THIRD QUARTER FINANCIAL REPORT

For the nine months ended
September 30, 2014

SaskPower
Powering the future®

STRATEGIC DIRECTION

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

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended September 30						Nine months ended September 30					
(in millions)		**2014**		2013		Change		**2014**		2013		Change
Revenue	**$**	**521**	$	503	$	18	**$**	**1,599**	$	1,523	$	76
Expense		**493**		478		15		**1,543**		1,341		202
Income before unrealized market value adjustments		**28**		25		3		**56**		182		(126)
Net income (loss)		**17**		(7)		24		**98**		129		(31)
Capital expenditures		**300**		325		(25)		**916**		893		23

		Sep 30 2014		Dec 31 2013		Change
Long-term debt	**$**	**4,139**	$	3,568	$	571
Short-term advances		**879**		804		75
Finance lease obligations		**1,139**		1,137		2

	2014	2013	Change
Return on equity [1]	**3.4%**	12.1%	-8.7%
Per cent debt ratio [2]	**71.7%**	69.4%	2.3%

1. Return on equity = (annualized 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

	Three months ended September 30			Nine months ended September 30		
(GWh [1])	**2014**	2013	Change	**2014**	2013	Change
Saskatchewan electricity sales	**5,107**	4,977	130	**15,809**	15,306	503
Exports	**19**	164	(145)	**88**	463	(375)
Total electricity sales	**5,126**	5,141	(15)	**15,897**	15,769	128
Gross electricity supplied	**5,492**	5,469	23	**17,283**	17,053	230
Line losses	**(366)**	(328)	(38)	**(1,386)**	(1,284)	(102)
Net electricity supplied	**5,126**	5,141	(15)	**15,897**	15,769	128
Electricity trading purchases	**37**	61	(24)	**154**	206	(52)
Line losses	**(1)**	-	(1)	**(2)**	-	(2)
Electricity trading sales	**36**	61	(25)	**152**	206	(54)
Generating capacity (net MW [2])	**4,281**	4,364	(83)	**4,281**	4,364	(83)
Peak load (net MW [2])	**3,131**	3,187	(56)	**3,451**	3,379	72
Customer accounts	**509,010**	498,397	10,613	**509,010**	498,397	10,613

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited condensed consolidated financial statements and supporting notes for the nine months ended September 30, 2014. These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The SaskPower Audit & Finance Committee of the Board of Directors has approved the condensed consolidated financial statements.

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

Financial results

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Revenue						
Saskatchewan electricity sales	**$ 488**	$ 455	$ 33	**$ 1,515**	$ 1,389	$ 126
Exports	**1**	20	(19)	**7**	59	(52)
Net sales (costs) from electricity trading	**1**	-	1	**(1)**	4	(5)
Share of profit from equity accounted investees	**1**	-	1	**2**	3	(1)
Other revenue	**30**	28	2	**76**	68	8
	521	503	18	**1,599**	1,523	76
Expense						
Fuel and purchased power	**146**	127	19	**461**	394	67
Operating, maintenance and administration	**163**	156	7	**486**	445	41
Depreciation and amortization	**98**	93	5	**286**	262	24
Finance charges	**83**	77	6	**234**	184	50
Taxes	**15**	14	1	**45**	41	4
Other losses (gains)	**(12)**	11	(23)	**31**	15	16
	493	478	15	**1,543**	1,341	202
Income before the following	**$ 28**	$ 25	$ 3	**$ 56**	$ 182	$ (126)
Unrealized market value adjustments	**(11)**	(32)	21	**42**	(53)	95
Net income (loss)	**$ 17**	$ (7)	$ 24	**$ 98**	$ 129	$ (31)
Return on equity [1]				**3.4%**	12.1%	-8.7%

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

Highlights and summary of results

Third Quarter

SaskPower had consolidated income before unrealized market value adjustments of $28 million in the third quarter of 2014 compared to income of $25 million in the third quarter of 2013. The $3 million increase was due to higher Saskatchewan electricity sales and a reversal of impairment loss on Advanced Metering Infrastructure (AMI) meters, offset by higher fuel and operating costs and decreased exports.

Total revenue was up $18 million in the third quarter of 2014, compared to the third quarter of 2013. The improvement in revenue was attributable to a $33 million increase in Saskatchewan electricity sales due to the 5.5% system-wide average rate increase that became effective January 1, 2014 and a 3% increase in sales volumes. In addition, other revenue increased $2 million as a result of higher gas and electrical inspection revenue and customer contributions. Profit from equity accounted investees also increased by $1 million. These increases were offset by an $18 million decrease in exports and electricity trading due to lower sales volumes as a result of fewer opportunities to sell into Alberta, coupled with maintenance on the Saskatchewan/Alberta interconnection.

Total expense increased $15 million in the third quarter of 2014, compared to the third quarter of 2013. Fuel and purchased power costs increased $19 million largely as a result of an unfavourable change in the fuel prices as a result of higher coal and natural gas costs. Operating, maintenance and administration (OM&A) expense was up $7 million due to higher maintenance and materials and supplies costs at the Corporation's generation facilities compared to the third quarter of 2013. Depreciation expense increased $5 million compared to the same period in 2013 as a result of significant investments in the Corporation's property, plant and equipment. In addition, finance charges increased $6 million compared to the same period in 2013 due to higher interest charges on debt related to increased borrowings partially offset by a decrease in the interest expense on employee benefits. Taxes increased $1 million as a result of an increase in the Corporation's capital tax base. Other losses decreased $23 million due to the reversal of impairment loss as a result of an agreement with the supplier for reimbursement of all purchased AMI meters.

