and removal of Directors is the prerogative of the Lieutenant Governor in Council, as established by statute. The Governance/Human Resources Committee may review and recommend qualified potential candidates for the Board. The names of any recommended candidates are then submitted by the Board to CIC as shareholder.	Substantial compliance

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
3.11 The Nominating Committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the Board. In addition, the Nominating Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate Directors, the selection and nomination of those Directors need not involve the approval of an independent Nominating Committee.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all terms referred to in the CSA guideline, with the exception of authority to delegate to individual members and subcommittees and member appointment and removal. The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	Substantial compliance
3.12 Prior to nominating or appointing individuals as Directors, the Board should adopt a process involving the following steps: (a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	A skills profile, identifying the desired mix of experience and competencies required for the Board to effectively discharge its responsibilities, has been developed and is periodically updated.	Yes
(b) Assess what competencies and skills each existing Director possesses. It is unlikely that any one Director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each Director, as these may ultimately determine the boardroom dynamic.	The Governance/Human Resources Committee, with assistance from the Corporate Secretary, maintains and updates a skills matrix of existing members. As needed, it conducts a gap analysis to identify skills required for future appointments to round out the Board's overall skill set.	Yes
The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision making. In carrying out each of these functions, the Board should consider the advice and input of the Nominating Committee.	The terms of reference for the Governance/Human Resources Committee state that it shall recommend the size of the Board.	Yes
3.13 The Nominating Committee should be responsible for identifying individuals qualified to become new Board Members and recommending to the Board the new Director nominees for the next annual meeting of shareholders.	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	Yes
3.14 In making its recommendations, the Nominating Committee should consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competencies and skills that the Board considers each existing Director to possess; and	The terms of reference for the Governance/Human Resources Committee require the Committee to "recommend to the Board the size, composition, required capabilities and compensation of the Board of Directors to meet the needs of the Corporation."	Yes
(c) the competencies and skills each new nominee will bring to the boardroom. The Nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board Member.	When seeking candidates to fill a vacancy, it is the responsibility of Executive Council to consider how the skills and competencies of each candidate fit with the identified gaps on the Board.	Partial compliance

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Compensation 3.15 The Board should appoint a Compensation Committee composed entirely of independent Directors.	All members of the Governance/Human Resources Committee are independent Directors.	Yes
3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all items referred to in the CSA guideline (with the exception of member appointment and removal, which is established by statute). The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	Substantial compliance
3.17 The Compensation Committee should be responsible for: (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;	The Governance/Human Resources Committee's terms of reference state that the CEO's review is based upon agreed-upon objectives, updated each year. While CEO compensation is not addressed specifically, the committee has the responsibility to review and monitor all management compensation and benefit programs. As SaskPower is not a publicly-traded company, the parameters for CEO compensation are set by its shareholder, CIC.	Substantial compliance
(b) making recommendations to the Board with respect to non-CEO Officer and Director compensation, incentive-compensation plans and equity-based plans; and	The Governance/Human Resources Committee has the responsibility to annually review and monitor management compensation and benefit programs and make recommendations to the Board. CIC, as shareholder, sets Director remuneration.	Substantial compliance
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	The Board annually approves the disclosure of the compensation of executive members and all employees earning more than $50,000 per year. The compensation is disclosed to the Standing Committee on Crown and Central Agencies of the Legislative Assembly, and ultimately the public, through payee disclosure. In addition, the President and CEO — and direct reports — are required to file their employment contracts, and any amendments thereto, with the Clerk of the Executive Council pursuant to *The Crown Employment Contracts Act*. Key management personnel compensation is disclosed in the notes to the consolidated financial statements.	Yes
Regular Board assessments 3.18 The Board, its committees and each individual Director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	The Governance/Human Resources Committee coordinates the assessment process with the assistance of the Corporate Secretary or an external service provider. Performance evaluations are conducted annually on a two-year cycle, with Board and Board Chair evaluations being conducted one year, and direct peer, Committee Chair and committee evaluations being conducted the following year. In 2013, evaluations were conducted on peers, committee chairs and committees.	Yes
(a) in the case of the Board or a Board committee, its mandate or charter, and	Comprehensive evaluation surveys have been developed that take into consideration the mandate of the Board as well as accepted good governance practices.	Yes
(b) in the case of an individual Director, the applicable position description(s), as well as the competencies and skills each individual Director is expected to bring to the Board.	Peer evaluations are completed every other year and are based on the position description for Directors.	Yes

Board of Directors

[As at December 31, 2013]



Rob Pletch
Chair
Regina, Saskatchewan

Robert Pletch, Q.C., joined SaskPower's Board of Directors as Chair in July 2013. Prior to this, he also served as SaskEnergy's Board Chair.

