CONSOLIDATED FINANCIAL STATEMENTS

SaskEnergy

Management's Responsibility for Financial Statements

Financial Reporting

The accompanying consolidated financial statements are the responsibility of the management of SaskEnergy. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the financial statements and all other financial information contained in this annual report.

The Corporation's Board of Directors (the Board) is responsible for ensuring that management fulfills its responsibilities for financial reporting and control. The Board is assisted in exercising its responsibility through its Audit and Finance Committee (the Committee). The Committee is composed of directors who are not employees of the Corporation. The Committee reviews the annual report and meets regularly with management, internal audit and external auditors to discuss internal controls, accounting, auditing and financial matters. The Committee recommends the appointment of the external auditors. The Committee reports its findings to the Board for its consideration in approving the consolidated financial statements and subsidiary financial statements.

Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial statements. The internal control system includes an internal audit function and an established code of conduct.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009, based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the company maintained effective control over financial reporting and that there were no material weaknesses in internal controls over financial reporting as of December 31, 2009.

The consolidated financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan. The Auditors' Report expresses their opinions on the fairness of the financial statements prepared by management.

(Original signed by D. Kelln)	(Original signed by D. Terry)
Doug Kelln President and Chief Executive Officer	Dennis Terry Vice-President, Finance and Chief Financial Officer

February 25, 2010

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of SaskEnergy Incorporated as at December 31, 2009, as well as the consolidated statements of income and retained earnings, comprehensive income, accumulated other comprehensive loss and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

(Original signed by Deloitte & Touche LLP)

Regina, Saskatchewan

February 25, 2010

Consolidated Statement of Financial Position As at December 31 (millions of dollars)

	Notes	2009	2008
Assets			
Current assets			
Cash		$ –	$ 4
Accounts receivable	5	113	160
Natural gas in storage held for resale	6	258	199
Inventories of supplies	7	9	16
Debt retirement funds	8	9	–
Fair value of derivative instruments	9	52	46
Assets of discontinued operations	10	–	62
		441	487
Intangible assets	11	15	18
Property, plant and equipment	12	1,004	945
Natural gas in storage held for resale and operations	6	34	35
Debt retirement funds	8	48	48
Investments	13	30	28
		$ 1,572	$ 1,561
Liabilities and Province's Equity			
Current liabilities			
Bank indebtedness		$ 1	$ –
Short-term debt	14	108	164
Accounts payable	15	126	132
Dividends payable		21	6
Current portion of long-term debt	14	80	39
Fair value of derivative instruments	9	38	61
Liabilities of discontinued operations	10	–	6
		374	408
Asset retirement obligations	16	8	8
Long-term debt	14	715	712
		1,097	1,128
Province of Saskatchewan's equity			
Retained earnings		406	364
Accumulated other comprehensive loss	17	(3)	(3)
		403	361
Equity advances	18	72	72
		475	433
		$ 1,572	$ 1,561
Commitments and contingencies	19		

(See accompanying notes)

On behalf of the Board:

(Original signed by N. Krenosky)
Director

(Original signed by R. Pletch)
Director

Consolidated Statement of Income and Retained Earnings Years ended December 31 (millions of dollars)

	Notes	2009	2008
Revenue			
Commodity sales		$ 451	$ 432
Gas marketing sales		446	576
Delivery		184	175
Transportation and storage		80	77
Revenue collected for municipalities	20	26	25
Other	21	10	16
		1,197	1,301
Expenses			
Commodity cost of gas sold		418	470
Gas marketing cost of gas sold		417	539
Operating and maintenance		148	138
Interest	22	43	41
Amortization	23	57	55
Payment to municipalities	20	26	25
Saskatchewan taxes	24	8	8
		1,117	1,276
Net income from continuing operations		80	25
Gain on sale of investment	10	8	–
Net income from discontinued operations	10	5	5
Net income		93	30
Retained earnings, beginning of year		364	379
Change in accounting policy	3	–	(2)
Dividends		(51)	(43)
Retained earnings, end of year		$ 406	$ 364

(See accompanying notes)

Consolidated Statement of Comprehensive Income Years ended December 31 (millions of dollars)

	2009	2008
Net income		
Other comprehensive income		
Unrealized gains (losses) on translating financial statements	$ 93	$ 30
of self-sustaining foreign operations	–	2
Comprehensive income	$ 93	$ 32

Consolidated Statement of Accumulated Other Comprehensive Loss Years ended December 31 (millions of dollars)

	2009	2008
Accumulated other comprehensive loss, beginning of year	$ (3)	$ (5)
Other comprehensive income	–	2
Accumulated other comprehensive loss, end of year	$ (3)	$ (3)

(See accompanying notes)

Consolidated Statement of Cash Flows Years ended December 31 (millions of dollars)