SaskPower reported $11 million of unrealized market value net losses in the third quarter of 2014, compared to $32 million in the third quarter of 2013. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end.

Year-to-Date

SaskPower's consolidated income before unrealized market value adjustments was $56 million in the first nine months of 2014 compared to $182 million in the first nine months of 2013. The $126 million decrease was due to higher fuel and operating costs, increased finance charges and lower exports offset by an increase in Saskatchewan electricity sales. The return on equity was 3.4%, down 8.7 percentage points from the previous period.

Total revenue was up $76 million in the first nine months of 2014, compared to the first nine months of 2013. The improvement in revenue was attributable to a $126 million increase in Saskatchewan electricity sales due to the 5.5% system-wide average rate increase that became effective January 1, 2014 and higher sales volumes. In addition, other revenue increased $8 million as a result of higher gas and electrical inspection revenue and customer contributions. These increases were offset by a $57 million decrease in exports and electricity trading primarily due to lower sales volumes as a result of fewer opportunities to sell into Alberta, coupled with maintenance on the Saskatchewan/Alberta interconnection.

Total expense increased $202 million in the first nine months of 2014, compared to the first nine months of 2013. Fuel and purchased power costs increased $67 million largely as a result of rising fuel prices and increased natural gas generation and imports which replaced less expensive coal generation. OM&A expense was up $41 million due to higher maintenance and materials and supplies costs related to the number of major overhauls performed at the Corporation's generation facilities compared to the first nine months of 2013. Depreciation expense increased $24 million compared to the same period in 2013 as a result of significant investments in the Corporation's property, plant and equipment. Finance charges increased $50 million due to an increase in finance lease expense as a result of the commissioning of the North Battleford Generating Station in June of 2013 and additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. Taxes increased $4 million as a result of an increase in the Corporation's capital tax base. Other losses increased $16 million due to the recognition of an impairment loss as a result of a decision to replace all AMI meters with legacy meters.

SaskPower reported $42 million of unrealized market value net gains in the first nine months of 2014, compared to $53 million in net losses in the first nine months of 2013. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end.

Outlook

SaskPower's income before unrealized market value adjustments is expected to be $66 million in 2014, resulting in a return on equity of 2.9%.

Saskatchewan electricity sales of $2,021 million are expected to increase $143 million due to the system-wide average rate increase of 5.5% that became effective January 1, 2014, and a 453 GWh or 2% increase in electricity sales volumes. The increase in domestic electricity sales are expected to be offset by a $50 million reduction in export sales due to lower sales volumes as a result of fewer opportunities to sell into Alberta, coupled with maintenance on the Saskatchewan/Alberta interconnection.

The increase in revenue, however, is expected to be more than offset by a $207 million increase in expenses in 2014. The primary driver is a $94 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 $1.3 billion is expected to be invested in 2014.

Fuel and purchased power costs are expected to increase $80 million as a result of higher generation volumes to source increased demand and rising coal and natural gas prices. OM&A expense is expected to increase $33 million due to increased maintenance activities at SaskPower's generation facilities; and higher salaries and benefits.

Capital expenditures in 2014 are forecast to be approximately $1.3 billion. This includes $576 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; $353 million on new generation initiatives, including $217 million on the repowering of Queen Elizabeth Power Station and maintaining and refurbishing the existing generation fleet; and $177 million to complete the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.

Revenue

Saskatchewan electricity sales

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Saskatchewan electricity sales	**$ 488**	$ 455	$ 33	**$ 1,515**	$ 1,389	$ 126

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

Saskatchewan electricity sales for the third quarter of 2014 were $488 million, up $33 million from the third quarter of 2013 and $1,515 million in the first nine months of 2014, up $126 million from the first nine months of 2013. The increase was due to the system-wide average rate increase of 5.5% that became effective January 1, 2014 and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers for the first nine months of 2014 were 15,809 GWh, up 503 GWh or 3% from the same period in 2013. The Corporation experienced growth in demand from all customer classes with the exception of oilfields.

Exports

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Exports	**$ 1**	$ 20	$ (19)	**$ 7**	$ 59	$ (52)

Exports represent the sale of SaskPower's available generation to other regions in Canada and the United States. The bulk of SaskPower's exports are traditionally made to the neighbouring Alberta 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 $1 million in the third quarter of 2014, down $19 million from the third quarter of 2013, and $7 million in the first nine months of 2014, down $52 million from the first nine months of 2013. Exports were down primarily due to a decrease in sales volumes due to fewer opportunities to sell into Alberta coupled with maintenance on the Saskatchewan/Alberta interconnection. Export sales volumes decreased 375 GWh or 81% during the first nine months of 2014, compared to the first nine months of 2013.

Net sales (costs) from electricity trading

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Electricity trading revenue	**$ 4**	$ 4	$ -	**$ 10**	$ 16	$ (6)
Electricity trading costs	**(3)**	(4)	1	**(11)**	(12)	1
Net sales (costs) from electricity trading	**$ 1**	$ -	$ 1	**$ (1)**	$ 4	$ (5)

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

Electricity trading revenue was $4 million in the third quarter of 2014, consistent with the third quarter of 2013, and $10 million in the first nine months of 2014 compared to $16 million in the first nine months of 2013. The year-to-date decline in revenues was due to lower sales volumes and pool prices in Alberta. Trading volumes decreased 54 GWh or 26% compared to the prior year. Despite the decline in sales, trading costs remained fairly consistent due to fixed electricity purchase and transmission contracts. As a result, the gross margin, or net sales after deducting purchased power and transmission costs was negative $1 million in the first nine months of 2014, compared to a positive $4 million in the first nine months of 2013.