As counsel with MacPherson Leslie & Tyerman LLP in Regina, Mr. Pletch's focus of law practice has been commercial and corporate law, securities, and mining law. He was Managing Partner at the firm from 1997-2001, and Chairman from 2003-2011.

Mr. Pletch holds a Bachelor of Arts (with Great Distinction) from the University of Saskatchewan and a Bachelor of Laws from Queen's University. He was appointed as Queen's Counsel in 1989, and served as President of the Law Society of Saskatchewan.

His community involvement includes serving as a Director and Board Chair for the Saskatchewan Roughriders, Governor of the Canadian Football League, Director of Canada Post Corporation, Director of Western Surety Company and Director and member of the Executive Committee of the Hospitals of Regina Foundation.

Bill Wheatley
Vice-chair
Regina, Saskatchewan

Bill Wheatley is retired. He was formerly Managing Director, Chief Compliance Officer and General Counsel at Greystone Managed Investments Inc., a local investment management firm with more than $33 billion in assets under management. He is a member of the Board of Directors of VIA Rail Canada and is Past Chairman of the Saskatchewan Securities Commission.

Mr. Wheatley graduated from the University of Saskatchewan, where he earned a degree in both Commerce and Law. He was called to the bar in 1973. Before starting work with Greystone, Mr. Wheatley was the head of a Regina real estate firm and Chief of Staff to the Minister Responsible for the Saskatchewan Department of Finance and the Department of Justice.

Judy Harwood
Saskatoon, Saskatchewan

In October 2012, Ms. Harwood was elected Reeve of the Rural Municipality (RM) of Corman Park.

Corman Park surrounds the city of Saskatoon and is the largest RM in Saskatchewan. Ms. Harwood holds a certificate from Cornell University in Essentials of Hospitality Management along with her Certified Hotel Administrator (CHA) designation. Ms. Harwood was voted one of Saskatchewan's 10 Women of Influence by Saskatchewan Business Magazine and awarded the Queen's Golden Jubilee Medal for Outstanding Community Service.

Ms. Harwood has served on numerous boards, including the boards of SaskTel, Saskatchewan Transportation Corporation, Saskatoon Prairieland Exhibition Park, Saskatoon and District Chamber of Commerce, Ronald McDonald House, Saskatoon Regional Economic Development Authority, Saskatoon Community Foundation and served as President of the North Saskatoon Business Association.

Mitchell Holash
Prince Albert, Saskatchewan

Mitchell Holash practices law as senior partner in the firm of Holash Logue McCullagh based in Prince Albert. He was awarded the professional distinction of Queen's Counsel in 2010. Mr. Holash has served as Chairman of the Saskatchewan Police Commission, and continues to serve provincially on the Lieutenant Governor's Saskatchewan Honours Advisory Council and as a trustee for the Saskatchewan Foundation for the Arts. He is appointed nationally to the Oversight Committee for the Indian Residential School Adjudication Secretariat.

As a volunteer, he has dedicated himself to the enhancement of our provincial community for more than 25 years, establishing several cultural and recreational facilities, provincial awards ceremonies and charitable organizations. Mr. Holash has been awarded the Saskatchewan Volunteer Medal, the Saskatchewan Centennial Medal and the Saskatchewan Association of Community Planners' Community Development Award, and has been a recipient of both Prince Albert's Citizen of the Year and Sportsman of the Year Awards.

Karri Howlett
Saskatoon, Saskatchewan

Karri Howlett has over 15 years of experience in financial due diligence and risk analysis for financial institutions and small business. Her knowledge is based on positions held with Malaysia Industrial Development Finance, Concentra Financial, Affinity Credit Union, and as Principal of Karri Howlett Consulting Inc. She has conducted financial due diligence and risk analysis for several business endeavours, including business advisement and financial modelling for potash and coal projects, and mergers of financial institutions ranging in size from $75 million to $3 billion in assets.