	Notes	2009	2008
Operating Activities			
Net income		$ 93	$ 30
Add (deduct) items not requiring an outlay of cash			
Amortization	23	57	55
Change in fair value of derivative instruments	9	(29)	23
Gain on sale of investment	10	(8)	–
Debt retirement funds earnings		(3)	(2)
Equity earnings		(3)	(2)
Other		–	5
		107	109
Net change in non-cash working capital related to operations	25	(25)	(83)
Decrease in natural gas in storage - non-current		1	1
Cash provided by operating activities from continuing operations		83	27
Cash used in discontinued operations	10	(7)	(16)
Cash provided by operating activities		76	11
Investing Activities			
Net additions to property, plant and equipment		(130)	(114)
Capital contributions and deposits received	12	31	37
Proceeds on sale of investment	10	73	–
Additions to investments		–	(5)
Cash used in investing activities		(26)	(82)
Financing Activities			
Increase in bank indebtedness		1	–
Decrease in short-term debt		(55)	75
Proceeds from long-term debt		83	120
Repayments of long-term debt		(39)	(75)
Debt retirement fund installments		(8)	(6)
Debt retirement fund redemptions		–	3
Dividends paid		(36)	(44)
Cash (used in) provided by financing activities		(54)	73
(Decrease) increase in cash during the year		(4)	2
Cash position, beginning of year		4	2
Cash position, end of year		$ –	$ 4

(See accompanying notes)

1. Status of the Corporation

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan provincial Crown corporation operating under authority of *The SaskEnergy Act*.

By virtue of *The Crown Corporations Act, 1993*, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC.

As a provincial Crown corporation, SaskEnergy and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

The Corporation owns and operates natural gas-related businesses located both within and outside Saskatchewan.

2. Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of SaskEnergy and its direct and indirect wholly owned subsidiaries, Bayhurst Gas Limited, Bayhurst Energy Services Corporation (and its ten wholly owned subsidiaries), Many Islands Pipe Lines (Canada) Limited, Saskatchewan First Call Corporation, SaskEnergy International Incorporated, SaskEnergy Chilean Holdings I Ltd., SaskEnergy Chilean Holdings II Ltd., SaskEnergy Mexican Holdings Ltd., SaskEnergy Nova Scotia Holdings Ltd. (note 10), Swan Valley Gas Corporation, and TransGas Limited. The accounts also include the Corporation's 100 per cent ownership interest in SaskEnergy Chilean Holdings Limitada, a Chilean limited partnership, the Corporation's 50.1 per cent proportionate share of Heritage Gas Limited (note 10), accounted for as a joint venture, and the 50 per cent proportionate share of the Kisbey Gas Gathering and Processing Facility, an unincorporated joint venture.

As outlined in note 10, SaskEnergy Nova Scotia Holdings Ltd. sold its interest in Heritage Gas Limited effective October 1, 2009 and wound up all operations by December 31, 2009.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and require 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. Management periodically evaluates the estimates and assumptions used based on past experience and other factors considered reasonable under the circumstances. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods. Due to market volatility, changes in future conditions in the near term could result in a material change. Significant areas requiring the use of estimates and assumptions are described in the following summary of significant accounting policies. The impact of rate regulation on the application of GAAP is described in note 28. The following accounting policies are considered to be significant:

a. Natural gas in storage

Natural gas in storage is stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is determined using near month and forward natural gas market prices as appropriate.

b. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at the lower of average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value.

c. Intangible assets

Intangible assets includes computer software that was previously reported as property, plant and equipment (note 3). Intangible assets are stated at cost and include all direct costs related to the development of the assets. Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rate is 8.3 to 20.0 per cent.

2. Summary of Significant Accounting Policies (continued)

d. Property, plant and equipment

Property, plant and equipment is stated at cost and includes all direct costs related to the development of the assets and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a major item or class of property, plant and equipment is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Other asset retirements are recorded by reducing the account by the cost of the asset and charging this amount, net of proceeds received, to accumulated amortization.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows: (per cent)

Transmission and storage	2.5 to 2.6
Distribution	2.5 to 3.5
Gathering, treatment and compression	2.5 to 3.5
Computer hardware	20.0 to 33.3
Vehicles, equipment and other	2.5 to 16.4

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

e. Investments

The Corporation accounts for its investments in Gas Sur S.A. and IGASAMEX USA Ltd. using the equity method.

f. Asset retirement obligations

Where a legal obligation exists, the Corporation recognizes the fair value of its asset retirement obligations relating to the future decommissioning of certain natural gas facilities as a liability in the period in which the obligation is incurred provided a reasonable estimate of fair value can be determined. The liability is increased annually for the passage of time through accretion expense. The associated asset retirement cost is added to the carrying amount of the related asset and amortized over the estimated useful life of the related asset.

Due to the long-term nature of the assumptions made in the cost estimates, there could be a material adjustment to income in future reporting periods. Therefore, revisions will be made periodically to reflect more accurate estimates.

g. Financial instruments

SaskEnergy classifies its financial instruments into one of the following categories: 1) held-for-trading, 2) held-to-maturity, 3) loans and receivables, 4) available-for-sale, and 5) other liabilities.

All financial instruments are measured at fair value upon initial recognition. The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act.

Financial assets and liabilities classified as held-for-trading are subsequently measured at fair value with changes in fair value recognized in net income. Financial assets classified as available-for-sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income until the financial asset is sold or other than temporarily impaired at which time the cumulative gain or loss is recognized in net income. Financial assets classified as held-to-maturity and loans and receivables as well as financial liabilities classified as other liabilities are subsequently amortized using the effective interest

2. Summary of Significant Accounting Policies (continued)

method. All derivatives are recognized as an asset or liability as of the financial statement date.

