SECOND QUARTER INTERIM REPORT JUNE 30, 2009

Q2 Interim Report

Table of Contents

Corporate Profile

SaskEnergy has the legislated franchise for the distribution and transmission of natural gas within Saskatchewan. The distribution system delivers natural gas to over 342,000 residential, farm, commercial and industrial customers over a 66,000 kilometre pipeline distribution system. The transmission system provides transportation and storage services to the distribution utility, producers, marketers and large volume end-use customers within Saskatchewan.

SaskEnergy has seven wholly owned subsidiaries:

- TransGas Limited − owns natural gas transportation and storage facilities;
- Many Islands Pipe Lines (Canada) Limited − transports natural gas to and from other jurisdictions and is regulated by the National Energy Board;
- Bayhurst Gas Limited − owns, produces and sells natural gas from storage-related assets and holds natural gas royalty interests;
  - Bayhurst Energy Services Corporation – a wholly owned subsidiary of Bayhurst Gas Limited was created in 2007 and operates as an energy services company.
- SaskEnergy International Incorporated − holds international equity investments;
- Swan Valley Gas Corporation − owns a natural gas distribution utility in the Swan Valley area of western Manitoba;
- Saskatchewan First Call Corporation − operates an underground infrastructure facility database through which subscribing companies are alerted of the need to perform line locates for landowners or contractors planning to excavate in Saskatchewan;
- SaskEnergy Nova Scotia Holdings Ltd. – holds SaskEnergy's interest in a natural gas distribution utility in Nova Scotia.

Management's Discussion and Analysis

The Management's Discussion and Analysis highlights the primary factors that impacted the operations and financial results of SaskEnergy Incorporated (SaskEnergy or the Corporation) and its wholly owned subsidiaries for the six month period ended June, 2009. This discussion should be read in conjunction with the consolidated interim financial statements and accompanying notes. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended December 31, 2008.

The volume of natural gas distributed is sensitive to variations in the weather, particularly through the prime heating season of November to March. Therefore, the consolidated interim financial results should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of the natural gas utility business in Saskatchewan.

The following discussion contains certain forward-looking statements that are subject to inherent uncertainties and risks. The significant uncertainties and risks of the Corporation include natural gas price, winter weather, operational, regulatory and counterparty credit risks. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

Selected Consolidated Financial Highlights	Three Months		Six Months		
ENDED	June 30		June 30		
($millions)	**2009**	**2008**	**2009**	**2008**	Change
Consolidated Net Income	$ (3)	$ 14	$ 29	$ 74	$ (45)
Total Assets			1,531	1,503	28
Long-term Debt			793	633	160
Debt/Equity Ratio			65%	60%	5%
Capital Expenditures			48	46	2
Operating Highlights					
Distribution					
Volumes Distributed - Petajoules	24	25	75	76	
Weather - Compared to thirty year average	n/a	n/a	17% colder	6% colder	
Transmission					
Volumes Transported - Petajoules	54	62	138	156	
Peak Day Natural Gas Flows (winter season) - PJ's	n/a	n/a	1.18	1.50	
- Day of Peak Flow	n/a	n/a	January 24	January 28	

