

FIRST QUARTER INTERIM REPORT MARCH 31, 2010



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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 347,000 residential, farm, commercial and industrial customers over a 67,000 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 six 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 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.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) 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 three month period ended March 2010. This discussion is as of May 26, 2010 and 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, 2009.

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, and regulatory. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

	Three months ended March 31	
	2010	2009
Financial Highlights (\$ millions)		
Consolidated Net Income	39	32
Total Assets	1,584	1,560
Long-term Debt	795	803
Debt to Equity Ratio	62%	64%
Capital Expenditures	19	24
Operating Highlights		
Distribution		
Volumes Distributed – Petajoules	46	51
Weather – Compared to the 30 Year Average	3% warmer	15% colder
Transmission		
Volumes Transported – Petajoules	75	84
Peak Day Natural Gas Flows (Winter) – Petajoules	1.07	1.18
Date of Peak Flow	January 7	January 24

Consolidated Net Income

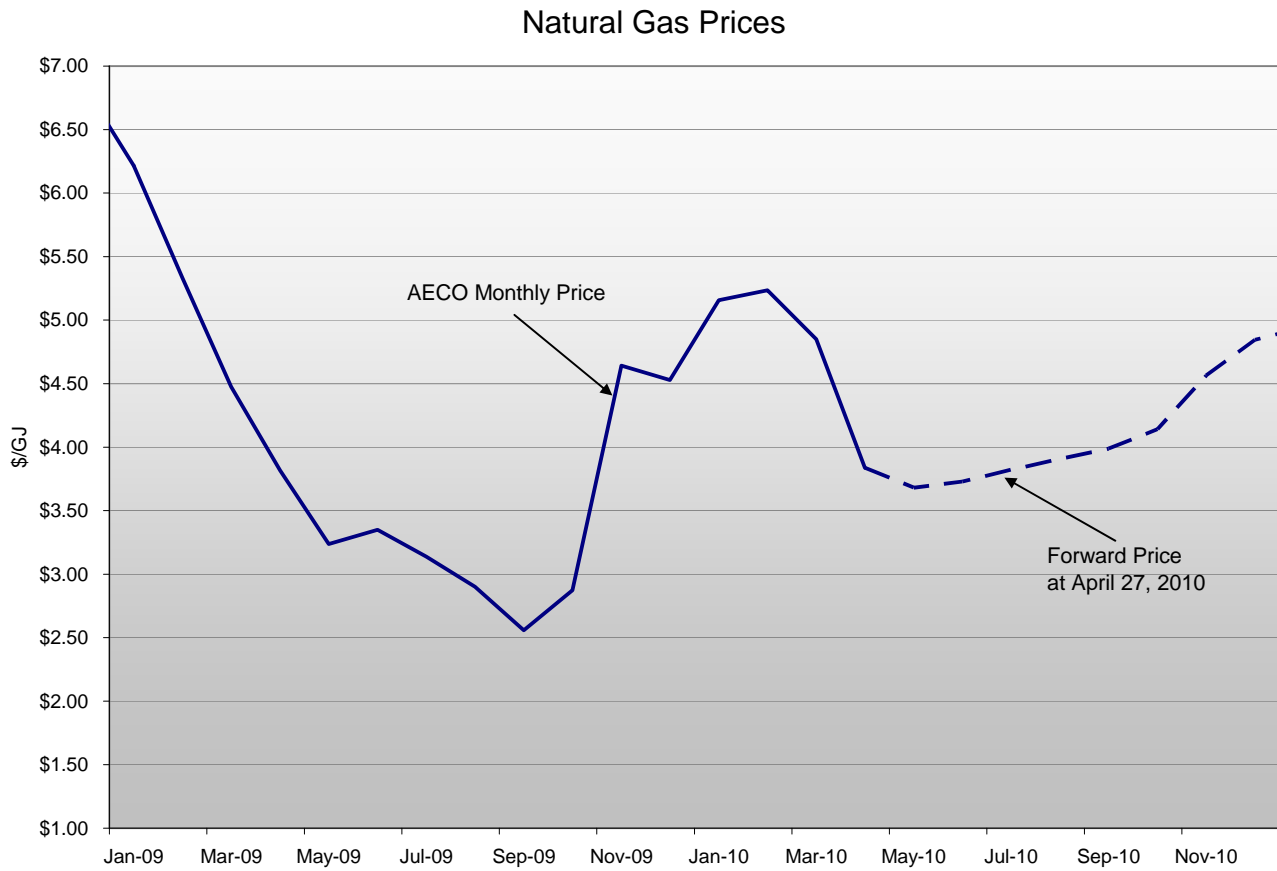
For the three months ending March 31, 2010 consolidated net income was \$39 million, which was \$7 million higher than the \$32 million net income for the same period in 2009. The increase in consolidated income for 2010 was principally due to favourable fair value adjustments of \$10 million compared to unfavourable fair value adjustments of \$23 million in the same period in 2009. This was partially offset by a lower realized commodity margin of \$9 million in 2010 compared to \$27 million in 2009.