Transaction costs related to held-for-trading financial assets and liabilities are expensed as incurred. For all other financial instruments, transaction costs are included in the initial carrying amount.

Cash is classified as held-for-trading. Accounts receivable are classified as loans and receivables. Carrying value approximates fair value due to the short-term nature of these instruments. The debt retirement funds are classified as held-for-trading assets and recorded at fair value. The change in the fair value of the debt retirement funds is recognized in interest expense.

Bank indebtedness is classified as held-for-trading. Short-term debt, accounts payable, and dividends payable are classified as other liabilities. Carrying value approximates fair value due to the short-term nature of these instruments. Long-term debt is classified as other liabilities and recorded at amortized cost. The related debt premium, discount and issue costs are included in the carrying value of the long-term debt and are recognized in interest expense using the effective interest rate method.

The Corporation uses hedge accounting for interest rate swaps used to hedge long-term debt. The effective portion of changes in the fair value is recognized in other comprehensive income while any ineffective portion of changes in the fair value is recognized immediately in interest expense. Gains and losses deferred in accumulated other comprehensive loss are reclassified in interest expense in the same period as the hedged item is settled. The Corporation uses hedge accounting for foreign currency forward contracts used to hedge capital expenditures denominated in a foreign currency. Gains or losses are recognized in other comprehensive income and reclassified to amortization expense over the life of the related capital asset. Interest rate swaps and foreign currency forward contracts may be designated as cash flow hedges.

Derivative financial instruments not designated as a hedge are classified as held-for-trading and are recorded at fair value in the statement of financial position in current assets or current liabilities as applicable. The change in the fair value of these derivatives is recorded in net income and classified within the revenue or expense category to which they relate. The revenue and expense categories impacted are described in note 9c.

Embedded derivatives are recorded at fair value on the statement of financial position.

The Corporation's foreign investments are self-sustaining, and the financial statements are translated from the functional currency into Canadian dollars using the current rate method. Translation adjustments resulting from changes in the exchange rate between the functional currency and the Canadian dollar are reflected in accumulated other comprehensive loss in the Province of Saskatchewan's equity.

The Corporation classifies the fair value of its financial instruments and derivatives according to the following hierarchy based on the amount of observable inputs used to value the instruments.

i. Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. The Corporation does not use Level 1 inputs for any of its recurring fair value measurements.

ii. Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reported date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the marketplace. Instruments in this category include nonexchange traded derivatives such as

2. Summary of Significant Accounting Policies (continued)

over-the-counter physical forwards and options, including those which have prices similar to quoted market prices.

iii. Level 3 – Valuations in this level are those with inputs which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. The Corporation does not use Level 3 inputs for any of its recurring fair value measurements.

h. Revenue recognition

Delivery and commodity revenue is recognized when natural gas is delivered to customers. An estimate of natural gas delivered, but not billed, is included in revenue.

Revenue from natural gas marketing is recorded upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership. Changes in the fair value of outstanding gas marketing sales contracts are recorded as gains or losses in the period of change.

Revenue is recognized when transportation, transportation-related services and storage are provided to customers and the ultimate collection is reasonably assured. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

Royalty revenue, included in other revenue, is recognized when natural gas is sold from wells subject to royalty agreements and the ultimate collection is reasonably assured.

Natural gas and liquid sales, included in other revenue, is recognized when natural gas and natural gas liquids are delivered to customers and ultimate collection is reasonably assured.

i. Cost of gas sold

The cost of gas sold includes the cost of purchasing natural gas in the open market, derivative financial instrument settlements, fair value adjustments on outstanding derivative financial and non-financial instruments, transportation, direct operating costs related to supply acquisition, and natural gas inventory carrying costs.

j. Gas marketing

The Corporation may enter into contracts that require either the physical delivery (sale) or receipt (purchase) of natural gas in a future period. The gain or loss on these transactions is the difference between the sales revenue recognized in the period and the average cost of natural gas required to fulfill those sales.

Changes in the fair value of the contracts due to a change in market prices up to the date of settlement are recorded as gains or losses in gas marketing sales or gas marketing cost of gas sold in the period of change.

k. Employees' future benefits

i. Pension plans

The Corporation provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan.

Under both multi-employer plans the Corporation's obligations are limited to making regular payments to the plans for current services. When made, these contributions are charged to expenses.

ii. Retiring allowance plan

The cost of future retirement allowance benefits earned by employees under this plan is actuarially determined using the projected benefit method and management's best estimates.

l. 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

2. Summary of Significant Accounting Policies (continued)

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.

3. Changes in Accounting Policies

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)	$ 18
Property, plant and equipment (net)	(18)
Total assets	$ –
Total liabilities and Province's equity	$ –

The CICA implemented revisions to Handbook Section 3862 "Financial Instruments – Disclosures" for fiscal years ending after September 30, 2009. These revisions are intended to align the disclosure requirements for financial instruments to the maximum extent possible with the disclosure required under IFRS. These revisions require additional disclosure based on a three level hierarchy that reflects the significance of inputs used in measuring fair value. The new required disclosure is provided in Notes 2 and 9.