Consolidated Net Income

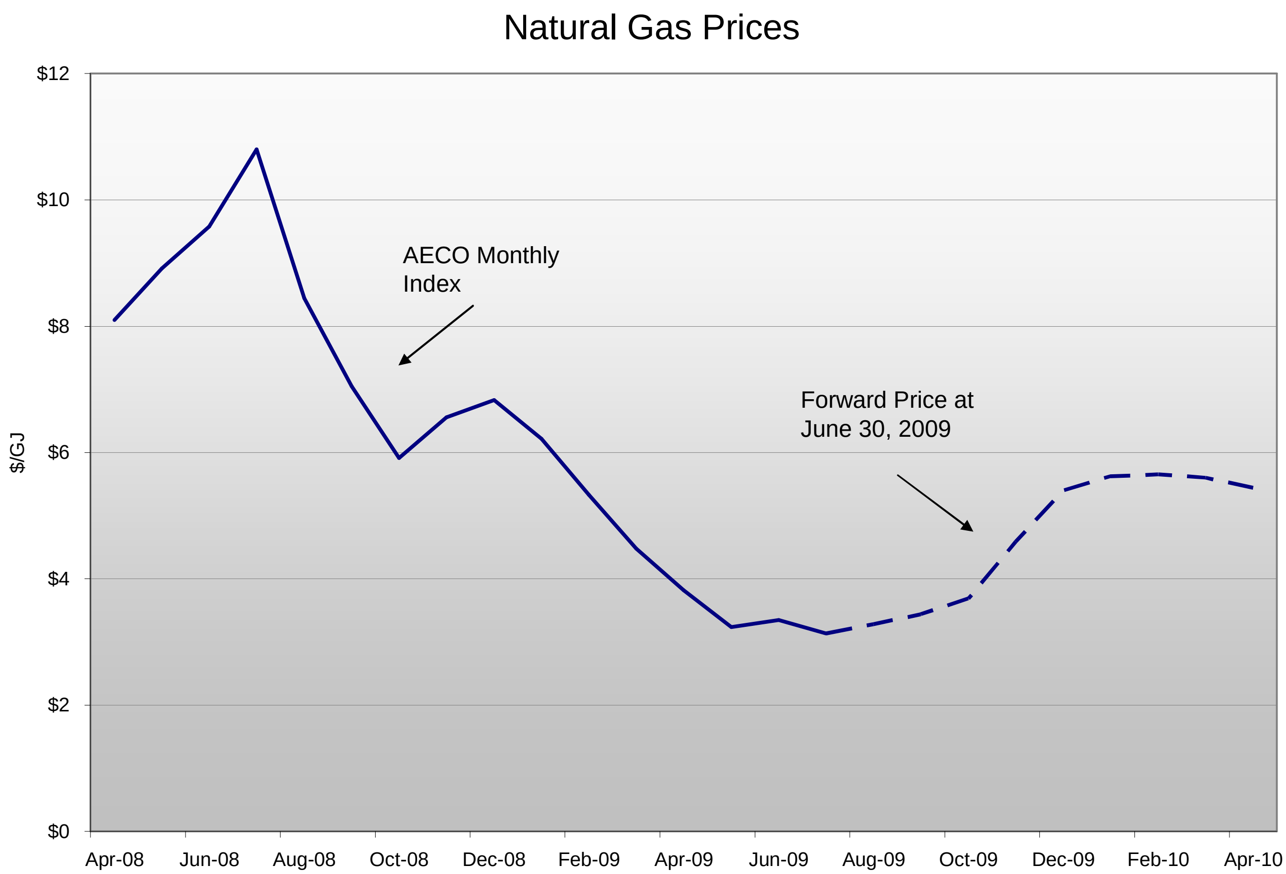
For the first six months of 2009 consolidated net income was $29 million, which was $45 million lower than the $74 million net income for the same period in 2008. The decrease in consolidated income for 2009 was principally due to lower favourable fair value adjustments which were $5 million compared to $34 million over the same period in 2008. Also contributing to the decrease was a $21 million downward revaluation of gas marketing natural gas in storage held for resale to its net realizable value at June 30, 2009. With the decline in natural gas prices, net realizable value for natural gas in storage held for resale has fallen below cost since the beginning of the year.

Decline in Commodity Prices

Global demand for natural gas continues to be weak as the economic recession runs its course. Industrial activity in North America has fallen to a 10-year low and the weak demand for natural gas has resulted in excess supply.

In response to the decreasing natural gas prices, SaskEnergy applied for and received approval for a decrease to the commodity rate. Effective April 1, 2009 the commodity rate for natural gas decreased from $8.51 per Gigajoule (GJ) to $5.96 per GJ. This approved 21 per cent rate decrease results in savings of approximately $23 per month for the average residential customer.

Following is a chart of AECO natural gas prices. AECO is the major natural gas hub in Canada and is located in Alberta. Natural gas in Saskatchewan is priced at a differential to the AECO price and is usually about $0.05GJ to $0.10GJ higher than AECO.



1. Commodity Margin

Commodity Margin Analysis (millions)	YTD 2009	YTD 2008
Average Commodity Rate per GJ	$7.68	$6.57
Average Cost of Gas Sold per GJ	$7.27	$6.54
Margin on Commodity Sales	$ 16	$ 3
Impact of Fair Value Adjustments	(12)	95
Net Commodity Margin	$ 4	$ 98

The average commodity rate for natural gas sales to distribution utility customers was $7.68 per GJ for the period January 1, 2009 to June 30, 2009. In 2008 the average commodity rate was $6.57 per GJ for this period. This resulted in higher average revenue per GJ for the first six months of 2009 compared to 2008.