Natural Gas Prices Remain Low

North American supply of natural gas remains abundant relative to demand. With new investments in the production of shale gas and expanding storage capacity, the over-supply of natural gas has led to a return to record high storage levels of natural gas across North America.

Effective November 1, 2009 SaskEnergy received approval for a commodity rate decrease from \$5.96 per Gigajoule (GJ) to \$5.21 per GJ. This is SaskEnergy's lowest commodity rate since 2001. On March 10, 2010 SaskEnergy announced that it would maintain its commodity rate at \$5.21 per GJ for the upcoming summer period. It will review its commodity rate again in the fall.

The 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.



Commodity Margin

	Three months ended March 31	
	2010	2009
(\$ per GJ)		
Average commodity rate	5.21	8.51
Average cost of gas sold	4.83	7.55
(\$ millions)		
Realized margin on commodity sales	9	27
Impact of fair value adjustments	(32)	(24)
Margin on commodity sales	(23)	3

The commodity rate for natural gas sales to distribution utility customers was \$5.21 per GJ for the period January 1, 2010 to March 31, 2010. In 2009 the average commodity rate was \$8.51 per GJ for the same period.

The weather was 3 per cent warmer than normal in the first three months of 2010 compared to 15 per cent colder than normal weather during the same period in 2009. The warmer weather decreased the amount of natural gas consumed for space heating purposes for the first three months of 2010 by 4.6 Petajoules compared to 2009.

The lower average rate combined with decreased volumes sold resulted in commodity sales of \$119 million in the first three months of 2010 which was \$138 million lower than commodity sales of \$257 million for the same period in 2009.

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 March 31. 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.

During the first three months of 2010, the average cost of natural gas was \$4.83 per GJ, which was lower than the average commodity rate of \$5.21 per GJ, resulting in a realized commodity margin of \$9 million before fair value adjustments. For the same period in 2009, there was a realized commodity margin of \$27 million before fair value adjustments as the average cost of gas sold was \$7.55 per GJ and the average commodity rate was \$8.51 per GJ.

Fair value adjustments unfavourably impacted the financial reporting of the cost of gas sold for the three month period ending March 31, 2010 by \$32 million, resulting in a loss on commodity sales of \$23 million. In 2009 unfavourable fair value adjustments of \$24 million resulted in a margin on commodity sales of \$3 million for the comparable period.

Gas Marketing

	Three months ended March 31	
	2010	2009
(\$ millions)		
Realized margin on gas marketing sales	17	13
Impact of fair value adjustments	42	1
	59	14
Revaluation of inventory	(21)	(15)
Margin on gas marketing sales	38	(1)

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 three months of 2010, the realized margin from the foregoing activity was \$17 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. For the comparable period in 2009, the realized margin was \$13 million and there was a similar downward inventory revaluation of \$15 million.

When natural gas is purchased for gas marketing activities 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.

The margin from gas marketing activities was favourably impacted by the fair value adjustment for financial and derivative instruments of \$42 million. This resulted in a gas marketing margin of \$38 million for the three month period ending March 31, 2010. During the same period in 2009, there was a favourable fair value adjustment of \$1 million and a loss on gas marketing sales of \$1 million.

Delivery Revenue

Delivery revenue in the first three months of 2010 was \$64 million, which was \$5 million lower than the \$69 million reported for the same period in 2009. This was a result of decreased natural gas consumption in 2010 reflecting the warmer weather in 2010.

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 March 31, 2010 was 16 per cent warmer than the same period in 2009.

Effective January 14, 2010, SaskEnergy received approval for a delivery rate increase of \$2.10 to the Basic Monthly Charge for residential customers and modest increases for other customer classes, which partially offset the decline in natural gas consumption.