Ms. Howlett is currently President and Chief Executive Officer and Chair of the Board of Directors of North Rim Exploration Ltd., a 50% employee-owned geosciences and engineering consulting firm based in Saskatoon, Saskatchewan. She led the company's ownership transition from sole-proprietorship to 50% employee ownership and 50% institutional ownership in 2009, and has developed governance and corporate structure to support and enhance corporate growth.

Ms. Howlett holds a Bachelor of Commerce, with Honours in Finance, from the University of Saskatchewan and has earned the Chartered Financial Analyst designation. An active community member, she has previously served on the boards of the Varsity View Community Association and CFA Society of Saskatchewan. She has been involved with the University of Saskatchewan's Edwards School of Business as a lecturer in the Department of Finance, participant in the Leadership Development Program, and a protégé in the Betty-Ann Heggie Womentorship Program. She currently sits on the boards of North Rim Exploration Ltd. and SkateSaskatoon.

Nicholas Kaufman
Regina, Saskatchewan

Prior to retirement from the active practice of law in 2011, Nick Kaufman was a Senior Counsel at McCrank Stewart in Regina. Mr. Kaufman was the Vice-president of Law at SaskPower from 1989 to 1991. He has also held the positions of Partner and Senior Counsel at Rendek McCrank Barristers and Solicitors and Associate at Balfour Moss. He has served as Director of Pioneer Life Assurance Company and Director of Canadian Pioneer Management.

Mr. Kaufman was appointed as Queen's Counsel in 1985. He is an active member of the Regina community and is former Director and President of the Regina Rotary Club and former Director of the Saskatchewan Roughriders Football Club. Mr. Kaufman studied at the University of Saskatchewan where he earned a Bachelor of Arts and Bachelor of Laws (cum laude).

Bryan Leverick
Saskatoon, Saskatchewan

Bryan Leverick is the President of Saskatchewan-based Alliance Energy Ltd, and has been with the company since 1974. In addition to his role on the SaskPower Board of Directors, Mr. Leverick is the Chair of the Royal University Hospital Foundation's Board of Directors and Past Chairman of the Canadian Electrical Contractors Association.

Mr. Leverick has served as Past President of the Saskatchewan Construction Association, Saskatchewan Bid Depository, Saskatoon Construction Association, and Electrical Contractors Association. He is also a Past Chair of the Saskatoon Economic Development Authority and Saskatoon City Hospital Foundation, as well as an avid supporter of Ronald McDonald House and Farm in the Dell. In 2003, he was honoured with the Distinguished Service Award by the Saskatchewan Construction Association, and received the Person of the Year Award in 2006

Mick MacBean
Calgary, Alberta

Mick MacBean joined Calgary-based private equity firm, TriWest Capital Partners as a Managing Director in 2010. From 1998 to 2010, he served as the CEO and Director of Diamond Energy Services, a Swift Current-based energy services company that he founded. Prior to that role, Mr. MacBean was employed by ARC Financial Corporation in a variety of disciplines, including merchant banking and private equity.

Mr. MacBean is the Lead Independent Director and Chair of the Audit Committee for Peyto Exploration and Development, a large natural gas producer listed on the Toronto Stock Exchange. He is a Director of numerous Western Canadian-based private businesses within the TriWest portfolio of companies, and also serves as the Chair of the Board of the Saskatchewan Hockey Hall of Fame.

Mr. MacBean holds a Bachelor of Commerce degree from the University of Saskatchewan and is also a Chartered Accountant and Chartered Director. He was recognized with the Gilbert Bennett Outstanding Graduating Director award by McMaster University, DeGroote School of Business.

Lorne Mysko
Saskatoon, Saskatchewan

Lorne Mysko and his wife operated Riverview Bed and Breakfast in Saskatoon until December 31, 2012. Mr. Mysko spent 33 years with the Royal Bank throughout Saskatchewan in several management positions before retiring in Saskatoon in 2001. Until 2008, he was a major shareholder in an automotive business in Saskatoon.

Throughout his years with the bank, Mr. Mysko volunteered with a variety of service clubs and local sporting organizations, holding office and directorships in many of them. In Saskatoon, he also served two terms with the City of Saskatoon Economic Development Board. Mr. Mysko is Immediate Past President of TCU Place, Public Representative to the Law Society of Saskatchewan, and a past Board Member of Primrose Lake Economic Development Corporation.