The weather was 17 per cent colder than normal in the first six months of 2009 compared to 6 per cent colder than normal weather during the same period in 2008. The colder weather in 2009 increased the amount of natural gas consumed for space heating purposes by 4.1 Petajoules in 2009 compared to 2008.

The higher average rate combined with increased volumes sold resulted in commodity sales of $315 million in the first six months which was $100 million higher than commodity sales of $215 million for the same period in 2008.

The cost of gas sold includes the cost of purchased gas and adjustments that effectively record the fair value of natural gas contracts (fair value adjustments) as at June 30. The financial and derivative instruments reported on the Statement of Financial Position are reported at fair value. The change in fair value of financial and derivative instruments from one reporting period to another are reported as fair value adjustments and either increase or decrease net income.

The average cost of natural gas in the first six months was $7.27 per GJ which was lower than the average commodity rate of $7.68 per GJ, resulting in a commodity margin of $16 million before fair value adjustments. However, fair value adjustments unfavourably impacted the financial reporting of the cost of gas sold during the first six months of 2009 by $12 million, resulting in a margin on commodity sales of $4 million. The average cost of gas sold per GJ for the first six months of 2008 was $6.54 was lower than the average commodity rate of $6.57 resulting in a commodity margin of $3 million before fair value adjustments. The $98 million margin on commodity sales for the first six months of 2008 was primarily due to $95 million in favourable fair value adjustments.

For the three months ended June 30, 2009 the margin on commodity sales was $2 million. The margin on sales was favourably impacted for financial reporting purposes by the fair value adjustment of $12 million. This compared to a margin of $47 million and a favourable fair value adjustment of $46 million on commodity sales in the second quarter of 2008.

2. Gas Marketing

Gas Marketing Margin Analysis (millions)	YTD 2009	YTD 2008
Margin on Gas Marketing	$ 6	$ 9
Impact of Fair Value Adjustments	17	(61)
	$ 23	$ (52)
Revaluation of Inventory	(21)	n/a
Net Gas Marketing Margin	$ 2	$ (52)

In order to maximize the utilization of its assets during off-peak periods, SaskEnergy purchases and sells natural gas in the open market to earn a margin. SaskEnergy also competes to supply natural gas to larger end-use customers in Saskatchewan through non-regulated contract sales.

In the first six months of 2009, the margin from the foregoing activity was $6 million. However, with the decline in natural gas market prices, the net realizable value for gas marketing natural gas in storage has fallen below cost. A downward revaluation of natural gas in storage of $21 million was recorded. If natural gas prices rise in the future, SaskEnergy will record an upward revaluation to recognize the increase in net realizable value, up to a maximum of the original cost. Otherwise, the $21 million will result in improved margins in the future as contracts are settled by virtue of the lower carrying value of natural gas in storage.

The margin from gas marketing activities was favourably impacted by the fair value adjustment of $17 million; this resulted in a net gas marketing margin of $2 million for the six month period ending June 30, 2009. This compared to a realized margin of $9 million and an unfavourable fair value adjustment of $61 million for the same period in 2008, resulting in a loss of $52 for the same period in 2008.

When this natural gas is purchased it is held in storage to meet future sales contracts which have been entered into at a fixed price. The margin is "locked in", and SaskEnergy will receive a positive net cash flow in the future. There is a timing difference as to when the revenue and related cost of gas are recorded, but the same positive net cash flow will be realized over time.

In the three month period ended June 30, 2009, the loss from the foregoing activity was $7 million. The downward revaluation of natural gas in storage was $6 million. The margin from gas marketing activities was favourably impacted by the fair value adjustment of $16 million; this resulted in a net margin of $3 million for the three month period. This compared to a margin of $3 million and an unfavourable fair value adjustment of $32 million resulting in a loss of $29 million for the same period in 2008.

3. Delivery Revenue

Delivery revenue in the first six months of 2009 was $106 million, which was $7 million higher than the $99 million reported for the same period in 2008. This was a result of higher delivery rates and increased natural gas consumption in 2009 reflecting the colder weather in 2009 compared to 2008.

