SaskTel

First Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2010

For the Period Ending March 31, 2010

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown corporation. SaskTel is the leading full service communications provider in Saskatchewan, offering a wide range of communications products and services including competitive voice, data, internet, entertainment, security monitoring, messaging, cellular, wireless data and directory services. In addition, SaskTel International offers software solutions and project consulting in countries around the world.

SaskTel and our wholly-owned subsidiaries have a workforce of approximately 4,800 permanent, part-time, casual, and temporary employees including all interns, co-op and summer students.

Our vision is "*To improve the lives of everyone we serve each and every time*" and our mission is *"We will go beyond in delivering innovative information, communication and entertainment solutions to our customers in Saskatchewan and other select markets. We will be a socially and environmentally responsible organization that delivers sound financial returns. Our focus is our Customer. Our strength is our People"*.

Financial Highlights

Consolidated Net Income

Quarter ended March 31, **($ millions)**	**2010**	2009	% Change
Operating revenues	**$281.6**	$283.7	(0.7)
Operating expenses	**242.2**	232.7	4.1
Income from operations	**39.4**	51.0	(22.7)
Other items	**5.7**	1.0	470.0
Interest and related items	**(6.1)**	(5.9)	3.4
Income from continuing operations	**39.0**	46.1	(15.4)
Loss from discontinued operations	-	0.6	nmf[1]
Net income	**$39.0**	$45.5	(14.3)

[1] nmf – no meaningful figures

SaskTel's net income for the first quarter of 2010 was $39.0 million, down $6.5 million from the same period in 2009. This was driven primarily by one-time items related to the recovery of bad debts previously written off and a sales tax refund on official use services, both of which were recorded in 2009, partially offset by Provincial Sales Tax (PST) refunds recorded in 2010.

Management Discussion and Analysis

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter 2010. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the year ended December 31, 2009. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please consult Management's Discussion & Analysis in SaskTel's 2009 annual report. These interim statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook section 1751, "Interim Financial Statements." These interim statements have been approved by the SaskTel Board of Directors.

Results of Operations

Operating revenues

($ millions)	**2010**	2009	Change	%
Quarter ended March 31,	**$281.6**	$283.7	($2.1)	(0.7)

Operating revenues for the first quarter of 2010 decreased to $281.6 million, down $2.1 million or 0.7% from the same period in 2009. This decrease was driven primarily by out-of-province revenue reductions as a result of the divestiture of the Expansion Division in 2009, partially offset by increased wireless and *Max*™ revenues.

Operating expenses

($ millions)	**2010**	2009	Change	%
Quarter ended March 31,	**$242.2**	$232.7	$9.5	4.1

Operating expenses for the first quarter of 2010 increased to $242.2 million, up $9.5 million from the same period in 2009. This increase was primarily to support revenue growth in the current year. In the prior year a bad debt recovery and a Provincial Sales Tax refund on official use services were recorded. These items were partially offset by reduced Expansion Division expenses and depreciation expense.

Other items

Other items for the first quarter of 2010 were $5.7 million, $4.7 million higher than the same period in 2009 primarily due to PST refunds, and Rural Infrastructure Program (RIP) funding amortization.

Interest and related items

Interest and related items for the first quarter of 2010 were $6.1 million, $0.2 million higher than the same period in 2009 primarily due to the change in fair value of financial instruments.

Liquidity and Capital Resources

Cash provided by operating activities

($ millions)	**2010**	2009	Change	%
Quarter ended March 31,	**$61.8**	$68.1	($6.3)	(9.3)

Cash provided by operating activities in the first quarter of 2010 decreased to $61.8 million, down $6.3 million from the same period in 2009, primarily due to decreased earnings and increased pension funding, partially offset by decreased working capital requirements.

Cash used in investing activities

($ millions)	**2010**	2009	Change	%
Quarter ended March 31,	**$48.0**	$33.9	$14.1	41.6

Cash used in investing activities in the first quarter of 2010 increased to $48.0 million, up $14.1 million from the same period in 2009. SaskTel's net spending on property, plant and equipment for the first quarter of 2010 was $44.2 million, up $15.5 million from the same period in 2009. Spending increased primarily due to the cellular network upgrade to Universal Mobile Telecommunications System (UMTS)/ High Speed Packet Access (HSPA) technology and the Saskatchewan Infrastructure Improvement Program, which is a SaskTel partnership with the government of Saskatchewan to provide last mile broadband to 100% of rural Saskatchewan, cellular expansion to 98% of the population of Saskatchewan and backbone infrastructure upgrades to increase basic internet to 5 megabits per second. SaskTel's net spending on intangible assets of $3.7 million decreased $1.5 million from 2009.