Share of profit from equity accounted investees

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Share of profit from equity accounted investees	**$ 1**	$ -	$ 1	**$ 2**	$ 3	$ (1)

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

SaskPower's share of profit from its investment in the MRM Cogeneration Station was $2 million for the first nine months of 2014, down $1 million from the prior year due to lower margins on electricity sales as a result of lower Alberta pool prices and higher fuel costs.

Other revenue

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Other revenue	**$ 30**	$ 28	$ 2	**$ 76**	$ 68	$ 8

Other revenue includes various non-electricity products and services. Other revenue was $30 million in the third quarter of 2014, up $2 million from the third quarter of 2013, and $76 million in the first nine months of 2014 compared to $68 million in the first nine months of 2013. The $8 million increase was due to higher gas and electrical inspection revenue and customer contributions. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for use.

Expense

Fuel and purchased power

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Fuel and purchased power	**$ 146**	$ 127	$ 19	**$ 461**	$ 394	$ 67

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

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

Fuel and purchased power costs were $146 million in the third quarter of 2014, up $19 million from the third quarter of 2013, and $461 million in the first nine months of 2014, up $67 million from the first nine months of 2013. The $67 million increase is a result of an unfavourable fuel price, mix, and volume variance.

The average price of fuel increased as a result of higher average contracted costs for coal as well as rising natural gas prices. The increased fuel prices caused a $49 million increase in fuel and purchased power costs.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. During the first nine months of 2014, the Corporation's coal and hydro generation accounted for 66% of total generation compared to 69% from the same period in 2013. The decreased coal and hydro generation was replaced by more expensive natural gas generation and imports. This unfavourable change in the fuel mix resulted in an estimated $12 million increase in fuel and purchased power costs.

Total generation and purchased power was 17,283 GWh in the first nine months of 2014, an increase of 230 GWh or 1.3% compared to the same period in 2013. The higher demand resulted in an estimated $6 million increase in fuel and purchased power costs.

Operating, maintenance and administration (OM&A)

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
OM&A	**$ 163**	$ 156	$ 7	**$ 486**	$ 445	$ 41

OM&A expense was $163 million in the third quarter of 2014, up $7 million from the third quarter of 2013, and $486 million in the first nine months of 2014, up $41 from the first nine months of 2013. The rise in operating costs was largely due to an increase in maintenance and materials and supplies costs as a result of the major overhauls performed at Boundary Dam, Shand, Poplar River and Queen Elizabeth Power Stations. In 2014, the number of hours dedicated to performing overhauls at the Corporation's generation facilities more than doubled compared to the prior year. In addition, emergency maintenance costs were also higher in 2014 to address damage to transmission and distribution infrastructure caused by summer storm activity. Finally, salaries and benefits increased as a result of merit increases, job evaluation and collective bargaining settlements.

Depreciation and amortization

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Depreciation and amortization	**$ 98**	$ 93	$ 5	**$ 286**	$ 262	$ 24

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 $98 million in the third quarter of 2014, up $5 million from the third quarter of 2013 and $286 million in the first nine months of 2014 compared to $262 million in the first nine months of 2013. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures. In addition, following the completion of an internal depreciation study in 2013, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective January 1, 2014, and resulted in approximately a $4 million increase to depreciation expense in the first nine months of 2014.

Finance charges

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Finance charges	**$ 83**	$ 77	$ 6	**$ 234**	$ 184	$ 50

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 $83 million in the third quarter of 2014, up $6 million from the third quarter of 2013, and $234 million in the first nine months of 2014 compared to $184 million in the first nine months of 2013. The $50 million increase in finance charges was attributable to a $65 million increase in both finance lease expense as a result of the commissioning of the North Battleford Generating Station in June of 2013 and additional interest expense incurred as a result of higher debt levels required to finance SaskPower's capital expenditures. In addition, debt retirement fund earnings also decreased $3 million compared to the prior year. These amounts were offset by a $14 million increase in interest capitalized and $4 million reduction in interest related to its employee benefit plans.

Taxes

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Taxes	**$ 15**	$ 14	$ 1	**$ 45**	$ 41	$ 4

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 $45 million in the first nine months of 2014, up $4 million from the first nine months of 2013 as a result of an increase in the Corporation's capital tax base.

Other losses (gains)

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Other losses (gains)	**$ (12)**	$ 11	$ (23)	**$ 31**	$ 15	$ 16

Other losses (gains) include asset impairment losses, net losses on asset disposals and retirements, foreign exchange and environmental remediation activities. Other losses were $31 million in the first nine months of 2014, up $16 million compared to the first nine months of 2013. The increase in losses was largely due to the recognition of a $17 million impairment loss as a result of a decision to replace all AMI meters with legacy meters. The $17 million impairment loss is made up of the $41 million net book value write-down of all AMI meters, offset in the third quarter of 2014 by a $24 million impairment reversal resulting from a financial settlement with the supplier for all purchased AMI meters.

Unrealized market value adjustments

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Natural gas contracts	**$ (13)**	$ (29)	$ 16	**$ 17**	$ (29)	$ 46
Natural gas inventory revaluation	**(1)**	(1)	-	**(1)**	(1)	-
Electricity contracts	**(1)**	2	(3)	**2**	6	(4)
Debt retirement funds	**4**	(4)	8	**24**	(29)	53
Unrealized market value adjustments	**$ (11)**	$ (32)	$ 21	**$ 42**	$ (53)	$ 95

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 gain for the first nine months of 2014 of $42 million compared to a net loss of $53 million in the first nine months of 2013.