4. Capital Disclosure

The Corporation's objective when managing its capital is to maintain financial stability through the effective management of liquidity and capital structure. Ensuring financial stability is critical to providing safe reliable service to Saskatchewan residents, businesses and industries.

SaskEnergy finances its capital requirements through internally generated funds and injections of capital from the Province of Saskatchewan, typically in the form of debt. Under *The SaskEnergy Act*, the Corporation may borrow up to $1.3 billion of debt upon approval of the Lieutenant Governor in Council. As at December 31, 2009, SaskEnergy had $904 million of debt outstanding, authority to borrow an additional $292 million of temporary loans, and a $35 million uncommitted line of credit with Toronto-Dominion Bank.

The Corporation borrows all of its capital, with the exception of occasional overnight loans from the Toronto-Dominion Bank, from the Province of Saskatchewan. Given the Province of Saskatchewan's strong credit rating, the Corporation was able to acquire all of its funding requirements

4. Capital Disclosure (continued)

during 2009. SaskEnergy's borrowing requirement constitutes a minor portion of the Government of Saskatchewan's total borrowings.

The Corporation monitors capital on the basis of the debt ratio. The current long-term per cent debt ratio target is 65 per cent, which is consistent with the prior year and comparable to publicly traded natural gas pipeline and distribution utilities. SaskEnergy adjusts its dividend payments to CIC to maintain its debt ratio at industry comparable levels. The purpose of this strategy is to ensure that SaskEnergy's debt is considered self supporting and does not adversely affect the Province's access to capital markets. The Corporation's objectives, policies and processes for managing its capital are consistent with the prior year.

The per cent debt ratio is calculated as net debt divided by end of year capitalization as follows:

	2009	2008
	(millions)	
Gross long-term debt	**$ 795**	$ 751
Short-term debt	**108**	164
Bank indebtedness	**1**	–
Debt retirement funds	**(57)**	(48)
Cash	**–**	(4)
Total net debt	**847**	863
Equity advances	**72**	72
Retained earnings	**406**	364
Total capital	**$ 1,325**	$ 1,299
Debt ratio	**63.9%**	66.4%

SaskEnergy complied with all externally imposed requirements on its capital for the year ended December 31, 2009.

5. Accounts Receivable

	2009	2008
	(millions)	
Unbilled revenue	**$ 71**	$ 114
Trade accounts	**31**	41
Other receivables	**11**	5
	$ 113	$ 160

6. Natural Gas in Storage Held for Resale and Operations

During the year, $695 million of natural gas in storage held for resale (2008 – $959 million) was recognized as cost of gas sold. There was no write-down of natural gas in storage and no reversal of prior period write-downs during 2009.

7. Inventories of Supplies

During the year, $25 million of inventories of supplies (2008 – $18 million) were consumed. There was no write-down of inventory of supplies and no reversal of any prior period write-down during 2009.

8. Debt Retirement Funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, SaskEnergy is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. This investment is referred to as a debt retirement fund. These debt retirement funds are administered by Saskatchewan's Ministry of Finance. The investments held in these debt retirement funds are primarily Federal and Provincial Government debt instruments. The yield on these investments was 5.4 per cent for 2009 (2008 – 5.8 per cent). Debt retirement funds are held-for-trading assets and are recorded at fair value on the consolidated statement of financial position.

Amounts required to be invested in the debt retirement fund in each of the next five years are as follows: (millions)

2010	2011	2012	2013	2014
$ 8	$ 7	$ 7	$ 7	$ 6

9. Financial Instruments and Risk Management

a. Financial instruments

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

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(millions)			
Other liabilities				
Long-term debt	**$ 795**	**$ 889**	$ 751	$ 851
Held-for-trading				
Debt retirement funds	**57**	**57**	48	48

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.

9. Financial Instruments and Risk Management (continued)

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 December 31, 2009 has been used to estimate the contract price. At December 31, 2009, all derivative assets and liabilities held-for-trading are recorded on the consolidated statement of financial position at fair value.

As at December 31, 2009, natural gas derivative instruments held-for-trading had the following fair values, notional values and maturities:

	2010	2011	2012	2013	2014	Total
			(millions)			
Physical natural gas contracts						
Fair Value	$ 6	$ 1	$ 1	$ –	$ –	$ 8
Notional value	(164)	14	5	2	2	(141)
Natural gas price swaps						
Fair Value	(6)	5	4	3	–	6
Notional value	(5)	5	4	3	–	7
Total						
Fair Value	$ –	$ 6	$ 5	$ 3	$ –	$ 14
Notional value	$ (169)	$ 19	$ 9	$ 5	$ 2	$ (134)

Fair value – increase (decrease)

Notional value – estimated net cash inflow (outflow)

9. Financial Instruments and Risk Management (continued)

c. Changes in fair value

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

	2009	2008
	(millions)	
Fair value of derivative instrument assets	**$ 52**	$ 46
Fair value of derivative instrument liabilities	**(38)**	(61)
	$ 14	$ (15)

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

	2009	2008
	(millions)	
Derivative instruments		
Gas marketing sales	**$ 7**	$ 31
Commodity cost of gas sold	**21**	(47)
Gas marketing cost of gas sold	**3**	(9)
	31	(25)
Financial instruments		
Gas marketing cost of gas sold	**(1)**	1
Interest expense	**(1)**	(1)
Increase (decrease) in net income	**$ 29**	$ (25)

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. The objectives, policies and processes for managing risk were consistent with the prior year.