Capital expenditures in 2010 will focus on further investment in growth initiatives while sustaining current capital assets. A large portion of the growth expenditures will see capital investment to increase bandwidth to our customers. Capital investments will include a cellular network upgrade to UMTS/HSPA technology, network growth and refurbishment, further investment in *Max* Interactive Services, and improved high speed internet quality.

Cash used in financing activities

($ millions)	2010	2009	Change	%
Quarter ended March 31,	**$11.2**	$30.3	($19.1)	(63.0)

Cash used in financing activities in the first quarter of 2010 decreased to $11.2 million, down $19.1 million from the same period in 2009 primarily due to proceeds from short term notes of $20.8 million. This was partially offset by dividend payments which increased by $4.4 million to $31.0 million in 2010 compared to 2009. The 2010 payment is the final installment of the agreed upon 2009 annual dividend based on actual net earnings.

Liquidity and capital resource ratios

Debt ratio

	March 31, 2010	December 31, 2009
Debt ratio	**25.3%**	24.4%

The debt ratio increased to 25.3%, up from 24.4% at December 31, 2009. The overall level of net debt increased $16.4 million during the first quarter due to increased short-term borrowings.

Retained earnings increased by $9.5 million in the first quarter of 2010 after recording net income of $39.0 million and dividends of $29.5 million.

2010 Outlook

The 2009 SaskTel Annual Report identified a consolidated net income target for 2010 of $118.3 million. At this time SaskTel believes that it will exceed the established 2010 net income target.

Risk Assessment

The 2009 SaskTel Annual Report discusses the risks and uncertainties in SaskTel's business environment. They include developments in the technological, economic and regulatory environments, challenges faced by the defined benefit pension plan, competitive activity, cost management initiatives and more. SaskTel's basic risk profile remains unchanged as at March 31, 2010. Management continues to monitor individual risks as they change and evolve and employs the industry accepted risk management processes of identification, mitigation, transfer, assumption and control of key risks.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

Canadian public companies including Government Business Enterprises (GBEs) will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal years beginning on or after January 1, 2011. Effective January 1, 2011, SaskTel and its subsidiaries, as GBEs, will adopt IFRS as the basis for preparing consolidated financial statements. SaskTel will report financial results for the quarter ended March 31, 2011 prepared on an IFRS basis. SaskTel will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2010.

SaskTel and its subsidiaries, are finalizing an IFRS conversion project. Selection of accounting policies has been finalized and SaskTel is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being finalized. As part of the IFRS implementation, SaskTel has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes. The aspects of IFRS that have the potential to most significantly impact SaskTel are accounting for property, plant and equipment, employee future benefits, revenue recognition, impairment testing and financial statement disclosures.

The IASB plans to make revisions to or replace existing IFRS standards that may impact these areas as well as other accounting issues. Some of the anticipated changes may be in effect prior to SaskTel's transition date, such that IFRS may differ at transition date from its current form. However, it is likely that the majority of the changes will be in effect subsequent to the date of transition; with the result that the impact to SaskTel of adopting IFRS will extend beyond its transitional year.

Consolidated Statement of Operations and Comprehensive Income

	(Unaudited)	
For the three months ended March 31,	**2010**	2009
Thousands of dollars		
Operating revenues	**$281,568**	$283,738
Operating expenses		
Operations	**202,906**	190,389
Depreciation and amortization	**39,274**	42,396
	242,180	232,785
Income from operations	**39,388**	50,953
Other items	**5,731**	1,029
Interest and related items (Note 3)	**(6,092)**	(5,870)
Income from continuing operations	**39,027**	46,112
Loss from discontinued operations	**-**	597
Net income	**39,027**	45,515
Other comprehensive income	**-**	-
Comprehensive income	**$39,027**	$45,515

Consolidated Statement of Retained Earnings

	(Unaudited)	
For the three months ended March 31,	**2010**	2009
Thousands of dollars		
Retained earnings, beginning of period	**$561,799**	$535,997
Net income	**39,027**	45,515
	600,826	581,512
Dividends	**29,558**	23,206
Retained earnings, end of period	**$571,268**	$558,306