SaskPower had outstanding natural gas hedges of approximately 72 million notional gigajoules (GJs) to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the remainder of 2014 through 2024. The unrealized market value gains on these outstanding natural gas hedges and forward natural gas contracts were $17 million. The gains are the result of an improvement in the value of the outstanding natural gas hedges. These unrealized gains are subject to significant volatility based on movements in the forward price of natural gas.

Unrealized market value gains related to SaskPower's outstanding electricity derivative contracts were $2 million, a $4 million decrease from the prior year as a result of physical settlements of fixed price forward agreements during 2014.

The Corporation also recorded $24 million in market value gains related to its debt retirement funds, which represents a $53 million improvement compared to the same period in 2013. The improvement in the value of the debt retirement funds is primarily due to a decrease in long-term interest rates which positively impacts the value of the bonds in the debt retirement fund portfolio.

Financial Condition

The following chart outlines changes in the condensed consolidated statement of financial position from December 31, 2013, to September 30, 2014:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents (bank indebtedness)	$ 4	Refer to the Condensed Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	11	Margin deposits on derivatives.
Inventory	25	Increase in supplies for capital projects and natural gas inventory.
Prepaid expenses	7	Increase in prepaid employee benefits and other prepaid expenses.
Property, plant and equipment	634	Capital additions offset by depreciation expense, asset disposals, retirements and reversal of impairment.
Intangible assets	(8)	Amortization expense less capitalization of new software costs.
Debt retirement funds	70	Instalments, earnings and market value adjustments.
Investments accounted for using equity method	-	MRM equity investment distribution less income.
Other assets	(1)	Amortization of long-term coal supply agreements.
Accounts payable and accrued liabilities	17	Increased deferred customer contributions and timing of payroll remittances.
Accrued interest	(12)	Timing of interest payments.
Risk management liabilities (net of risk management assets)	(6)	Improvement in the fair value of natural gas hedges offset by the decrease in fair value of bond forward agreements.
Short-term advances	75	Issuance of short-term advances to finance capital.
Long-term debt (including current portion)	571	New long-term borrowings.
Finance lease obligations (including current portion)	2	Increase in current portion of finance lease obligations due to North Battleford Generating Station.
Employee benefits	54	Actuarial losses on the defined benefit pension plan.
Provisions	9	Increase in onerous contract provision offset by environmental remediation expenditures charged against provisions.
Equity	32	2014 comprehensive income.

Liquidity and Capital Resources

Cash flow highlights

(in millions)	September 30 2014	December 31 2013	Change
Cash and cash equivalents (bank indebtedness)	**$ 2**	$ (2)	$ 4

The Corporation's cash position increased $4 million from December 31, 2013. The $4 million increase was the result of $243 million provided by operating activities and $624 million provided by financing activities, offset by $863 million used in investing activities.

a) Operating activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Cash provided by operating activities	**$ 16**	$ 150	$ (134)	**$ 243**	$ 437	$ (194)

Cash provided by operating activities was $243 million in the first nine months of 2014, down $194 million from the first nine months of 2013. The decrease was primarily the result of a decline in income before unrealized market value adjustments and non-cash working capital.

b) Investing activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Generation	**$ 145**	$ 167	$ (22)	**$ 419**	$ 525	$ (106)
Transmission & Distribution	**155**	133	22	**446**	304	142
Other	**-**	25	(25)	**51**	64	(13)
Total capital expenditures	**$ 300**	$ 325	$ (25)	**$ 916**	$ 893	$ 23
Less: Interest capitalized	**(15)**	(16)	1	**(53)**	(39)	(14)
Net costs of removal of assets	**-**	1	(1)	**2**	2	-
Distributions from equity accounted investees	**-**	-	-	**(2)**	-	(2)
Cash used in investing activities	**$ 285**	**$ 310**	**$ (25)**	**$ 863**	$ 856	$ 7

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower invested $916 million in the first nine months of 2014 on various capital projects. This includes $157 million invested in the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and $213 million on renewing other generation assets, including $117 million on the repowering of the Queen Elizabeth Power Station and $39 million on the major overhaul of Boundary Dam Power Station Unit #4. The Corporation also invested $151 million to connect customers to the SaskPower electric system; $106 million on the I1K transmission line; $167 million on increasing capacity and sustaining transmission and distribution infrastructure; and $18 million on Information Technology projects.

c) Financing activities

(in millions)	Three months ended September 30 2014	2013	Change	Nine months ended September 30 2014	2013	Change
Net proceeds from short-term advances	**$ 266**	$ 221	$ 45	**$ 75**	$ 306	$ (231)
Net proceeds from long-term debt	**(1)**	(98)	97	**571**	95	476
Debt retirement fund instalments	**(10)**	(11)	1	**(34)**	(25)	(9)
Debt retirement fund redemptions	**-**	34	(34)	**-**	34	(34)
Principal repayment of finance lease obligations	**(1)**	(1)	-	**(4)**	(3)	(1)
Increase in long-term liabilities	**13**	4	9	**16**	6	10
Realized gains on cash flow hedges	**-**	-	-	**-**	9	(9)
Cash provided by financing activities	**$ 267**	$ 149	$ 118	**$ 624**	$ 422	$ 202

In the first nine months of 2014, $624 million of cash was provided by financing activities, up $202 million compared to the first nine months of 2013. The cash was used to finance the Corporation's capital program.