Transportation and Storage Revenue

Transportation and storage revenue for the first three months of 2010 was \$20 million, which was consistent with the same period in 2009.

During the first three months of 2010, there was a continued decline in receipts onto the system as natural gas production in Saskatchewan continued to decline. However, there was an offsetting increase in deliveries by the transmission system to industrial customers within the Province for 2010.

Other Expenses

Operating and maintenance expenses for the first three months of 2010 were \$35 million, which was \$1 million lower compared to the \$36 million reported in the first three months of 2009. This decline was largely the result of a decline in labour costs driven by position vacancies and operating efficiencies.

Interest, amortization, and Saskatchewan taxes to March 31, 2010 were consistent with the same period in 2009.

SaskEnergy International Incorporated

SaskEnergy, through SaskEnergy International Incorporated, holds a 30 per cent equity interest in Gas Sur S.A. (Gas Sur), a natural gas distribution company that serves residential and commercial customers in Chile. SaskEnergy began its investment in Gas Sur in 1999 and has a total capital investment of \$14 million.

On February 27, 2010 an 8.8 magnitude earthquake struck Chile. Gas Sur has been evaluating, repairing and testing its natural gas networks in order to safely reestablish service to its customers. Natural gas service has been restored to approximately two-thirds of Gas Sur's customers and is expected to be restored to most of its commercial customers. The viability of restoring service to lower sales volume customers is currently being assessed. An assessment of the total cost and impacts of the earthquake are not anticipated until later in the year.

As at March 31, 2010 SaskEnergy's investment in Gas Sur was \$15 million in the Consolidated Statement of Financial Position. To date, SaskEnergy is not anticipating a significant impact on the Corporation's financial statements.

Outlook

As the Saskatchewan economy continues to grow SaskEnergy expects continued strong demand for natural gas services. As the cleanest burning fossil fuel, the business and environmental benefits of natural gas will continue to make it the energy source of choice for many consumers. This expanding demand for natural gas is expected to result in continued growth for the well established distribution and transmission utilities. Opportunities beyond the Corporation's regulated utilities will further expand SaskEnergy's business within Saskatchewan and many of these opportunities, such as waste heat recovery, possess an environmental up-side as well. The Corporation anticipates additional margins from gas marketing activities as market opportunities become available.

With a solid financial position and a positive outlook for the future, the Corporation anticipates strong financial returns with a net income target of \$58 million for 2010. This target for annual net income excludes the impacts of financial reporting requirements related to fair value adjustments for financial instruments and inventory valuations as these adjustments are not known until the end of the fiscal year.

All internal costs are closely managed in an effort to minimize future rate adjustments for SaskEnergy's regulated businesses. The company's operations will continue to focus on maintaining safe reliable systems and high levels of customer service.

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 IFRS. The Public Sector Accounting Board (PSAB) has approved an amendment to the scope of public sector accounting standards. The amendment confirms that Government Business Enterprises (GBE), including SaskEnergy, will be required to follow IFRS for periods beginning January 1, 2011. This will allow for a comparison of similar entities in the public and private sector.

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

At this time, SaskEnergy is in the process of calculating the transitional IFRS adjustments, but the impact that IFRS will have on SaskEnergy's future financial position and operational results is not reasonably determinable. However, based on analysis to date, the most significant areas of difference are related to the accounting procedures 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 has been performed.

For additional information related to these future changes in accounting policies, refer to Note 1 of the Consolidated Financial Statements.

SASKENERGY INCORPORATED

Consolidated Statement of Financial Position

(millions of dollars)

(unaudited)

	As at March 31, 2010	As at December 31, 2009
Assets		
Current assets		
Cash	\$ 3	\$ -
Accounts receivable	115	113
Natural gas in storage held for resale (Note 2)	224	258
Inventories of supplies	9	9
Debt retirement funds	10	9
Fair value of derivative instruments (Note 3)	92	52
	<u>453</u>	<u>441</u>
Intangible assets	15	15
Property, plant and equipment	1,005	1,004
Natural gas in storage held for resale and operations (Note 2)	34	34
Debt retirement funds	49	48
Investments	28	30
	<u>\$ 1,584</u>	<u>\$ 1,572</u>
Liabilities and Province's Equity		
Current liabilities		
Bank indebtedness	\$ -	\$ 1
Short-term debt	85	108
Accounts payable	116	126
Dividends payable	15	21
Current portion of long-term debt	80	80
Fair value of derivative instruments (Note 3)	68	38
	<u>364</u>	<u>374</u>
Asset retirement obligations	8	8
Long-term debt	715	715
	<u>1,087</u>	<u>1,097</u>
Province of Saskatchewan's equity		
Retained earnings	430	406
Accumulated other comprehensive loss	(5)	(3)
	<u>425</u>	<u>403</u>
Equity advances	72	72
	<u>497</u>	<u>475</u>
	<u>\$ 1,584</u>	<u>\$ 1,572</u>