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 December 31, 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. Foreign currency exchange and interest rate risk

The Corporation may use derivative financial instruments to manage the interest rate risk on anticipated borrowing requirements and the foreign currency exchange rate on foreign currency denominated transactions. For the purpose of managing interest rate risk, the Corporation may use forward rate agreements, options and interest rate swaps to achieve an annual average interest rate target. During the year ended December 31, 2009 the Corporation did not enter into or settle any such instruments.

For the purpose of managing the exchange rate risk on transactions denominated in foreign currency, SaskEnergy may use currency forwards and currency options. During the year ended December 31, 2009 the impact of these instruments on net income was $nil (2008 – $nil).

At year end, the Corporation had $108 million of short-term debt which is refinanced quarterly. In addition, $80 million of long-term debt will mature in 2010 at which time it will be refinanced.

9. Financial Instruments and Risk Management (continued)

Based on the short-term debt balance as at December 31, 2009 and the long-term debt maturing in 2009, a one per cent change in interest rates would increase or decrease the annual interest expense by approximately $2 million.

iii. Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. For financial obligations, the Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows. The following summarizes the contractual maturities of the Corporation's financial obligations as at December 31, 2009:

	6 months or less	7 – 12 months	1 – 2 years	3 – 51 years	More than 5 years
			(millions)		
Bank indebtedness	$ 1	$ –	$ –	$ –	$ –
Short-term debt	108	–	–	–	–
Accounts payable	126	–	–	–	–
Dividends payable	21	–	–	–	–
Derivative instruments	112	57	–	–	–
Long-term debt	21	101	38	256	902
Debt retirement fund installments	4	4	7	20	59
	$ 393	$ 162	$ 45	$ 276	$ 961

The long-term debt obligations include principal and interest payments.

iv. 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 December 31, 2009 the maximum credit exposure to a single counterparty was $14 million (2008 – $14 million).

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.

9. Financial Instruments and Risk Management (continued)

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

	2009	2008
	(millions)	
Cash	$ –	$ 4
Accounts receivable	113	160
Debt retirement funds	57	48
Fair value of derivative instrument assets	52	46
Maximum credit exposure	$ 222	$ 258

The following reflects an aging summary of the Corporation's accounts receivable:

	2009	2008
	(millions)	
Current	$ 109	$ 155
30 – 59 days	3	3
60 – 89 days	1	1
Greater than 90 days	1	2
	114	161
Allowance for doubtful accounts	(1)	(1)
	$ 113	$ 160

Provisions for credit losses are maintained and regularly reviewed by the Corporation. Credit losses are estimated based on an aging of customer accounts. Amounts are written off once reasonable collection efforts have been exhausted. Details of the allowance are as follows:

	2009	2008
	(millions)	
Allowance for doubtful accounts, beginning of year	$ 1	$ 1
Provision	2	1
Recoveries	2	2
Write-offs	(4)	(3)
Allowance for doubtful accounts, end of year	$ 1	$ 1

10. Net Income from Discontinued Operations

SaskEnergy Nova Scotia Holdings Ltd. (Nova Scotia Holdings), a wholly owned subsidiary of SaskEnergy, sold its 50.1 per cent interest in Heritage Gas Limited (Heritage Gas) effective October 1, 2009 to AltaGas Utility Holdings (Nova Scotia) Inc. of Calgary, Alberta. The transaction which closed on November 18, 2009, had a cash purchase price of $73 million with a resulting gain on sale of $8 million.

Due to the sale of Heritage Gas and the subsequent winding up of Nova Scotia Holdings operations by December 31, the Corporation has removed the results of Nova Scotia Holdings and Heritage Gas from its ongoing financial position, operations and cash flows as follows:

Consolidated statement of financial position

	2009	2008
	(millions)	
Current assets	$ -	$ 4
Long-term assets	-	58
Current liabilities	-	(4)
Long-term liabilities	-	(2)

Consolidated statement of income

	2009	2008
	(millions)	
Revenue	$ 13	$ 16
Expenses	(8)	(11)
Net income	$ 5	$ 5

Consolidated statement of cash flows

	2009	2008
	(millions)	
Cash used in operating activities	$ (3)	$ (7)
Cash used in investing activities	(4)	(9)
	$ (7)	$ (16)

11. Intangible Assets

	2009			2008		
	(millions)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	**$ 49**	**$ 36**	**$ 13**	$ 49	$ 31	$ 18
Work in progress	**2**	**–**	**2**	–	–	–
	$ 51	**$ 36**	**$ 15**	$ 49	$ 31	$ 18

Intangible assets acquired during the year were $1 million (2008 – $3 million).
Intangible assets developed during the year were $1 million (2008 – $5 million).