Capital management

(in millions)	September 30 2014	December 31 2013	Change
Long-term debt	**$ 4,139**	$ 3,568	$ 571
Short-term advances	**879**	804	75
Finance lease obligations	**1,139**	1,137	2
Total debt	**6,157**	5,509	648
Debt retirement funds	**(438)**	(368)	(70)
(Cash and cash equivalents) bank indebtedness	**(2)**	2	(4)
Total net debt	**$ 5,717**	$ 5,143	$ 574
Retained earnings	**1,559**	1,461	98
Accumulated other comprehensive income	**36**	102	(66)
Equity advances	**660**	660	-
Total capital	**$ 7,972**	$ 7,366	$ 606
Per cent debt ratio [1]	**71.7%**	69.8%	1.9%

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

SaskPower's total debt position (including finance lease obligations) was $6.2 billion at September 30, 2014, up $648 million from December 31, 2013. The increase in total debt was the result of:

- On January 10, 2014, the Corporation borrowed $200 million of long-term debt at a discount of $1.7 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 3.95% and matures on June 2, 2045.
- On March 6, 2014, the Corporation borrowed $100 million of long-term debt at a discount of $0.3 million. The debt issue has a coupon rate of 3.75%, an effective interest rate of 3.76% and matures on March 5, 2054.
- On May 2, 2014, the Corporation borrowed $175 million of long-term debt at a premium of $1 million. The debt issue has a coupon rate of 3.75%, an effective interest rate of 3.71% and matures on March 5, 2054.
- On May 27, 2014, the Corporation borrowed $100 million of floating rate debt maturing June 5, 2017. The coupon rate for the floating rate debt is the 3-month Canadian Dealer Offer Rate less a margin.
- The Corporation borrowed an additional $75 million in short-term advances and finance leases increased $2 million due to the North Battleford Generating Station.
- This increase in long-term debt was offset by the repayment of $3 million in non-recourse debt.

The Corporation's per cent debt ratio has increased slightly from 69.8% at the end of 2013 to 71.7% as at September 30, 2014.

Debt retirement fund instalments/redemptions

	Nine months ended September 30		
(in millions)	**2014**	2013	Change
Debt retirement fund instalments	**$ (34)**	$ (25)	$ (9)
Debt retirement fund redemptions	**-**	34	(34)

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

During the first nine months of 2014, the Corporation made $34 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. SaskPower also earned $12 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

Historically, SaskPower has paid dividends to Crown Investments Corporation (CIC) of Saskatchewan based on the CIC Dividend Policy. CIC has determined that SaskPower will not be required to pay dividends in 2014 due to the significant investments in property, plant and equipment of the Corporation.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at September 30, 2014, 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)	$ 225	$ 1,091	$ 7,014
Debt retirement fund instalments	39	154	686
Future minimum lease payments	167	701	2,540

SaskPower's financing requirements for the next 12 months will include $225 million in principal and interest payments, $39 million of debt retirement fund instalments, and $167 million in minimum lease payments under existing power purchase agreements. Included in the future minimum lease payments above, is the availability payments related to the power purchase agreements (PPAs) which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

Condensed Consolidated Statement of Income (Loss)

(in millions)	(Unaudited) Three months ended September 30 2014	2013	(Unaudited) Nine months ended September 30 2014	2013
		(Restated - Note 3)		(Restated - Note 3)
Revenue				
Saskatchewan electricity sales	**$ 488**	$ 455	**$ 1,515**	$ 1,389
Exports	**1**	20	**7**	59
Net sales (costs) from electricity trading	**1**	-	**(1)**	4
Share of profit from equity accounted investees	**1**	-	**2**	3
Other revenue	**30**	28	**76**	68
	521	503	**1,599**	1,523
Expense				
Fuel and purchased power	**146**	127	**461**	394
Operating, maintenance and administration	**163**	156	**486**	445
Depreciation and amortization	**98**	93	**286**	262
Finance charges	**83**	77	**234**	184
Taxes	**15**	14	**45**	41
Other losses (gains)	**(12)**	11	**31**	15
	493	478	**1,543**	1,341
Income before the following	**28**	25	**56**	182
Unrealized market value adjustments	**(11)**	(32)	**42**	(53)
Net income (loss)	**$ 17**	$ (7)	**$ 98**	$ 129

See accompanying notes

Condensed Consolidated Statement of Comprehensive Income (Loss)

	(Unaudited) Three months ended September 30		(Unaudited) Nine months ended September 30	
(in millions)	**2014**	**2013**	**2014**	**2013**
		(Restated - Note 3)		(Restated - Note 3)
Net income (loss)	**$ 17**	$ (7)	**$ 98**	$ 129
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income:				
Derivatives designated as cash flow hedges:				
Change in fair value during the year	**(7)**	9	**(13)**	44
Realized gains during the year	**-**	-	**-**	9
Reclassification to income	**-**	-	**(1)**	-
Items that will not be reclassified to net income:				
Defined benefit pension plans:				
Net actuarial gains (losses)	**(22)**	45	**(52)**	118
	(29)	54	**(66)**	171
Total comprehensive income (loss)	**$ (12)**	$ 47	**$ 32**	$ 300