For the three month period ended June 30, 2009, delivery revenue of $35 million was $3 million higher than the same period in 2008 due to higher delivery rates and colder weather.

The majority of SaskEnergy's distribution customers consume natural gas for heating purposes and, as a result, the volume of natural gas distributed is sensitive to variations in weather, particularly through the November-to-March prime heating load season. The weather from January 1 to June 30, 2009 was 6% colder than the same period in 2008.

Effective November 1, 2008, SaskEnergy received approval for a delivery rate increase. As a result, the delivery rate charged to distribution utility customers was 5.8 per cent higher for the first six months in 2009 as compared to the same period on 2008.

4. Transportation and Storage Revenue

Transportation and storage revenue for the first six months of 2009 was $40 million, which was $1 million higher than the $39 million reported in the same period in 2008.

For the three month period ended June 30, 2009, revenue from the forgoing activity was $20 million. This was consistent with the same period in 2008.

Transportation revenue includes a rate increase of 8.6% effective February 1, 2009. The effect of the rate increase was offset by the reduction in transportation volumes in 2009 that have occurred due to a continued decline in natural gas production in Saskatchewan.

5. Other Expenses

Operating and maintenance expenses for the first six months of 2009 were $73 million, which was $6 million higher compared to the $67 million reported in the first six months of 2008 mainly due to higher labour costs and other general expenses. However, the operating and maintenance expenses are currently lower than budget in the Corporation's business plan.

For the three month period ended June 30, 2009, operating and maintenance expenses were $37 million. This was $3 million over the $34 million reported in the same period in 2008 due to higher labour costs and other general expenses.

Interest expense, amortization, and Saskatchewan taxes to June 30, 2009 and for the three months ended June 30, 2009 were consistent with the same periods in 2008

Outlook

SaskEnergy will continue to monitor the impact of changing economic conditions throughout its business operations. SaskEnergy is projecting 4,500 new natural gas customer connections in 2009 compared to the exceptional year in 2008 with 6,100 new customer connections. Transportation revenue is directly impacted by the level of new natural gas wells drilled in the province. The reduced drilling activity seen over the last half of 2008, due to declining prices for natural gas, is expected to continue in 2009. Fewer wells drilled translate into reduced volumes of gas that shippers transport on the transmission system, which will mean lower revenues.

The Corporation's consolidated 2009 net income is forecasted to be below the budget target for the year. SaskEnergy's net income will be negatively impacted by lower than anticipated transportation revenues and reduced margins on its gas marketing and gas processing activities due to lower market prices.

All internal costs are closely managed in an effort to minimize any future rate adjustments related to the company's operations, while maintaining a high level of service. SaskEnergy conducts its borrowing activity for its capital program through the Province of Saskatchewan and the corporation does not anticipate any problems accessing adequate capital in 2009.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

Effective January 1, 2011, publicly accountable Canadian entities will be required to prepare financial information in accordance with International Financial Reporting Standards (IFRS). The Public Sector Accounting Board (PSAB) is currently deliberating the definition of publicly accountable enterprises as it applies to government entities including SaskEnergy. The PSAB issued an exposure draft in July 2009, *Financial Reporting by Certain Government Organizations (Amendment to Introduction),* which if accepted, would require Government Business Enterprises (GBEs) to adopt IFRS. SaskEnergy believes that IFRS is the most appropriate basis of accounting for the Corporation and is proceeding with the adoption of IFRS.

SaskEnergy commenced its IFRS conversion project and an external advisor has been engaged to assist with the development and implementation of plans and to perform a detailed review of major differences between current Canadian GAAP and IFRS. SaskEnergy completed an initial assessment of those international reporting standards with the highest potential for impacts. Board members have been briefed on IFRS, participated in high level training and have reviewed and approved project plans. Management and staff from SaskEnergy have participated in IFRS training seminars.

At this time the impact on SaskEnergy's future financial position and results of operations is not reasonably determinable. However based on analysis to date the most significant areas of difference are related to the accounting for property, plant and equipment and financial statement disclosure. In conjunction with evaluating the accounting standards, a review of the information technology and data systems' capability to provide the information required by IFRS will be performed.