12. Property, Plant and Equipment

	2009			2008		
	(millions)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Distribution	**$ 755**	**$ 263**	**$ 492**	$ 705	$ 244	$ 461
Transmission and storage	**752**	**263**	**489**	703	245	458
Gathering, treatment and compression	**186**	**84**	**102**	172	77	95
Vehicles, equipment and other	**104**	**49**	**55**	104	49	55
Computer hardware	**26**	**16**	**10**	32	24	8
Construction in progress	**50**	**–**	**50**	49	–	49
	$ 1,873	**$ 675**	**1,198**	$ 1,765	$ 639	1,126
Less:						
Unamortized customer capital contributions			**194**			181
			$ 1,004			$ 945

12. Property, Plant and Equipment (continued)

Customer capital contributions are required to be paid by customers to SaskEnergy to aid in construction of certain customer-specific facilities in accordance with established business policies.

	2009	2008
	(millions)	
Customer capital contributions, beginning of year	**$ 181**	$ 148
Contributions received	**17**	37
Amortization of contributions	**(4)**	(4)
Customer capital contributions, end of year	**$ 194**	$ 181

13. Investments

Investments are as follows:

	2009		2008	
	Amount (millions)	Ownership (per cent)	Amount (millions)	Ownership (per cent)
Equity investments				
Gas Sur S.A.				
Initial investment	**$ 14**	**30.0**	$ 14	30.0
Accumulated equity earnings	**4**		4	
Foreign currency translation adjustment	**(1)**		(3)	
	17		15	
IGASAMEX USA Ltd.				
Initial investment	**11**	**40.1**	11	40.1
Accumulated equity earnings	**5**		3	
Foreign currency translation adjustment	**(3)**		(1)	
	13		13	
	$ 30		$ 28	

Equity investments:

a. Gas Sur S.A.

The Corporation's 30.0 per cent share of Gas Sur S.A.'s 2009 net income was $1 million (2008 – $1 million) which was included in other revenue. The Corporation's foreign currency translation adjustment for 2009 resulted in a $2 million increase in the balance of the investment in Gas Sur S.A. (2008 – $1 million reduction). The initial cost of the investment exceeded the Corporation's underlying share of the net book value of Gas Sur S.A. by approximately $5 million (2008 – $5 million).

b. IGASAMEX USA Ltd.

The Corporation's 40.1 per cent share of IGASAMEX USA Ltd.'s 2009 net income was $2 million (2008 – $1 million) which was included in other revenue. The Corporation's foreign currency translation adjustment for 2009 resulted in a $2 million decrease in the balance of the investment in IGASAMEX USA Ltd. (2008 – $2 million reduction). The initial cost of the investment exceeded the Corporation's underlying share of the net book value of IGASAMEX USA Ltd. by approximately $5 million (2008 – $5 million).

14. Long-Term and Short-Term Debt

Years to Maturity	2009 Principal Outstanding (millions)	2009 Average Fixed Interest Rate (per cent)	2008 Principal Outstanding (millions)	2008 Average Fixed Interest Rate (per cent)
Province of Saskatchewan				
1 – 5	**$ 230**	**5.0**	$ 169	6.7
6 – 10	**242**	**4.5**	259	4.7
11 – 15	**34**	**6.7**	34	6.7
16 – 35	**285**	**6.5**	285	6.5
	791		747	
Unamortized premium/discount and issue costs	**(1)**		(1)	
Less due within one year	**(80)**		(39)	
Due to Province of Saskatchewan	**710**		707	
Other long-term debt	**5**	**13.5**	5	13.5
	$ 715		$ 712	

The effective interest rate on long-term debt was 5.4 per cent (2008 – 5.9 per cent).

a. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

b. Principal repayments

Principal repayments due in each of the next five years are as follows: (millions)

2010	2011	2012	2013	2014
$ 80	$ –	$ 50	$ 50	$ 50

c. Short-term debt

During 2009, the Corporation borrowed funds on a short-term basis from the Province of Saskatchewan's General Revenue Fund at an average interest rate of 0.5 per cent (2008 – 2.5 per cent).

Short-term debt at December 31, 2009 consists of $108 million (2008 – $164 million) that was due to the Province of Saskatchewan's General Revenue Fund with an interest rate of 0.3 per cent (2008 – 1.4 per cent).

15. Accounts Payable

	2009	2008
	(millions)	
Supplier payables	**$ 61**	$ 73
Interest payable	**8**	9
Other payables	**57**	50
	$ 126	$ 132

16. Asset Retirement Obligations

The Corporation has estimated the future costs of decommissioning certain natural gas facilities. The timing of future decommissioning and settlement dates of these obligations are conditional upon the Corporation's intended use for these facilities. For purposes of estimating the fair value of these obligations, as at December 31, a settlement period ranging from 2010 to 2022 has been assumed.

As at December 31, 2009 the estimated future cash flows required to settle these obligations were $10 million (2008 – $10 million), which were discounted to $8 million (2008 – $8 million) applying credit adjusted risk free rates ranging from 3.2 to 6.4 per cent.