Commitments and contingencies (Note 4)

(See accompanying notes)

SASKENERGY INCORPORATED

Consolidated Statement of Income and Retained Earnings

(millions of dollars)

(unaudited)

	Three months ended March 31	
	2010	2009
Revenue		
Commodity sales	\$ 119	\$ 257
Gas marketing sales	147	126
Delivery	64	69
Transportation and storage	20	20
Revenue collected for municipalities	8	13
Other	2	3
	<u>360</u>	<u>488</u>
Expenses		
Commodity cost of gas sold	142	254
Gas marketing cost of gas sold	109	127
Operating and maintenance	35	36
Interest	10	11
Amortization	15	14
Payment to municipalities	8	13
Saskatchewan taxes	2	2
	<u>321</u>	<u>457</u>
Net income from continuing operations	39	31
Net income from discontinued operations	-	1
Net income	39	32
Retained earnings, beginning of period	406	364
Dividends	(15)	(15)
Retained earnings, end of period	<u>\$ 430</u>	<u>\$ 381</u>

(See accompanying notes)

SASKENERGY INCORPORATED
Consolidated Statement of Comprehensive Income

(millions of dollars)
(unaudited)

	Three months ended March 31	
	2010	2009
Net income	\$ 39	\$ 32
Other comprehensive income (loss)		
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	(2)	2
Comprehensive income	\$ 37	\$ 34

SASKENERGY INCORPORATED
Consolidated Statement of Accumulated Other Comprehensive Loss

(millions of dollars)
(unaudited)

	Three months ended March 31	
	2010	2009
Accumulated other comprehensive loss, beginning of year	\$ (3)	\$ (3)
Other comprehensive income (loss)	(2)	2
Accumulated other comprehensive loss, end of year	\$ (5)	\$ (1)

SASKENERGY INCORPORATED

Consolidated Statement of Cash Flows

(millions of dollars)

(unaudited)

	Three months ended March 31	
	2010	2009
Operating Activities		
Net income	\$ 39	\$ 32
Add (deduct) items not affecting cash from operations		
Amortization	15	14
Write-down of natural gas in storage held for resale (Note 2)	21	15
Change in fair value of derivative instruments (Note 3)	(10)	25
Debt retirement funds earnings	(1)	-
Equity earnings	-	(1)
Net income from discontinued operations	-	(1)
Other	-	1
	<u>64</u>	<u>85</u>
Net change in non-cash working capital related to operations	<u>(4)</u>	<u>1</u>
Cash provided by operating activities from continuing operations	60	86
Cash used in discontinued operations	-	(2)
Cash provided by operating activities	<u>60</u>	<u>84</u>
Investing Activities		
Net additions to property, plant and equipment	(19)	(24)
Capital contributions and deposits received	9	9
Additions to intangible assets	(1)	-
Additions to investments	-	(1)
Cash used in investing activities	<u>(11)</u>	<u>(16)</u>
Financing Activities		
Decrease in bank indebtedness	(1)	-
Decrease in short-term debt	(23)	(111)
Proceeds from long-term debt	-	50
Debt retirement fund installments	(1)	(1)
Dividends paid	(21)	(6)
Cash used in by financing activities	<u>(46)</u>	<u>(68)</u>
Increase in cash during the period	3	-
Cash position, beginning of period	-	4
Cash position, end of period	<u>\$ 3</u>	<u>\$ 4</u>

(See accompanying notes)

SaskEnergy Incorporated
Notes to the Consolidated Financial Statements
March 31, 2010

Unaudited

1. Accounting Policies

SaskEnergy Incorporated (SaskEnergy or the Corporation) prepares its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The disclosures do not conform in all respects to the requirements for annual financial statements. 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, 2009.