SaskEnergy Incorporated

Consolidated Statement of Financial Position

(millions)

(unaudited)

AS AT		June 30, 2009		Dec. 31, 2008
		(Note 2)		
Assets				
Current assets				
Cash	$	2	$	4
Accounts receivable		94		163
Natural gas in storage held for resale		203		199
Inventories of supplies		11		17
Fair value of derivative instruments		78		46
		388		429
Intangible assets (net)		16		17
Property, plant and equipment (net)		996		991
Natural gas in storage held for resale and operations		34		35
Debt retirement funds		52		48
Investments and other assets		45		41
	$	1,531	$	1,561
Liabilities and Province's Equity				
Current liabilities				
Short-term debt	$	99	$	164
Accounts payable		93		136
Dividend payable		5		6
Current portion of long-term debt		29		39
Fair value of derivative instruments		89		61
		315		406
Asset retirement obligations		8		8
Long-term debt		764		714
		1,087		1,128
Province of Saskatchewan's equity				
Retained earnings		373		364
Accumulated other comprehensive loss		(1)		(3)
		372		361
Equity advances		72		72
		444		433
	$	1,531	$	1,561

(See accompanying notes)

SaskEnergy Incorporated

Consolidated Statement of Income and Retained Earnings

(millions)

(unaudited)

FOR THE PERIOD ENDED	Three months ended June 30				Six months ended June 30			
	2009		2008		2009		2008	
	(Note 2)				(Note 2)			
Revenue								
Commodity sales	$	54	$	50	$	315	$	215
Gas marketing sales		91		79		217		146
Delivery		35		32		106		99
Transportation and storage		20		20		40		39
Revenue collected for municipalities		4		5		17		15
Other		1		4		4		8
		205		190		699		522
Expenses								
Commodity cost of gas sold		52		3		311		117
Gas marketing cost of gas sold		88		108		215		198
Operating and maintenance		37		34		73		67
Interest		11		10		22		21
Amortization		14		14		28		27
Payments to municipalities		4		5		17		15
Saskatchewan taxes		2		2		4		3
		208		176		670		448
Net income		(3)		14		29		74
Retained earnings, beginning of period		381		424		364		379
Change in accounting policy		-		-		-		(2)
Dividends		(5)		(16)		(20)		(29)
Retained earnings, end of period	$	373	$	422	$	373	$	422

(See accompanying notes)

SaskEnergy Incorporated

Consolidated Statement of Comprehensive Income

(millions)

(unaudited)

FOR THE PERIOD ENDED	Three months ended June 30 2009	Three months ended June 30 2008	Six months ended June 30 2009	Six months ended June 30 2008
Net income (loss)	$ (3)	$ 14	$ 29	$ 74
Other comprehensive income:				
Unrealized gains and losses on translating financial statements of self-sustaining foreign operations	-	(3)	2	-
Comprehensive income(loss)	$ (3)	$ 11	$ 31	$ 74

SaskEnergy Incorporated

Consolidated Statement of Accumulated Other Comprehensive Loss

(millions)

(unaudited)

AS AT	June 30, 2009	June 30, 2008
Accumulated other comprehensive loss, beginning of period	$ (3)	$ (5)
Other comprehensive income	2	-
Accumulated other comprehensive loss, end of period	$ (1)	$ (5)

(See accompanying notes)

SaskEnergy Incorporated

Consolidated Statement of Cash Flows

(millions)

(unaudited)

FOR THE PERIOD ENDED	Three months ended June 30, 2009 (Note 2)	Three months ended June 30, 2008	Six months ended June 30, 2009 (Note 2)	Six months ended June 30, 2008
Operating Activities				
Net income	$ (3)	$ 14	$ 29	$ 74
Add (deduct) items not requiring an outlay of cash				
Amortization	14	14	28	27
Write-down of NGIS held for resale (Note 3)	6	-	21	-
Change in fair value of derivative instruments (Note 4)	(29)	(14)	(4)	(34)
Debt retirement fund earnings	(1)	(1)	(1)	(1)
Equity earnings	1	1	-	(1)
Other	(1)	0	(1)	(2)
	(13)	14	72	63
Net change in non-cash working capital related to operations	9	(15)	8	1
Cash provided by (used in) operating activities	(4)	(1)	80	64
Investing Activities				
Additions to property, plant and equipment	(24)	(25)	(48)	(46)
Additions to investments and other assets	1	(1)	-	(2)
Customer capital contributions received	7	4	16	10
Cash used in investing activities	(16)	(22)	(32)	(38)
Financing Activities				
Increase (decrease) in short-term debt	46	54	(65)	66
Debt retirement fund investments	(2)	(1)	(3)	(2)
Debt retirement fund redemptions	-	3	-	3
Proceeds from long-term debt	-	-	50	-
Repayments of long-term debt (net)	(11)	(25)	(11)	(75)
Dividends paid	(15)	(13)	(21)	(20)
Cash provided by (used in) financing activities	18	18	(50)	(28)
Decrease in cash during period	(2)	(5)	(2)	(2)
Cash position, beginning of period	4	5	4	2
Cash position, end of period	$ 2	$ -	$ 2	$ -