Leslie Neufeld
Swift Current, Saskatchewan

Leslie Neufeld holds a Bachelor of Administration degree from the University of Regina, and obtained her Chartered Accountant designation in 1996. Ms. Neufeld began her public practice career with Deloitte & Touche in Regina, Saskatchewan, and relocated to her hometown of Swift Current in 1996 to join Stark & Marsh Chartered Accountants, LLP.

Ms. Neufeld became a partner in 2006 and currently leads the Technical Services business unit, focused on providing tax and compliance services to individuals and corporations. She has also worked extensively in the field of trust and estate taxation. From June 2008 to June 2010 she served as a Member of Council for the Institute of Chartered Accountants of Saskatchewan and has also served on the Institute's Practice Appraisal Committee.

Tammy Van Lambalgen
Saskatoon, Saskatchewan

Tammy J. Van Lambalgen obtained her Bachelor of Arts degree in 1990 and her Bachelor of Laws degree in 1993, both from the University of Saskatchewan. Following graduation, she worked in Calgary for 10 years as a solicitor and as in-house counsel.

In 2003, Ms. Van Lambalgen returned to Saskatoon, joining AREVA Resources Canada as Manager, Legal. In 2008, she was promoted to her current role of Vice President, Regulatory Affairs and General Counsel. In this role, Ms. Van Lambalgen oversees AREVA's legal and regulatory matters, including licensing and environmental assessments. In 2014, Ms. Van Lambalgen was given the additional responsibility of overseeing Corporate Social Responsibility at AREVA.

Ms. Van Lambalgen is on the Board of Directors of AREVA Resources Canada and the Saskatchewan Mining Association. She also served as a Director on the Saskatoon Chamber of Commerce Board of Directors for four years.

Dale Bloom
Corporate Secretary

Dale Bloom works for CIC, the holding company for Saskatchewan's commercial Crown corporations. He was part of a team at CIC that won the Lieutenant Governor's Gold Medal for Outstanding Public Service in Saskatchewan, as well as a Certificate of Achievement in the International Awards Programme for work in governance and performance management of public enterprises.

Mr. Bloom has worked in the public sector for over 20 years in various capacities. He has several degrees, most recently attaining his MBA in 2011 from the Kenneth Levene Graduate School of Business at the University of Regina. He has been and continues to be involved in various charitable activities in Regina.

Compensation

Under the authority of *The Crown Corporations Act, 1993*, SaskPower's shareholder, CIC, directs the compensation received by Directors. In addition to reimbursement for reasonable expenses incurred while performing their duties (including related travel, meal and accommodation costs), Directors receive an annual retainer and meeting fees for service:

- The Board Chair receives an annual retainer of $40,000.
- Board Members receive an annual retainer of $25,000.
- The Audit & Finance Committee Chair receives an annual retainer of $3,500.
- Other Committee Chairs receive an annual retainer of $2,500.
- Committee members receive a $750 daily meeting fee.

Executive team

[As at December 31, 2013]

Robert Watson
President and CEO

Before joining SaskPower in August 2010, Mr. Watson served as President and CEO of SaskTel. Prior to that appointment he held several senior executive positions in the Canadian communications industry. Mr. Watson is a graduate in Electrical Technologies from Ryerson University. He has attended the International Executive Development Program at the INSEAD Centre in Fontainebleau, France, as well as the Executive Management Program at Ashridge Business School in the United Kingdom. He also holds an ICD.D designation from the Institute of Corporate Directors.

Mr. Watson currently serves as a Board Member for the Canadian Electricity Association, Energy Council of Canada and the Canadian Nuclear Association. In the community, he is a recipient of the Saskatchewan Centennial Medal, serves on the Prostate Cancer Canada Board and on the Board for One Life Makes a Difference.

Diane Avery
Vice-president, Customer Services

Diane Avery was appointed Vice-president of Customer Services in May 2012. Prior to her position with SaskPower, Ms. Avery spent 25 years with SaskTel where she held several roles, including Director of Technology and Director of Marketing. In her past positions, Ms. Avery has focused on delivering a positive customer experience, has implemented innovative solutions to customer and employee challenges and has experience identifying real customer needs and ways to meet them.

Ms. Avery holds a Bachelor of Administration from the University of Regina. She has completed numerous professional development programs including Creating a Culture of Innovation at the Kellogg School of Management at Northwestern University and the Executive Marketing Program at the University of Western Ontario's Richard Ivey School of Business. She has also been the past Board President and Chair of the Queen City Kinsmen Gymnastics Club as well as a past Board Member on the Canadian Wireless Telecommunications Association. She currently represents SaskPower on the Customer Council for the Canadian Electricity Association.