See accompanying notes

Condensed Consolidated Statement of Financial Position

(in millions) As at	(Unaudited) September 30 2014	(Audited *) December 31 2013
Assets		
Current assets		
Cash and cash equivalents	**$ 2**	$ -
Accounts receivable and unbilled revenue	**279**	268
Inventory	**212**	187
Prepaid expenses	**15**	8
Risk management assets *(Note 7)*	**9**	9
	517	472
Property, plant and equipment *(Note 4)*	**8,275**	7,641
Intangible assets	**68**	76
Debt retirement funds	**438**	368
Investments accounted for using equity method	**40**	40
Other assets	**6**	7
Total assets	**$ 9,344**	$ 8,604
Liabilities and equity		
Current liabilities		
Bank indebtedness	**$ -**	$ 2
Accounts payable and accrued liabilities	**460**	443
Accrued interest	**41**	53
Risk management liabilities *(Note 7)*	**57**	63
Short-term advances	**879**	804
Current portion of long-term debt *(Note 5)*	**5**	5
Current portion of finance lease obligations *(Note 6)*	**8**	6
	1,450	1,376
Long-term debt *(Note 5)*	**4,134**	3,563
Finance lease obligations *(Note 6)*	**1,131**	1,131
Employee benefits	**207**	153
Provisions	**167**	158
Total liabilities	**7,089**	6,381
Equity		
Retained earnings	**1,559**	1,461
Accumulated other comprehensive income	**36**	102
Equity advances	**660**	660
Total equity	**2,255**	2,223
Total liabilities and equity	**$ 9,344**	$ 8,604

See accompanying notes

*As presented in the audited December 31, 2013, consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

(in millions)	Retained earnings	Accumulated other comprehensive income (loss): Net gains (losses) on derivatives designated as cash flow hedges	Accumulated other comprehensive income (loss): Net actuarial gains (losses) on defined benefit pension plans	Equity advances	**(Unaudited) Total**
Equity	(Restated - Note 3)				(Restated - Note 3)
Balance, January 1, 2013, as previously reported	$ 1,347	$ (6)	$ (143)	$ 660	**$ 1,858**
Net income (loss)	129	-	-	-	**129**
Other comprehensive income (loss)	-	53	118	-	**171**
Balance, September 30, 2013	**$ 1,476**	**$ 47**	**$ (25)**	**$ 660**	**$ 2,158**
Net income (loss)	(15)	-	-	-	**(15)**
Other comprehensive income (loss)	-	-	80	-	**80**
Balance, December 31, 2013	**$ 1,461**	**$ 47**	**$ 55**	**$ 660**	**$ 2,223**
Net income (loss)	98	-	-	-	**98**
Other comprehensive income (loss)	-	(14)	(52)	-	**(66)**
Balance, September 30, 2014	**$ 1,559**	**$ 33**	**$ 3**	**$ 660**	**$ 2,255**

See accompanying notes

Condensed Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended September 30 2014	2013 (Restated - Note 3)	(Unaudited) Nine months ended September 30 2014	2013 (Restated - Note 3)
Operating activities				
Net income (loss)	**$ 17**	$ (7)	**$ 98**	$ 129
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**98**	93	**286**	262
Finance charges	**83**	77	**234**	184
Losses on asset disposals and retirements	**7**	11	**12**	15
Asset impairment losses	**(21)**	-	**17**	-
Unrealized market value adjustments	**11**	32	**(42)**	53
Employee benefits	**-**	-	**(3)**	(3)
Share of profit from equity accounted investees	**(1)**	-	**(2)**	(3)
Allowance for obsolescence	**3**	-	**2**	-
Environmental remediation expenditures	**(3)**	(1)	**(5)**	(1)
	194	205	**597**	636
Net change in non-cash working capital	**(64)**	57	**(51)**	46
Interest paid	**(114)**	(112)	**(303)**	(245)
Cash provided by operating activities	**16**	150	**243**	437
Investing activities				
Property, plant and equipment additions	**(280)**	(306)	**(852)**	(836)
Intangible assets additions	**(5)**	(3)	**(11)**	(18)
Net costs of removal of assets	**-**	(1)	**(2)**	(2)
Distributions from equity accounted investees	**-**	-	**2**	-
Cash used in investing activities	**(285)**	(310)	**(863)**	(856)
Decrease in cash before financing activities	**(269)**	(160)	**(620)**	(419)
Financing activities				
Net proceeds from short-term advances	**266**	221	**75**	306
Net proceeds from (repayment of) long-term debt	**(1)**	(98)	**571**	95
Debt retirement fund instalments	**(10)**	(11)	**(34)**	(25)
Debt retirement fund redemptions	**-**	34	**-**	34
Principal repayment of finance lease obligations	**(1)**	(1)	**(4)**	(3)
Increase in long-term liabilities	**13**	4	**16**	6
Realized gains on cash flow hedges	**-**	-	**-**	9
Cash provided by financing activities	**267**	149	**624**	422
(Decrease) increase in cash	**(2)**	(11)	**4**	3
Cash and cash equivalents (bank indebtedness), beginning of period	**4**	16	**(2)**	2
Cash and cash equivalents, end of period	**$ 2**	$ 5	**$ 2**	$ 5

See accompanying notes

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Description of business

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's head office is located at 2025 Victoria Avenue in Regina, Saskatchewan, Canada, S4P 0S1.

By virtue of *The Crown Corporations Act, 1993,* SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal and provincial income taxes.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting.* These condensed consolidated financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

The accounting policies used in the preparation of these condensed consolidated financial statements conform with those used in the Corporation's most recent annual consolidated financial statements with the exception of the change in accounting polices discussed in Note 3.

The condensed consolidated financial statements were authorized for issue by the Audit & Finance Committee of the Board of Directors on November 26, 2014.

(b) Interim measurement

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

(c) Basis of measurement

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

- Inventory at lower of cost and net realizable value.
- Financial instruments that are accounted for at fair value through profit or loss.
- Provisions.
- Employee benefit plan's accrued benefit obligations.