See Accompanying Notes

Consolidated Statement of Financial Position

As at Thousands of dollars	**(Unaudited) March 31, 2010**	(Audited) December 31, 2009
Assets		
Current assets		
Cash and short-term investments	**$11,993**	$8,913
Accounts receivable (Note 6a)	**82,929**	92,793
Inventories (Note 6a)	**10,939**	8,020
Prepaid expenses (Note 6a)	**22,910**	15,445
Current portion of sinking funds	**10,544**	10,519
Current assets from discontinued operations	**-**	443
	139,315	136,133
Property, plant and equipment	**3,015,530**	2,977,432
Less accumulated depreciation	**2,053,707**	2,029,421
	961,823	948,011
Intangible assets – finite-life	**171,415**	172,247
Less accumulated amortization	**105,032**	101,400
	66,383	70,847
Intangible assets – indefinite-life	**65,981**	65,981
Goodwill	**17,913**	17,913
Sinking funds	**58,961**	57,744
Deferred pension costs	**114,303**	108,145
Other assets	**11,997**	12,006
	$1,436,676	$1,416,780
Liabilities and Province's equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 6a)	**$119,931**	$131,143
Notes payable	**29,500**	8,700
Dividend payable	**29,558**	31,026
Services billed in advance (Note 6a)	**56,503**	51,774
Current portion of long-term debt	**90,368**	90,403
Current liabilities from discontinued operations	**-**	262
	325,860	313,308
Deferred revenue	**8,445**	9,145
Deferred revenue – Rural Infrastructure Program funding (Note 4)	**41,029**	42,400
Long-term debt	**240,074**	240,128
	615,408	604,981
Province of Saskatchewan's equity		
Equity advance	**250,000**	250,000
Retained earnings	**571,268**	561,799
	821,268	811,799
	$1,436,676	$1,416,780

See Accompanying Notes

Consolidated Statement of Cash Flows

For the three months ended March 31, Thousands of dollars	(Unaudited) 2010	2009
Operating activities		
Net income from continuing operations	**$39,027**	$46,112
Adjustments to reconcile net income to cash provided by operations		
Depreciation and amortization	**39,274**	42,396
Contributions to defined benefit pension plans	**(4,139)**	(2,088)
Pension income of defined benefit plans	**(2,023)**	(2,016)
Sinking fund earnings	**(1,032)**	(826)
Other	**(1,278)**	472
Net change in non-cash working capital (Note 6b)	**(7,992)**	(15,921)
Cash provided by operating activities	**61,837**	68,129
Investing activities		
Property, plant and equipment expenditures	**(44,246)**	(28,684)
Intangible assets – finite life	**(3,701)**	(5,240)
Cash used in investing activities	**(47,947)**	(33,924)
Financing activities		
Proceeds from (repayment of) notes payable	**20,800**	(2,800)
Sinking fund installments	**(1,173)**	(1,235)
Capital lease obligations	**-**	(55)
Dividends paid	**(31,026)**	(26,612)
Financing leases	**189**	441
Cash used in financing activities	**(11,210)**	(30,261)
Increase in cash from continuing operations	**2,680**	3,944
Decrease in cash from discontinued operations	**-**	(878)
Cash and cash equivalents, beginning of period	**9,313**	4,942
Cash and cash equivalents, end of period	**$11,993**	$8,008
Comprised of:		
Cash and cash equivalents of continuing operations	**$11,993**	$7,752
Cash of discontinued operations	**-**	256
Cash and cash equivalents	**$11,993**	$8,008

See Accompanying Notes

Notes to Consolidated Financial Statements (Unaudited)
As at March 31, 2010

Note 1 – Interim consolidated financial statements

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Saskatchewan Telecommunications Holding Corporation's (the Corporation) annual consolidated financial statements. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Corporation's December 31, 2009 audited consolidated financial statements. The accounting policies and methods for interim reporting purposes are consistent with those used in the preparation of the Corporation's audited consolidated financial statements for the year ended December 31, 2009.

Note 2 – Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets and capitalization of labour and overhead, the carrying amount of goodwill and intangible assets and underlying estimates of future cash flow, the carrying amounts of accounts receivable and underlying provision for bad debts and the carrying amounts of deferred pension costs and underlying actuarial assumptions. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements.

Note 3 – Interest and related items

For the three months ended March 31,	**2010**	2009
		Thousands of dollars
Interest on long-term debt	**$6,234**	$6,287
Sinking fund earnings – held for trading	**(1,032)**	(826)
Change in fair value of sinking funds	**890**	409
	$6,092	$5,870

Note 4 – Deferred revenue – Rural Infrastructure Program funding

During the second quarter of 2009, the Corporation received $45,000,000 in funding from the Province of Saskatchewan through Crown Investments Corporation of Saskatchewan, as partial funding of the 2009 portion of the Rural Infrastructure Program (RIP). The $45,000,000 has been classified as deferred revenue and will be recognized as related expenses are incurred or amortized as assets related to the program are put into service.