Guy Bruce
Vice-president, Resource Planning, and CEO, NorthPoint Energy Solutions

Guy Bruce is a Saskatchewan native with over 30 years of experience in the electricity industry. Throughout his career, he has served in a variety of roles which include plant engineering, system operations, risk management, business planning, asset management, environmental programs, and regulatory affairs. Mr. Bruce was appointed to the SaskPower Executive in September 2011. He is currently responsible for electricity supply planning, fuel supply, and electricity trading. Mr. Bruce is a professional electrical engineer who graduated from the University of Saskatchewan.

Sandeep Kalra
Vice-president and Chief Financial Officer

Sandeep Kalra was appointed Vice-president and Chief Financial Officer, Finance, in 2009. Mr. Kalra joined SaskPower after eight years in various positions with Finning International, the world's largest Caterpillar distributor. His career with Finning began in 2000 as the Director of Finance and Corporate Controller. Mr. Kalra went on to become Vice-President of Finance for Finning South America based in Chile and then Vice-President and Corporate Treasurer at the company's head office in Vancouver. Prior to his work with Finning, he held financial positions with Hertz Corporation, PepsiCo, Deloitte and Samtel India. He is a Chartered Accountant through both the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of India. Mr. Kalra holds a Bachelor of Commerce degree with honours from Delhi University, an MBA from the Stern School of Business at New York University and an ICD.D designation from the Institute of Corporate Directors.

Jim Diotte
Vice-president, Human Resources, Safety and Environment

Jim Diotte joined SaskPower as Vice-president of Human Resources in May 2011. Prior to joining SaskPower, Jim Diotte served as Chief Human Resources Officer for Redknee Solutions Inc., a global software company, and as Director, Human Resources at Dell Canada. Over the course of his career, he has held positions with Stelco, George Weston and Pepsi in labour relations, compensation and organizational development. Mr. Diotte has a degree in Labour Studies from McMaster University, and is a member of both the Society for Human Resource Management and Institute of Corporate Directors. He also sits on the Boards of Safe Saskatchewan and the Saskatchewan Association of Human Resource Professionals.

Tom Kindred
Vice-president and Chief Information Officer

Tom Kindred was appointed Vice-president of Information Technology and Security and Chief Information Officer in February 2009. Prior to his role with SaskPower, Mr. Kindred was Site Executive and Senior Vice-President of Innovation and Client Enhanced Services for MBNA Canada Bank/Bank of America. He spent over 10 years with CUETS Financial as the Executive Vice-President and CIO and 12 years in strategic and engineering positions at SaskTel. He has also served as a lecturer at the University of Regina's Faculty of Engineering.

Mr. Kindred completed the Advanced Management Program at Harvard Business School in Boston and has a Master of Science in Electrical Engineering and a Bachelor of Applied Science in Electronic Information Systems Engineering from the University of Regina. He is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan. Mr. Kindred is Chair of the Canadian Electricity Association Technology Council.

Mike Marsh
Vice-president and Chief Operations Officer

Mike Marsh was appointed Vice-President of Operations and Chief Operations Officer in October 2012. In this position, he is responsible for all operational issues for Power Production, Transmission Services and Distribution Services at SaskPower. Mr. Marsh has over 35 years of experience and joined SaskPower in 1991, following 12 years in the construction industry in Alberta and Saskatchewan. Once at SaskPower, he spent nine years in engineering and maintenance supervisory positions at the Boundary Dam Power Station and Power Production before serving as the Manager of Business and Financial Planning in Corporate and Financial Services for six years. He was appointed Vice-president of Transmission & Distribution in March 2007 and led this business unit through a period of change, transition and unprecedented growth in the province.

He attended the University of Saskatchewan, where he earned a Bachelor of Science degree in Mechanical Engineering. He later studied at Queen's School of Business and earned a Master's degree in Business Administration. He is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan. He currently represents SaskPower as Chair of the Canadian Electricity Association Transmission Council and has held positions on the Distribution Council and the Occupational Health and Safety Task Group.

Mr. Marsh is a past President of the local chapter of the Canadian Progress Club – Regina Centre, a service organization offering financial assistance to charities supporting children and wellness.