(See accompanying notes)

Notes to the Consolidated Financial Statements
June 30, 2009

Unaudited

1. Accounting Policies

SaskEnergy Incorporated (SaskEnergy or the Corporation) prepares its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles. The disclosures do not conform in all respects to the requirements for annual financial statements. Except for the change described in Note 2, the consolidated interim financial statements follow the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2008.

These consolidated interim financial statements, which are unaudited, should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008 and have been prepared from the records of the Corporation. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses. Actual amounts could differ from these estimates.

The consolidated interim financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of the natural gas utility business in Saskatchewan.

a. Future accounting policy changes

The CICA has issued several new Handbook Sections: Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests for fiscal years beginning on or after January 1, 2011. These sections replace existing Handbook Sections 1581 and 1600 and establish standards for the accounting of business combinations, the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary. The Corporation is evaluating the potential impacts of these accounting recommendations and does not anticipate a significant impact on the Corporation's financial statements.

The CICA has announced that publicly accountable Canadian entities will be required to prepare financial information in accordance with International Financial Reporting Standards (IFRS) effective January 1, 2011. Although IFRS are a principle-based set of standards, similar to current GAAP, there are areas where the accounting treatment differs from Canadian GAAP. The Corporation is evaluating the potential impacts of IFRS on the Corporation's financial statements.

2. Change in Accounting Policy

Effective January 1, 2009, SaskEnergy adopted the CICA Handbook Section 3064 – Goodwill and Intangible Assets. This section supersedes Section 3062 - Goodwill and Other Intangible Assets and Section 3450 - Research and Development Costs. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard requires retrospective application with restatement of prior year comparative results. Intangible assets are to be presented and disclosed separately in the financial statements and in the notes to the financial statements.

Upon the adoption of the new standard, SaskEnergy is presenting and disclosing intangible assets separately in the financial statements and in the notes to the financial statements. The impact of applying this change in accounting policy effective January 1, 2009 was as follows:

	Dec. 31 2008 (millions)
Intangible assets (net)	$ 17
Property, plant and equipment (net)	(17)
Total assets	$ -
Total liabilities and Province's equity	$ -

The adoption of this section did not have any effect on the results for the six month period ended June 30, 2009.

3. Natural Gas in Storage Held for Resale and Operations

For the six months ended June 30, 2009, $399 million of natural gas in storage held for resale (2008 - $228 million) was recognized as cost of gas sold. With the decline in natural gas market prices, the net realizable value of gas marketing natural gas in storage has fallen below cost. There was a $21 million write-down of natural gas in storage held for resale to its net realizable value included in gas marketing cost of gas sold. If natural gas prices rise in the future, there will a reversal of the write-down. There were no net realizable value adjustments to inventory recorded in 2008.

4. Financial Instruments and Risk Management

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(millions)			
Other liabilities				
Long-term debt	**$ 793**	**$ 889**	$ 753	$ 853
Held-for-trading				
Debt retirement funds	**52**	**52**	48	48

The fair values of the above instruments were based on the following:

i. Long-term debt – The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Debt retirement funds – The market value of the investments held in the debt retirement fund as determined by Saskatchewan's Ministry of Finance as at June 30 and December 31.

b. Natural gas derivative instruments

The fair value of natural gas derivative instruments held-for-trading, with the exception of natural gas price options, is calculated daily and is based on quoted market prices. The fair value of natural gas price options is determined using the Garman-Kohlhagen model which requires the use of various assumptions, including quoted market prices, interest rates and volatility estimates for forward natural gas prices, which are each based on external market sources. For physical natural gas contracts, notional values are an approximation of future net cash flows based on contract price multiplied by contract quantity. For other derivative instruments, the notional value is the difference between the contract price and the market price. SaskEnergy has sufficient borrowing capacity to fund these contractual obligations. Where contract prices are referenced to an index price that has not yet been fixed, the market price at June 30, 2009 has been used to estimate the contract price. At June 30, 2009, all derivative assets and liabilities held-for-trading are recorded on the statement of financial position at fair value.