17. Accumulated Other Comprehensive Loss

The balance in accumulated other comprehensive loss consists of the following:

	2009	2008
	(millions)	
Unrealized losses on translating financial statements of self-sustaining foreign operations	**$ (3)**	$ (3)

18. Equity Advances

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

19. Commitments and Contingencies

a. Guarantees

SaskEnergy has granted a guarantee related to certain obligations established under the Gas Sur S.A. Shareholders' Agreement. The guarantee is expressly limited to $5 million (United States dollars).

b. Letters of credit

i. The Corporation, through its subsidiary SaskEnergy Mexican Holdings Ltd., has posted a $4 million (United States dollars) letter of credit in favour of Scotiabank Inverlat S.A., a Mexican bank. The letter of credit is used as collateral for the Corporation's share of a line of credit issued to IGASAMEX USA Ltd. Scotiabank Inverlat S.A. may draw upon this letter of credit if IGASAMEX USA Ltd. defaults under the terms of its loan agreement with Scotiabank Inverlat S.A.

ii. The Corporation has posted a $10 million letter of credit with NGX Financial Inc. (NGX) as security for natural gas purchase and sales transactions conducted by SaskEnergy on the NGX natural gas exchange in Alberta. NGX may draw on the letter of credit if SaskEnergy fails to make timely payment for, or delivery of, natural gas as per the related contract.

iii. The Corporation has posted an $8 million letter of credit with the City of Medicine Hat as security for natural gas purchases. The City of Medicine Hat may draw on the letter of credit if SaskEnergy fails to make timely payment for natural gas as per the related natural gas purchase agreement.

19. Commitments and Contingencies (continued)

c. Leases

Future payments under operating leases are as follows: (millions)

2010	2011	2012	2013	2014	Thereafter	Total
$ 5	$ 3	$ –	$ –	$ –	$ 1	$ 9

20. Revenue Collected For and Paid to Municipalities

a. Natural gas distribution

In accordance with the provisions of *The SaskEnergy Act*, SaskEnergy is required to remit to 109 urban municipalities an amount calculated as either five per cent or three per cent of natural gas sales to customers within the respective municipality. These municipal payments are charged to customers and reported as revenue collected for municipalities. These amounts are remitted to the respective municipalities and reported as payments to municipalities on the consolidated statement of income. In 2009, revenue collected for and paid to municipalities was $24 million (2008 – $23 million).

b. Natural gas transmission

In accordance with the provisions of *The SaskEnergy Act*, TransGas Limited (TransGas) is required to collect, from specific customers, an amount based on the value of natural gas transported on their behalf. TransGas in turn pays the revenue collected to those municipalities. The revenue collected is classified as revenue collected for municipalities, and the amount paid is classified as payments to municipalities on the consolidated statement of income. In 2009, revenue collected for and paid to municipalities was $2 million (2008 – $2 million).

21. Other Revenue

	2009	2008
	(millions)	
Royalty revenue	**$ 3**	$ 6
Natural gas and liquid sales	**4**	8
Income from investments accounted for by the equity method	**3**	2
	$ 10	$ 16

22. Interest Expense

	2009	2008
	(millions)	
Interest expense on long-term debt	**$ 44**	$ 41
Interest expense on short-term debt	**1**	4
Amortization of debt premium/discount and issue costs	**1**	1
Debt retirement funds earnings	**(2)**	(3)
Debt retirement funds fair value adjustment	**–**	1
Interest capitalized	**(1)**	(1)
Interest allocation to commodity cost of gas sold	**–**	(2)
	$ 43	$ 41

Interest paid during 2009 on long-term debt was $45 million (2008 – $44 million).

23. Amortization

	2009	2008
	(millions)	
Intangible assets	**$ 5**	$ 4
Property, plant and equipment	**56**	55
Customer capital contributions	**(4)**	(4)
	$ 57	$ 55

The estimated service lives are based on depreciation studies with annual reviews for reasonableness.

The composite rate of amortization (excluding the effect of customer capital contributions amortization) was 3.4 per cent during 2009 (2008 – 3.3 per cent).

24. Saskatchewan Taxes

	2009	2008
	(millions)	
Corporate capital tax	**$ 7**	$ 6
Property taxes and other	**1**	2
	$ 8	$ 8

The above amounts do not include Saskatchewan Provincial Sales Tax payments.

25. Net Change in Non-Cash Working Capital

	2009	2008
	(millions)	
Accounts receivable	**$ 47**	$ (31)
Natural gas in storage held for resale	**(59)**	(50)
Inventories of supplies	**7**	(4)
Accounts payable	**(20)**	2
	$ (25)	$ (83)

26. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at exchange amounts which approximate prevailing market prices under normal trade terms. Transactions during the year, and amounts outstanding at year end, are as follows:

	2009	2008
	(millions)	
Revenue	**$ 43**	$ 48
Operating expenses	**34**	32
Customer capital contributions	**32**	36
Accounts receivable	**3**	3
Accounts payable	**24**	10

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Province of Saskatchewan on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

27. Employee Future Benefits

a. Pension plans

Employees of the Corporation are members of either a defined contribution (the "Public Employees Pension Plan") or a defined benefit pension plan (the "Power Corporation Superannuation Plan"). The Corporation's obligations are limited to making contributions for employees' current service. Saskatchewan Power Corporation, a related Crown corporation, is responsible for any unfunded liabilities in the defined benefit plan.