Michael Monea
President, Carbon Capture and Storage Initiatives

Michael Monea was appointed President, Carbon Capture and Storage Initiatives, in September 2011. He previously held the position of Vice-president, Integrated Carbon Capture and Storage Projects. Prior to his role with SaskPower, Mr. Monea was a Senior Vice-president with Canada Capital Energy Corporation.

He also served as Executive Director of the Petroleum Technology Research Centre at the University of Regina. Mr. Monea has held a number of other executive and technical positions in the oil and gas sector. In 2008, he was appointed to the Society of Petroleum Engineers Distinguished Lecture Program as an expert in enhanced oil recovery. Mr. Monea holds professional engineer and geoscientist designations.

Grant Ring
Vice-president, Business Development

Grant Ring was appointed Vice-president, Business Development in September 2011. He previously served as President and Chief Executive Officer of NorthPoint Energy Solutions since October 2007. During 2008, he also held the position of SaskPower's Acting Vice-president and Chief Financial Officer, Corporate and Financial Services.

From 2001 to 2007, Mr. Ring held the position of Treasurer, Financial Services, with Corporate and Financial Services, and prior to that role, spent 11 years in various positions with SaskPower. Before joining SaskPower in 1990, he was employed in various accounting positions in private sector manufacturing and construction. His work experience includes project and asset accounting, general accounting and reporting, business planning, treasury and banking and pension plans in Saskatchewan.

Mr. Ring is a Board Member of the Power Corporation Superannuation Plan. He was previously a member of the Public Employees Pension Plan in June 2010 and has held the position of Chair of Financial Executives International Canada. He has served on other non-profit boards as well.

Mr. Ring is a graduate of Queen's University, holding a Masters of Business Administration, and is a Certified Management Accountant. His contributions to the financial community were recognized in 2008 when he was named a Fellow of the Society of Management Accountants (FCMA). In 2007, he completed a certificate in Executive Coaching and in 2011 he achieved his ICD.D designation from the Institute of Corporate Directors.

Rachelle Verret Morphy
Vice-President, Law, Land and Regulatory Affairs, General Counsel and Assistant Secretary

Rachelle Verret Morphy joined SaskPower in 2005 as Assistant General Counsel with the Law Department. She was appointed Vice-president in 2011, with responsibility for overseeing the Law, Land and Regulatory Affairs division and advising the President, Executive and Board of Directors on governance issues.

Previously, Ms. Verret Morphy worked for a federally regulated financial institution where she was responsible for providing advice on legal, tax and regulatory matters. Ms. Verret Morphy also worked in the private practice of law for a number of years at a major Saskatchewan law firm, with a focus on procurement, construction, information technology and taxation.

Ms. Verret Morphy is both a lawyer and a chartered accountant, and holds an ICD.D from the Institute of Corporate Directors. She has a Bachelor of Laws from the University of Saskatchewan, and a Bachelor of Commerce (honours) from the University of Ottawa. She is a member of the Law Society of Saskatchewan, the Canadian Bar Association, the Institute of Chartered Accountants of Saskatchewan, the Chartered Professional Accountants of Ontario, the Canadian Corporate Counsel Association and the Association of Corporate Counsel. She also volunteers as a legal advisor with Pro Bono Students Canada.

Compensation

CIC has established a framework for executive compensation, and SaskPower's Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning executive compensation issues to the Governance/Human Resources Committee. Executive performance is assessed annually against corporate and individual objectives that are aligned with our company's Strategic Plan. The mandate for executive compensation for Saskatchewan Crown corporations is established and monitored by CIC.

Direct reports of SaskPower's president & CEO, including all executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days of occurrence. In addition, the Crown and Central Agencies Committee of the Legislative Assembly of Saskatchewan requires Crown corporations, including SaskPower, to file an annual payee list that includes the total compensation of executive members.

Salary ranges for SaskPower's executive team, as of December 31, 2013, were:

- President and CEO: $329,700 to $412,100.
- Vice-president: $227,300 to $284,200.