4. Financial Instruments and Risk Management (continued)

As at June 30, 2009, natural gas derivative instruments held-for-trading had the following fair values, notional values and maturities:

	2009	2010	2011	2012	2013	2014	Total
				(millions)			
Physical natural gas contracts							
Fair value	$ 10	$ 7	$ 1	$ -	$ -	$ -	$ 18
Notional value	(53)	29	6	3	3	2	$ (10)
Natural gas price swaps							
Fair value	(13)	(7)	2	1	(1)	-	$ (18)
Notional value	(13)	(7)	2	1	(1)	-	$ (18)
Natural gas price options							
Fair value	(11)	-	-	-	-	-	$ (11)
Notional value	(11)	-	-	-	-	-	$ (11)
Total							
Fair value	$ (14)	$ -	$ 3	$ 1	$ (1)	$ -	$ (11)
Notional value	$ (77)	$ 22	$ 8	$ 4	$ 2	$ 2	$ (39)

Fair value - asset (liability)
Notional value - estimated net cash inflow (outflow)

The fair value of derivative instruments is presented on the consolidated statement of financial position as follows:

	June 30, 2009	December 31, 2008
	(millions)	
Fair value of derivative instrument assets	$ 78	$ 46
Fair value of derivative instrument liabilities	(89)	(61)
Total fair value	$ (11)	$ (15)

4. **Financial Instruments and Risk Management (continued)**

c. Changes in fair value

The change in fair value of financial and derivative instruments is recorded in net income within the relevant revenue or expense category. For the period ended June 30, the increase (decrease) in net income arising from these unrealized gains and losses was as follows:

	Increase (decrease) Three months ended		Increase (decrease) Six months ended	
	2009	2008	2009	2008
	(millions)		(millions)	
Gas marketing sales	3	(46)	33	(89)
Commodity cost of gas sold	12	46	(12)	95
Gas marketing cost of gas sold	13	14	(16)	28
Interest Expense	-	(1)	-	(1)
Increase in net income	28	13	$ 5	$ 33

d. Risk management

i. Natural gas price risk

The Corporation uses various derivative financial instruments to manage the risks associated with its exposures to fluctuations in the price of natural gas. A Corporate Derivatives Policy and specific risk management strategies establish guidelines for the use of such derivative financial instruments. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments SaskEnergy uses for price risk management include natural gas price swaps, options, swaptions and futures contracts.

Based on the Corporation's June 30, 2009 closing positions, an increase of $1.00 per Gigajoule in natural gas prices would have increased net income, through an increase in the fair value of natural gas contracts, by $1 million. Conversely, a decrease of $1.00 per Gigajoule would have decreased net income, through a decrease in the fair value of natural gas contracts, by $1 million.

ii. Credit risk

The Corporation is exposed to credit risk through cash, accounts receivable, debt retirement funds and derivative instrument assets. Credit risk related to cash and debt retirement funds and derivative instrument assets. Credit risk related to cash and debt retirement funds is minimized by dealing with institutions that have strong credit ratings and holding highly-rated financial securities.

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial instruments described above. To reduce its credit risk, SaskEnergy has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties and may require letters of credit and other forms of security. At June 30, 2009 the maximum credit exposure to a single counterparty was $7 million (Dec. 31/08 - $14 million)

4. **Financial Instruments and Risk Management (continued)**

The carrying amount of financial and derivative assets represents the maximum credit exposure as follows:

	June 30 2009	December 31 2008
	(millions)	
Cash	**$ 2**	$ 4
Accounts receivable	**94**	163
Debt retirement funds	**52**	48
Fair value of derivative instrument assets	**78**	46
Maximum credit exposure	**$ 226**	$ 261

5. **Comparative Figures**

Certain of the prior period's figures have been reclassified to conform to the current period's presentation.