As at March 31, 2010, total funded expenditures amounted to $44,575,973 (2009 - Nil) of which $40,605,119 (2009 - Nil) related to capital expenditures. In accordance with the Corporation's accounting policy, $1,371,356 (2009 - Nil) has been recognized as revenue and included in other items in the current period.

Note 5 – Contingencies

Contingencies

On August 9, 2004, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiffs' proceeding as a class action with respect to an allegation of unjust enrichment only. The appeal from this decision by the Corporation, together with all other defendants will be heard by the Court of Appeal in October 2010. On July 24, 2009 a second proceeding under the *Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Corporation believes this second action involves substantially the same allegations as the 2004 claim and on December 23, 2009 the second action was conditionally stayed as an abuse of process by the Court of Queen's Bench. The Plaintiff's motion to discontinue the 2004 action was withdrawn leaving the 2004 action as an active lawsuit before the Court. The Plaintiffs have applied to obtain leave of the Court of Appeal to appeal the stay of the second action. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the Court in the certification proceeding of the 2004 claim and that it has strong defenses to the allegations contained in the 2009 action.

On March 20, 2007, R.L.T.V. Investments Inc. brought a lawsuit against Saskatchewan Telecommunications Holding Corporation, Saskatchewan Telecommunications and several current and former officers and employees of Saskatchewan Telecommunications. The lawsuit includes allegations that the Corporation wrongfully obtained its Multipoint Communication Systems (MCS) licence in Saskatchewan and is legally responsible for the failure of Image Wireless Communications Inc. as a consequence of alleged breach of contract, intentional interference with trade or business, deceit, misrepresentation and breach of the *Competition Act*. The Plaintiff claims damages in excess of $87 million. The Corporation believes that it has strong defenses to the allegations and a motion to strike all claims against the defendants was heard on September 25, 2007. The court struck the lawsuit in its entirety and the Plaintiff's appeal of the decision to the Saskatchewan Court of Appeal was heard on November 20, 2008. The Saskatchewan Court of Appeal released its unanimous decision on July 23, 2009 and agreed with the Court of Queen's Bench that the lawsuit should be dismissed in its entirety. The Plaintiffs sought leave of the Supreme Court of Canada to appeal that decision. On March 11, 2010 the request was dismissed by the Supreme Court of Canada. No further appeals are available.

On June 26th, 2008, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained to handle this matter. No further steps have been taken in this action to date.

Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

Note 5 – Contingencies, continued

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at March 31, 2010 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Note 6 – Additional financial information

a) Balance sheet

	March 31, 2010	December 31, 2009
		Thousands of dollars
Accounts receivable		
Customer accounts receivable	**$70,931**	$79,600
Accrued receivables - customer	**5,152**	4,874
Allowance for doubtful accounts (Note 7b)	**(4,589)**	(3,623)
	71,494	80,851
High cost serving area subsidy	**5,692**	5,446
Other	**5,743**	6,496
	$82,929	$92,793
Inventories		
Inventories for resale	**$9,018**	$6,106
Work in progress	**1,766**	1,641
Raw materials	**155**	273
	$10,939	$8,020
Prepaid expenses		
Prepaid expenses	**$17,408**	$9,722
Deferred service connection charges	**5,502**	5,723
	$22,910	$15,445
Accounts payable and accrued liabilities		
Trade accounts payable and accrued liabilities	**$59,095**	$73,522
Payroll and other employee-related liabilities	**49,459**	47,572
Taxes payable	**6,145**	5,200
Interest payable	**4,571**	4,333
Other	**661**	516
	$119,931	$131,143
Services billed in advance		
Advance billings	**$43,939**	$38,886
Deferred customer activation and connection fees	**7,680**	7,967
Customer deposits	**4,884**	4,921
	$56,503	$51,774

Note 6 – Additional financial information, continued

b) Supplementary cash flow information

Periods ended March 31,	Three months **2010**	2009 Thousands of dollars
Net change in non-cash working capital		
Accounts receivable	**$9,215**	$(6,520)
Inventories	**(2,917)**	1,244
Prepaid expenses	**(7,466)**	(5,333)
Accounts payable and accrued liabilities	**(11,407)**	(8,110)
Services billed in advance	**4,728**	3,020
Deferred revenues	**(699)**	(542)
Deferred expenses	**554**	320
	$(7,992)	$(15,921)
Interest paid	**$5,904**	$5,904