Five-year financial summary

(in millions)	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010	CGAAP 2009
Consolidated statement of income					
Revenue					
Saskatchewan electricity sales	**$ 1,878**	$ 1,687	$ 1,667	$ 1,575	$ 1,447
Exports	**62**	49	40	12	12
Net sales from electricity trading	**3**	14	14	4	7
Share of profit from equity accounted investees	**3**	5	6	6	7
Other revenue	**99**	100	105	90	45
	2,045	1,855	1,832	1,687	1,518
Expense					
Fuel and purchased power	**550**	513	485	446	509
Operating, maintenance and administration	**621**	618	579	513	495
Depreciation and amortization	**355**	316	290	266	229
Finance charges	**262**	205	199	195	147
Taxes	**55**	47	43	42	39
Other losses	**35**	27	8	9	3
	1,878	1,726	1,604	1,471	1,422
Income before the following	**$ 167**	$ 129	$ 228	$ 216	$ 96
Unrealized market value adjustments	**(53)**	6	9	(19)	7
Net income	**$ 114**	$ 135	$ 237	$ 197	$ 103
Consolidated statement of financial position					
Assets					
Current assets	**$ 472**	$ 441	$ 402	$ 377	$ 365
Property, plant and equipment	**7,641**	6,030	5,387	4,923	4,258
Intangible assets	**76**	62	52	24	25
Debt retirement funds	**368**	390	353	291	246
Investments accounted for using equity method	**40**	37	36	31	32
Other assets	**7**	9	11	13	22
Total assets	**$ 8,604**	$ 6,969	$ 6,241	$ 5,659	$ 4,948
Liabilities and equity					
Current liabilities	**$ 1,376**	$ 1,300	$ 705	$ 507	$ 574
Long-term debt	**3,563**	2,879	2,774	2,778	2,567
Finance lease obligations	**1,131**	430	434	291	–
Employee benefits	**153**	340	315	203	46
Provisions	**158**	162	149	122	129
Equity	**2,223**	1,858	1,864	1,758	1,632
Total liabilities and equity	**$ 8,604**	$ 6,969	$ 6,241	$ 5,659	$ 4,948
Consolidated statement of cash flows					
Cash provided by operating activities	**$ 572**	$ 396	$ 549	$ 442	$ 342
Cash used in investing activities	**(1,264)**	(954)	(609)	(518)	(582)
Cash provided by financing activities	**688**	564	61	74	232
(Decrease) increase in cash position	**$ (4)**	$ 6	$ 1	$ (2)	$ (8)
Financial indicators					
Dividends	**$ –**	$ 120	$ –	$ –	$ –
Capital expenditures	**$ 1,318**	$ 981	$ 625	$ 538	$ 640
Return on equity	**8.2%**	7.0%	12.6%	13.0%	6.1%
Per cent debt ratio	**69.8%**	67.1%	62.6%	62.7%	61.4%

The 2013, 2012, 2011 and 2010 financial information disclosed was prepared in accordance with International Financial Reporting Standards (IFRS). The 2009 financial information disclosed was prepared in accordance with Canadian Generally Accepted Accounting Principles (CGAAP).

Five-year revenue statistics

	2013	2012	2011	2010	2009
Number of Saskatchewan customer accounts					
Residential	**362,738**	353,435	345,854	340,518	334,684
Farm	**61,076**	61,737	62,475	61,577	62,245
Commercial	**59,402**	58,435	58,118	55,714	55,853
Oilfield	**17,560**	16,894	15,437	15,098	14,461
Power	**101**	108	99	98	84
Reseller	**2**	2	2	2	2
Total	**500,879**	490,611	481,985	473,007	467,329
Electricity sales (in millions)					
Residential	**$ 452**	$ 402	$ 408	$ 382	$ 356
Farm	**155**	131	145	141	136
Commercial	**396**	365	355	339	320
Oilfield	**300**	263	242	234	215
Power	**494**	449	440	404	346
Reseller	**81**	77	77	75	74
Saskatchewan electricity sales	**1,878**	1,687	1,667	1,575	1,447
Exports	**62**	49	40	12	12
Total electricity sales	**$ 1,940**	$ 1,736	$ 1,707	$ 1,587	$ 1,459
Electricity sales (GWh)					
Residential	**3,190**	2,937	3,006	2,882	2,865
Farm	**1,332**	1,149	1,298	1,292	1,338
Commercial	**3,663**	3,532	3,447	3,386	3,407
Oilfield	**3,448**	3,177	2,901	2,872	2,742
Power	**7,863**	7,448	7,321	6,932	6,139
Reseller	**1,257**	1,254	1,253	1,254	1,274
Saskatchewan electricity sales	**20,753**	19,497	19,226	18,618	17,765
Exports	**497**	460	449	244	224
Total electricity sales	**21,250**	19,957	19,675	18,862	17,989
Average electricity sales price ($/MWh)					
Residential	**$ 142**	$ 137	$ 136	$ 133	$ 124
Farm	**116**	114	112	109	101
Commercial	**108**	103	103	100	94
Oilfield	**87**	83	83	81	78
Power	**63**	60	60	58	56
Reseller	**64**	61	61	60	58
Exports	**125**	107	89	49	56
Total weighted average electricity sales price	**$ 91**	$ 87	$ 87	$ 84	$ 81
Average annual usage per residential customer (kWh)	**8,794**	8,310	8,692	8,464	8,560
System-wide average rate increases	**5.0%**	0.0%	0.0%	4.5%	8.5%
	Jan 1			Aug 1	Jun 1
Electricity trading					
Electricity trading revenue (in millions)	**$ 20**	$ 29	$ 41	$ 35	$ 71
Electricity trading sales (GWh)	**266**	361	618	613	1,461