(d) Functional and presentation currency

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

(e) Fair value measurement

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

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

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

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

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

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

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

(f) Use of estimates and judgments

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates are:

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

Following the completion of an internal depreciation study, the estimated useful lives of certain assets were changed. The change in estimate was applied prospectively, effective January 1, 2014, and is expected to result in a $5 million increase to depreciation expense in 2014.

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

- Identification of arrangements which contain a lease.
- Revenue recognition of customer contributions.

(g) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2014, and have not been applied in preparing these consolidated financial statements. In particular, the Corporation is currently reviewing IFRS 15, *Revenue from Contracts with Customers* effective January 1, 2017 and IFRS 9, *Financial Instruments* effective January 1, 2018 to determine the potential impact, if any. SaskPower does not have any plans to early adopt the new standards.

3. Application of new and revised International Financial Reporting Standards

(a) 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 change in the adjustment to the valuation technique is recognized in profit or loss as follows:

Consolidated Statement of Comprehensive Income	**Increase (decrease)**	
	Three months ended September 30	**Nine months ended September 30**
(in millions)	**2013**	**2013**
Unrealized market value adjustments	$ (2)	$ 2
Adjustment to net income	**$ (2)**	**$ 2**

(b) IAS 32, *Financial Instruments: Presentation* in respect of offsetting

Effective January 1, 2014, SaskPower retrospectively adopted the amendments to IAS 32, *Financial Instruments: Presentation* in respect of offsetting. The amendments clarify certain items regarding offsetting financial assets and financial liabilities. There was no impact to the consolidated statement of financial position upon adoption of the new standard.

(c) IFRIC 21, *Levies*

Effective January 1, 2014, SaskPower adopted the interpretation IFRIC 21, *Levies*. The interpretation clarifies that a liability to pay a levy to a government should only be recognized when an obligating event has occurred. There was no impact to the consolidated statement of financial position upon adoption of the new interpretation.

4. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, January 1, 2013	$ 4,431	$ 533	$ 1,057	$ 2,849	$ 562	$ 840	**$ 10,272**
Additions	27	700	46	170	60	893	**1,896**
Disposals and/or retirements	(62)	-	(3)	(9)	(9)	-	**(83)**
Transfers	-	-	-	-	-	(321)	**(321)**
Balance, September 30, 2013	**$ 4,396**	**$ 1,233**	**$ 1,100**	**$ 3,010**	**$ 613**	**$ 1,412**	**$ 11,764**
Additions	(3)	-	49	75	15	425	**561**
Disposals and/or retirements	(59)	-	(3)	(11)	(8)	-	**(81)**
Transfers	-	-	-	-	-	(172)	**(172)**
Balance, December 31, 2013	**$ 4,334**	**$ 1,233**	**$ 1,146**	**$ 3,074**	**$ 620**	**$ 1,665**	**$ 12,072**
Additions	1,244	-	62	179	73	916	**2,474**
Disposals and/or retirements	(73)	-	(1)	(12)	(14)	-	**(100)**
Impairment losses	-	-	-	(19)	-	-	**(19)**
Transfers	-	-	-	-	-	(1,545)	**(1,545)**
Balance, September 30, 2014	**$ 5,505**	**$ 1,233**	**$ 1,207**	**$ 3,222**	**$ 679**	**$ 1,036**	**$ 12,882**
Accumulated depreciation							
Balance, January 1, 2013	$ 2,197	$ 181	$ 437	$ 1,190	$ 237	$ -	**$ 4,242**
Depreciation expense	101	28	22	68	27	-	**246**
Disposals and/or retirements	(57)	-	(2)	(6)	(8)	-	**(73)**
Transfers	-	-	-	-	-	-	**-**
Balance, September 30, 2013	**$ 2,241**	**$ 209**	**$ 457**	**$ 1,252**	**$ 256**	**$ -**	**$ 4,415**
Depreciation expense	31	14	8	24	10	-	**87**
Disposals and/or retirements	(53)	-	(1)	(10)	(7)	-	**(71)**
Transfers	-	-	-	-	-	-	**-**
Balance, December 31, 2013	**$ 2,219**	**$ 223**	**$ 464**	**$ 1,266**	**$ 259**	**$ -**	**$ 4,431**
Depreciation expense	103	43	21	70	29	-	**266**
Disposals and/or retirements	(68)	-	(1)	(9)	(10)	-	**(88)**
Impairment losses	-	-	-	(2)	-	-	**(2)**
Transfers	-	-	-	-	-	-	**-**
Balance, September 30, 2014	**$ 2,254**	**$ 266**	**$ 484**	**$ 1,325**	**$ 278**	**$ -**	**$ 4,607**
Net book value							
Balance, January 1, 2013	**$ 2,234**	**$ 352**	**$ 620**	**$ 1,659**	**$ 325**	**$ 840**	**$ 6,030**
Balance, September 30, 2013	**$ 2,155**	**$ 1,024**	**$ 643**	**$ 1,758**	**$ 357**	**$ 1,412**	**$ 7,349**
Balance, December 31, 2013	**$ 2,115**	**$ 1,010**	**$ 682**	**$ 1,808**	**$ 361**	**$ 1,665**	**$ 7,641**
Balance, September 30, 2014	**$ 3,251**	**$ 967**	**$ 723**	**$ 1,897**	**$ 401**	**$ 1,036**	**$ 8,275**

In the first nine months of 2014, interest costs totaling $53 million (2013 – $39 million) were capitalized at the weighted average cost of borrowings rate of 5.00% (2013 – 5.50%). The Corporation is forecasting to spend $1.3 billion on capital projects in 2014.