Note 7 – Financial instruments

The Corporation's financial instruments include cash and short-term investments, accounts receivable, sinking funds, accounts payable and accrued liabilities, notes payable, dividend payable and long-term debt, which by their nature are subject to risks.

a) Fair value

Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following table represents the carrying amounts and fair values of financial assets and liabilities measured at fair value or amortized cost:

(Thousands of dollars)		**March 31, 2010**		December 31, 2009	
Financial Instruments	Classification[1]	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and short-term investments	HFT	**$11,993**	**$11,993**	$8,913	$8,913
Cash of discontinued operations	HFT	**-**	**-**	400	400
Accounts receivable	LAR	**82,929**	**82,929**	92,793	92,793
Accounts receivable – discontinued operations	LAR	**-**	**-**	43	43
Sinking funds	HFT	**69,505**	**69,505**	68,263	68,263

Notes to Consolidated Financial Statements (Unaudited)
As at March 31, 2010

Note 7 – Financial instruments, continued

(Thousands of dollars) Financial Instruments	Classification[1]	**March 31, 2010 Carrying Amount**	**March 31, 2010 Fair Value**	December 31, 2009 Carrying Amount	December 31, 2009 Fair Value
Financial Liabilities					
Accounts payable and accrued liabilities	OL	**119,931**	**119,931**	131,143	131,143
Accounts payable and accrued liabilities - discontinued operations	OL	**-**	**-**	262	262
Notes payable	OL	**29,500**	**29,500**	8,700	8,700
Dividend payable	OL	**29,558**	**29,558**	31,026	31,026
Long-term debt	OL	**324,038**	**402,970**	324,054	401,877
Other long-term debt	OL	**6,404**	**6,477**	6,477	6,898

[1] Classification details are:
AFS – available for sale
HFT – held-for-trading
LAR – loans and receivables
OL – other liabilities

Determination of fair value

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, dividend payable and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgement and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

(Thousands of dollars)	**March 31, 2010 Level 1**	**March 31, 2010 Level 2**	**March 31, 2010 Total**	December 31, 2009 Level 1	December 31, 2009 Level 2	December 31, 2009 Total
Sinking funds	-	**$69,505**	**$69,505**	-	$68,263	$68,263
Long-term debt	-	**$402,970**	**$402,970**	-	$401,877	$401,877
Other long-term debt	-	**6,477**	**6,477**	-	6,898	6,898
Total liabilities	**-**	**$409,447**	**$409,447**	-	$408,775	$408,775

b) Credit risk

The Corporation is exposed to credit risk through its short-term investments, accounts receivable and sinking fund assets. Credit risk related to short-term investments and sinking fund assets is minimized by dealing with institutions that have strong credit ratings. Credit risk related to customer accounts receivable is minimized

Note 7 – Financial instruments, continued

because of the large and diverse customer base covering many consumer and business sectors. The Corporation evaluates customer credit risk and limits credit availability when necessary.

The aging of customer receivables from continuing operations and related to assets held for sale, which indicates potential impairment losses, are as follows:

	March 31, 2010	December 31, 2009
		Thousands of dollars
Current	**$55,239**	$58,742
30-60 days past billing date	**11,330**	13,041
61-90 days past billing date	**2,381**	4,463
Greater than 90 days past billing date	**1,981**	3,354
Total	**$70,931**	$79,600

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

	March 31, 2010	December 31, 2009
		Thousands of dollars
Allowance for doubtful accounts, opening balance	**$3,623**	$9,159
Transfer from held for sale	**1,783**	2,966
Accounts written off	**(3,529)**	(13,384)
Recoveries	**635**	4,118
Provision for losses	**2,077**	764
Allowance for doubtful accounts, closing balance	**$4,589**	$3,623

Note 8 – Pension costs

The table below shows the cost components of the defined benefit pension plan.

For the three months ended March 31,	**2010**	2009
		Thousands of dollars
Current service cost - defined benefit plan	**$333**	$315
Interest cost	**14,160**	14,901
Expected return on pension plan assets	**(16,516)**	(16,622)
Amortization of net transitional asset	-	(961)
Amortization of past service costs	-	264
Amortization of actuarial loss	-	87
Net pension income	**$(2,023)**	$(2,016)

Note 9 – Comparative figures

Certain of the 2009 figures have been reclassified to conform to the current period’s presentation.