Five-year generating and operating statistics

	2013	2012	2011	2010	2009
Net electricity supplied (GWh)					
Coal	**10,846**	11,446	11,614	12,038	12,317
Gas	**6,460**	4,968	4,032	3,682	3,432
Hydro	**4,449**	4,240	4,641	3,866	2,962
Wind	**646**	655	682	507	579
Imports	**548**	656	502	518	440
Other	**206**	164	140	148	134
Gross electricity supplied	**23,155**	22,129	21,611	20,759	19,864
Line losses	**(1,905)**	(2,172)	(1,936)	(1,897)	(1,875)
Net electricity supplied	**21,250**	19,957	19,675	18,862	17,989
Available generating capacity (net MW)					
Coal	**1,591**	1,686	1,686	1,686	1,682
Gas	**1,597**	1,337	1,337	1,251	1,113
Hydro	**863**	853	853	853	853
Wind	**198**	198	198	172	172
Other	**32**	30	20	20	20
Total available generating capacity	**4,281**	4,104	4,094	3,982	3,840
Peak loads (net MW)					
Annual peak load	**3,543**	3,314	3,195	3,162	3,231
Minimum load	**1,839**	1,640	1,728	1,636	1,561
Summer peak load	**3,187**	3,053	3,070	2,750	2,773
Lines in service (km)					
Transmission lines	**12,250**	12,298	12,576	12,705	12,404
Distribution lines	**139,375**	138,959	139,390	137,380	137,093
Total lines in service	**151,625**	151,257	151,966	150,085	149,497
Number of permanent full-time employees	**3,008**	2,830	2,701	2,727	2,653

SYSTEM MAP

[As at December 31, 2013]

AVAILABLE GENERATION (net capacity)

HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 111 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
13. Coteau Creek Hydroelectric Station - 186 MW

NATURAL GAS

3. Meadow Lake Power Station - 44 MW
7. Yellowhead Power Station - 138 MW
9. Ermine Power Station - 92 MW
10. Landis Power Station - 79 MW
12. Queen Elizabeth Power Station - 430 MW
15. Success Power Station - 30 MW

WIND

16. Cypress Wind Power Facility - 11 MW
18. Centennial Wind Power Facility - 150 MW

COAL

20. Poplar River Power Station - 582 MW
21. Boundary Dam Power Station - 733 MW
    [Site of the Integrated Carbon Capture and Storage Demonstration Project]
23. Shand Power Station - 276 MW

INDEPENDENT POWER PRODUCERS*

6. Meridian Cogeneration Station - 210 MW
8. NRGreen Kerrobert Heat Recovery Facility - 5 MW
11. Cory Cogeneration Station - 228 MW
14. NRGreen Loreburn Heat Recovery Facility - 5 MW
17. SunBridge Wind Power Facility - 11 MW
19. NRGreen Estlin Heat Recovery Facility - 5 MW
22. NRGreen Alameda Heat Recovery Facility - 5 MW
24. Red Lily Wind Energy Facility - 26 MW
25. Spy Hill Generating Station - 86 MW
26. Prince Albert Pulp Inc. - 10 MW
27. North Battleford Generating Station - 260 MW

*[Additional 2 MW of capacity from small independent power producers]

TRANSMISSION

230 kV

138 kV/115 kV/110 kV

Switching station

Interconnection

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