In the first nine months of 2014, SaskPower recognized a $17 million impairment loss as a result of a decision to replace all AMI meters with legacy meters. The Corporation recorded a $3 million impairment loss in Q3 in addition to the $38 million recognized in Q2, resulting in a total $41 million write-down of the entire net book value of all AMI meters. Subsequently, SaskPower negotiated a financial settlement with the supplier for reimbursement of all purchased AMI meters. The total amount of the reimbursement is estimated at $24 million and has been recognized as a reversal of the impairment loss. The net $17 million impairment loss is included as part of other losses on the consolidated statement of comprehensive income.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

5. Long-term debt

(in millions)		
Balance, January 1, 2013	$	2,980
Issues during the period		195
Repayments during the period		(100)
Amortization of debt premium net of discounts		(1)
Balance, September 30, 2013	**$**	**3,074**
Issues during the period		495
Repayments during the period		(1)
Amortization of debt premium net of discounts		-
Balance, December 31, 2013	**$**	**3,568**
Issues during the period		574
Repayments during the period		(3)
Amortization of debt premium net of discounts		-
	$	4,139
Less: current portion of long-term debt		(5)
Balance, September 30, 2014	**$**	**4,134**

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

- On January 10, 2014, the Corporation borrowed $200 million of long-term debt at a discount of $1.7 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 3.95% and matures on June 2, 2045.

- On March 6, 2014, the Corporation borrowed $100 million of long-term debt at a discount of $0.3 million. The debt issue has a coupon rate of 3.75%, an effective interest rate of 3.76% and matures on March 5, 2054.

- On May 2, 2014, the Corporation borrowed $175 million of long-term debt at a premium of $1 million. The debt issue has a coupon rate of 3.75%, an effective interest rate of 3.71% and matures on March 5, 2054.

- On May 27, 2014, the Corporation borrowed $100 million of floating rate debt maturing June 5, 2017. The coupon rate for the floating rate debt is the 3-month Canadian Dealer Offer Rate less a margin.

- As at September 30, 2014, the Corporation has $227 million of bond forward agreements outstanding to hedge the interest rate risk on anticipated future borrowings. SaskPower has chosen to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to these derivative financial instruments have been recognized in other comprehensive income, with the fair value being recognized as risk management assets on the consolidated statement of financial position.

Subsequently, on October 2, 2014, the Corporation borrowed $200 million of long-term debt at a premium of $17.7 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 3.43% and matures on June 2, 2045. As part of the borrowing, $140 million of bond forward agreements were also settled. In addition, SaskPower entered into $126 million of new bond forward agreements to hedge forecasted borrowings in 2015.

Included in the long-term debt balance at September 30, 2014, is $60 million of non-recourse debt related to SaskPower's joint venture interest in the Cory Cogeneration Station. The debt has effective interest rates ranging from 7.87% to 7.88% and is repayable quarterly maturing between December 31, 2025 and June 30, 2026.

6. Finance lease obligations

(in millions)		**September 30 2014**		December 31 2013
Total future minimum lease payments	**$**	**3,408**	$	3,531
Less: future finance charges on finance leases		**(2,269)**		(2,394)
Present value of finance lease obligations	**$**	**1,139**	$	1,137
Less: current portion of finance lease obligations		**(8)**		(6)
	$	**1,131**	$	1,131

7. Financial instruments

(in millions)			September 30, 2014 Asset (liability)		December 31, 2013 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[6]	L&R[2]	N/A	**279**	**279**	268	268
Debt retirement funds	FVTPL[1]	2	**438**	**438**	368	368
Other assets - investment	FVTPL[1]	3	**2**	**2**	2	2
Financial liabilities						
Bank indebtedness	FVTPL[1]	1	**$ -**	**$ -**	$ (2)	$ (2)
Accounts payable and accrued liabilities	OL[3]	N/A	**(460)**	**(460)**	(443)	(443)
Accrued interest	OL[3]	N/A	**(41)**	**(41)**	(53)	(53)
Short-term advances	OL[3]	N/A	**(879)**	**(879)**	(804)	(804)
Long-term debt	OL[3]	2	**(4,139)**	**(5,064)**	(3,568)	(4,080)
Finance lease obligations	OL[3]	3	**(1,139)**	**(1,255)**	(1,137)	(1,214)

(in millions)	Classification[4]	Level[5]	September 30, 2014 Asset	Liability	December 31, 2013 Asset	Liability
Natural gas contracts						
Fixed price swap instruments[6]	FVTPL[1]	2	**2**	**(43)**	1	(63)
Forward agreements	FVTPL[1]	2	**-**	**(1)**	3	-
Electricity contracts						
Contracts for differences	FVTPL[1]	2	**-**	**-**	-	-
Forward agreements	FVTPL[1]	2	**7**	**-**	5	-
Interest rate risk management						
Bond forward agreements	FVTPL[1]	2	**-**	**(13)**	-	-
			$ 9	**$ (57)**	$ 9	$ (63)

1. FVTPL – fair value through profit or loss.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as held-to-maturity.
5. Fair values are determined using a fair value hierarchy as follows:
   - Level 1 – Quoted prices in active markets for identical assets or liabilities.
   - Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.
   - Level 3 – Inputs for the asset or liability that are not based on observable market data.
   - Not applicable (N/A) – Financial instruments — including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and short-term advances — are carried at values which approximate fair value.
6. 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 exposure limits granted. As at September 30, 2014, the Corporation has posted $7 million in collateral which is recognized as margin deposits on derivative financial instruments and included with accounts receivable on the statement of financial position.

SaskPower system map

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

Saskatchewan Power Corporation

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