These consolidated interim financial statements, which are unaudited, should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 and have been prepared from the records of the Corporation. The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

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 Canadian Institute of Chartered Accountants (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 for business combinations, 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. Natural Gas in Storage Held for Resale and Operations

For the three months ended March 31, 2010, \$186 million of natural gas in storage held for resale (2009 - \$289 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 included in gas marketing cost of gas sold (2009 - \$15 million). If natural gas prices rise in the future, there will be a reversal of the write-down. There was no reversal of any prior period write-down during the period.

3. Financial Instruments and Risk Management

a. Financial instruments

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

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(millions)			
Other liabilities				
Long-term debt	\$ 795	\$ 889	\$ 795	\$ 889
Held-for-trading				
Debt retirement funds	59	59	57	57

The fair value of the above instruments was 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 fair value measurements are calculated using Level 2 inputs. The market value of the investments held in the debt retirement fund is determined by Saskatchewan's 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 other financial instruments, including cash, accounts receivable, bank indebtedness, short-term debt, accounts payable and dividends payable approximate their carrying values due to the short-term nature of the instruments.

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 Corporation obtains information from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. All of the Corporation's recurring fair value measurements are calculated using Level 2 inputs. 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 March 31, 2010 has been used to estimate the contract price. At March 31, 2010, all derivative assets and liabilities held-for-trading are recorded on the consolidated statement of financial position at fair value.

3. Financial Instruments and Risk Management (continued)

As at March 31, 2010, natural gas derivative instruments held-for-trading had the following fair values, notional values and maturities:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
	(millions)					
Physical natural gas contracts						
Fair value	\$ 19	\$ 2	\$ -	\$ -	\$ -	\$ 21
Notional value	(45)	8	4	1	-	(32)
Natural gas price swaps						
Fair value	(16)	7	6	6	-	3
Notional value	(16)	7	6	7	-	4
Total						
Fair value	\$ 3	\$ 9	\$ 6	\$ 6	\$ -	\$ 24
Notional value	\$ (61)	\$ 15	\$ 10	\$ 8	\$ -	\$ (28)
Fair value - increase (decrease)						
Notional value - estimated net cash inflow (outflow)						

c. Changes in fair value

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

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(millions)	
Fair value of derivative instrument assets	\$ 92	\$ 52
Fair value of derivative instrument liabilities	(68)	(38)
	<u>\$ 24</u>	<u>\$ 14</u>

3. Financial Instruments and Risk Management (continued)

The change in fair value of financial and derivative instruments is recorded in net income within the relevant revenue or expense category. For the three months ended March 31 the increase (decrease) in net income of these unrealized gains and losses was as follows:

	Three months ended March 31	
	2010	2009
	(millions)	
Derivative instruments		
Gas marketing sales	\$ 45	\$ 30
Commodity cost of gas sold	(32)	(24)
Gas marketing cost of gas sold	(3)	(29)
Increase (decrease) in net income	\$ 10	\$ (23)

d. Risk management

The Corporation uses various derivative financial instruments to manage the risks associated with its operating exposures to fluctuations in foreign currency exchange rates, interest rates and the price of natural gas. A Corporate Derivatives Policy and specific risk management strategies establish the guidelines within which such derivative financial instruments may be used.

i. Natural gas price risk

The Corporation may manage the risk associated with the purchase and sale price of natural gas. 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 may use for price risk management include natural gas price swaps, options, swaptions and futures contracts.

Based on the Corporation's March 31, 2010 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 \$9 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 \$9 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 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 March 31, 2010 the maximum credit exposure to a single counterparty was \$27 million (2009 - \$3 million).

3. Financial Instruments and Risk Management (continued)

Derivative credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. Derivative credit risk is minimized by dealing with creditworthy counterparties in accordance with established credit approval policies.

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

	March 31, 2010	December 31, 2009
	(millions)	
Cash	\$ 3	\$ -
Accounts receivable	115	113
Debt retirement funds	59	57
Fair value of derivative instrument assets	92	52
Maximum credit exposure	\$ 269	\$ 222

4. Commitments and Contingencies

In April 2010, the Corporation was charged under Saskatchewan's Occupational Health and Safety Act and Regulations in relation to a natural gas explosion that occurred April 18, 2008 in Nipawin, Saskatchewan. The Corporation has also been named a defendant in a number of civil actions related to this incident. The claims remain at an early stage, and the Corporation has not yet entered a plea on the charges. Accordingly, the likelihood and amount of any potential loss cannot be reasonably estimated. Consequently, the Corporation has not recorded a liability for this contingency as at March 31, 2010.

5. Comparative Figures

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