During the year, the Corporation contributed $5 million (2008 – $4 million) on behalf of employees for current services.

27. Employee Future Benefits (continued)

b. Retiring allowance plan

The amounts related to the unfunded defined benefit retiring allowance plan for executive, management employees and members of the Communications, Energy and Paperworkers Union (CEP), Local 649 are as follows:

	2009	2008
	(millions)	
Accrued benefit liability	**$ 14**	$ 14
Benefits paid during the year	**1**	1
Net expense	**2**	(1)

The Corporation measures its accrued benefit liability as at December 31 of each year with an annual actuarial valuation. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit liability at December 31 are:

	2009	**2008**
Discount rate	**5.2 per cent**	7.1 per cent
Inflation rate	**2.5 per cent**	2.5 per cent
Average remaining employee service life	**7.9 years**	8.3 years

For employees who are members of the CEP, the length of service earned for the purpose of the retiring allowance plan is equal to their service up to and including December 31, 2004 less service time converted to other employee benefits. Remaining entitlements, if any, under the retiring allowance plan will be paid out to CEP members upon their retirement in accordance with the terms of the plan.

For management employees, the length of service earned for the purpose of the retiring allowance plan is equal to their service up to and including December 31, 2005. Entitlements under the retiring allowance plan will be paid out to management employees upon their retirement in accordance with the terms of the plan.

28. Rate Regulation

Rate regulation did not cause the Corporation to account for transactions or events differently than it would have in the absence of rate regulation, except where specifically noted. The impact of rate regulation on the Corporation was as follows:

a. SaskEnergy Incorporated

By virtue of legislation, SaskEnergy has the authority to sell and the exclusive authority to distribute natural gas within Saskatchewan. In accordance with an Order in Council, the rates charged to customers for both the sale of the commodity and the distribution of natural gas are subject to review by the Saskatchewan Rate Review Panel (SRRP). The Provincial Cabinet has the authority to establish SaskEnergy's commodity and delivery rates and accordingly takes into consideration recommendations from the SRRP.

Based on the foregoing rate-setting process, revenue recognition policies for commodity and delivery revenue are as described in note 2h. SaskEnergy's delivery revenue was $181 million for 2009 (2008 – $171 million) and commodity revenue was $411 million for 2009 (2008 – $418 million).

Cost of gas sold is accounted for in accordance with the policy described in note 2i.

For those commodity sales subject to the rate-setting process described above, commodity rates charged to customers are based on the principle that SaskEnergy neither realizes a gain nor incurs a loss on sales of natural gas. Accordingly, SaskEnergy maintains a record of the differences between commodity revenue and cost of natural gas sold and accumulates these differences in a notional account referred to as the Gas Cost Variance Account (GCVA). The rate-setting process contemplates the balances reflected in the GCVA being recovered from or refunded to customers through future rate decisions of the Provincial Cabinet.

28. Rate Regulation (continued)

In accordance with the foregoing rate-setting process, commodity revenue is reflected in these financial statements based on the rates approved by the Provincial Cabinet applying the accounting policies described in note 2h. The amounts accumulated in the GCVA are not reflected in these financial statements.

The Provincial Cabinet requires that the amounts in the GCVA be audited annually by the Office of the Provincial Auditor of Saskatchewan.

b. TransGas Limited (TransGas)

By virtue of legislation, TransGas has the exclusive authority to transport natural gas within Saskatchewan. Accordingly, the Provincial Cabinet has the authority to set transportation rates charged to shippers. Transportation rates are not subject to review by the SRRP.

Based on the foregoing rate-setting process, revenue recognition policies for transportation revenue are as described in note 2h. TransGas transportation revenue was $64 million for 2009 (2008 – $60 million).

c. Many Islands Pipe Lines (Canada) Limited (MIPL)

The business activities of MIPL are regulated by the National Energy Board.

Revenue recognition policies for MIPL transportation revenue are as described in note 2h. MIPL transportation revenue was $1 million for 2009 (2008 – $1 million).

d. Swan Valley Gas Corporation (SVGC)

The business activities of SVGC are regulated by the Manitoba Public Utilities Board. SVGC's delivery revenue was $1 million for 2009 (2008 – $1 million) and commodity revenue was $1 million for 2009 (2008 – $1 million).

29. Joint Venture

The following amounts have been included in these consolidated financial statements with respect to the Corporation's 50 per cent proportionate share of the Kisbey Gas Gathering and Processing Facility, an unincorporated joint venture:

a. Consolidated statement of financial position

	2009	2008
	(millions)	
Property, plant and equipment	**$ 16**	$ 5
Current liabilities	**(3)**	–
Investment in joint venture	**$ 13**	$ 5

b. Consolidated statement of income

	2009	2008
	(millions)	
Revenue	**$ 1**	$ 2
Expenses	**(1)**	(1)
Income from joint venture	**$ –**	$ 1

c. Consolidated statement of cash flows

	2009	2008
	(millions)	
Cash provided by operating activities	**$ 3**	$ 1
Cash used in investing activities	**(10)**	–
Increase/(decrease) in cash	**$ (7)**	$ 1

30. Comparative Figures

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