



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
2005**

Mr. Andy Iwanchuk, Chair
Saskatoon Fairview

Mr. Dan D'Autremont, Deputy Chair
Cannington

Hon. Graham Addley
Saskatoon Sutherland

Mr. Jason Dearborn
Kindersley

Ms. Donna Harpauer
Humboldt

Mr. Warren McCall
Regina Elphinstone-Centre

Hon. Mark Wartman
Regina Qu'Appelle Valley

[The committee met at 19:00.]

The Chair: — Good evening and welcome to the Crown and Central Agencies Committee. We have on the committee of Donna Harpauer, we have Mr. Huyghebaert substituting in for Mr. Dearborn, and Mr. D'Autremont. For the government, Mr. McCall, Mr. Addley, and Mr. Taylor substituting in for Mr. Wartman.

And so the first item of business is the supplementary estimates for the Public Service Commission found on page 16 of the Saskatchewan Supplementary Estimates book, vote 33, human resource department (PS03). If the minister has any statements or introducing her officials.

**General Revenue Fund
Supplementary Estimates — November
Public Service Commission
Vote 33**

Subvote (PS03)

Hon. Ms. Atkinson: — I had an opening statement the other day when we came before the committee. I will introduce my officials. Clare Isman, Chair of the Public Service Commission, is to my right. Sitting beside Clare is Rick McKillop, executive director of employee relations, policy and planning. To my far left is Ron Wight, executive director, human resource client services. And beside me is Lynn Jacobson, director of corporate services.

The Chair: — As I mentioned earlier, this is vote 33, human resources development (PS03). And are there any questions? Mr. Chisholm.

Mr. Chisholm: — Thank you. I would like to welcome your officials also and yourself. I guess my first question has to do with the criminal service checks that we've been doing in the past. The numbers I had is that there's 11,000 — approximately — public servants. There was 4,000 currently that would have had criminal record checks and there's an additional 2,000 that will now be caught, if you will, in the expanded terms of reference as to who requires . . . are those numbers sound right or not?

Hon. Ms. Atkinson: — Those are our estimates. Yes.

Mr. Chisholm: — Okay. So I guess I'm wondering what has been the ongoing cost of operating the criminal reference checks in that we have approximately 4,000 of those of our 11,000 people on an ongoing basis.

Ms. Isman: — I can answer that question. We actually had no specific costs and the reason is that at the time that we were using that policy any person that applied new to come into government that required a criminal record check was responsible for providing their criminal record check at their own cost. Current employees in current roles were not required to have criminal record checks and therefore there were no costs incurred by the government.

Mr. Chisholm: — Am I still correct in assuming that there

were about 4,000 of the 11,000 people though that have had criminal record checks before this, or is that not right?

Ms. Isman: — The 4,000 number really covers the positions that would have required a criminal record check, and any employee coming into those positions at any given point in time may have required it. So for example, an individual may have required a criminal record check in 1980 for example, at the point in time that they entered government and wouldn't have required a subsequent record check potentially since then. So the 4,000 is an estimate of the number of positions that would have required a criminal record check if we were filling it by an external candidate at any given point in time.

Mr. Chisholm: — So then we do have to do 2,000 criminal record checks on . . . because we've expanded the terms of reference of who needs them, plus a number of the 4,000 who didn't need it before that will, within the next period of time we'll have to. Is that right?

Ms. Isman: — Yes, the revised policy requires that anyone new coming in, any current employee bidding into a job that requires a criminal record check now, regardless of whether they've had one in the past, will now require one as well. As well, the requirement to update them on an every-five-year basis on an ongoing basis from now into the future.

Mr. Chisholm: — Thank you. I guess I was just thinking that it seemed . . . \$150,000 seemed like a lot of money if we were doing it before anyway and it wasn't costing anything. And my understanding is if there is any cost associated with getting the actual criminal record check, that's the responsibility of the employee unless they're already working there. So it seemed like a lot of money to expand from the 4,000 people to 6,000 people if we were doing it in the past anyway, but I think I can understand now that there is more than 2,000 people have to be processed here in the next . . . Okay, thanks.

My next question has to do with why did the government decide on a five-year period before mandatory criminal record checks for current employees would be implemented?

Hon. Ms. Atkinson: — That's a very good question. What I can tell you is that this is a significant change in an employment practice and this obviously requires a period of time that is substantial in terms of notice. So what we're really doing, as a condition of employment, we're changing that condition of employment. So people would have come into the public service, say, 20 years ago. They may not have required . . . well they didn't necessarily require a criminal record check then, so that was their condition of employment.

The condition of employment today is that if they're occupying a position that now involves a criminal record check, they will require, there will be a requirement that they will have a criminal record check done between now and the end of the five-year period.

We think that this is a balanced approach. And when we look at other jurisdictions that have brought in criminal record checks, some of the jurisdictions as I understand it have not applied it to existing employees. And then others that have applied it to

existing employees have tended to give a five-year period of time for the policy to be implemented on existing employees.

Mr. Chisholm: — Thank you. It's my understanding that a person must wait five years after securing a sentence to apply for a pardon. So is this a coincidence that Joe Worker could use the same five years to receive the pardon first and then have a clear criminal record check?

Hon. Ms. Atkinson: — Okay, this is a coincidence. When we did a scan across the country — and we did look at other jurisdictions, other provinces, the federal government, other employers that have implemented the practice of criminal record check — this was the shortest time frame that we identified anywhere for mandatory compliance with a criminal record check.

Mr. Chisholm: — I guess I really have a problem with it because if I had a criminal record, and it takes up to six months — it can take up to six months, I understand — to get your criminal record check done. So basically I've got five years and six months to get my pardon if that's possible in my case. And then when it comes time — the five years has passed — I don't have a criminal record any more. And I've been working all along with the criminal record. I really still have a criminal record, but I got a pardon. And the government's not aware that that exists.

Hon. Ms. Atkinson: — When we surveyed employers respecting the implementation of criminal record checks for current employees in their current roles, we found that the vast majority of employers had grandfathered their employees in. So they did not require criminal record checks even though they were making it a mandatory policy of the workplace. And we also found that in the vast majority where there was criminal record checks, compliance was voluntary.

So we're one of the few jurisdictions as I understand, looking at scanning across the country, that has made criminal record checks compulsory for existing employees in those existing positions that require criminal record checks going into the future. So this policy is quite rigorous relative to other employers and other jurisdictions, even with your observation.

Mr. Chisholm: — Thank you.

Hon. Ms. Atkinson: — Oh and just to make this point. If you are an employee within the public service and if you are bidding on another job, you're applying for another job within the public service and that new position or that position that you're bidding on requires a criminal record check, you will have to have a criminal record check and not within five years.

Mr. Chisholm: — At the time that you make the application.

Hon. Ms. Atkinson: — Yes.

Mr. Chisholm: — Before you get that job.

Hon. Ms. Atkinson: — Yes.

Mr. Chisholm: — Okay. So if a current employee did have a criminal record and had that criminal record pardon, would the

Public Service Commission be aware of the criminal record?

Hon. Ms. Atkinson: — No.

Mr. Chisholm: — Because it indicates in some of the material that that pardoned person, that information would not normally be available to the employer. But even when you're pardoned, you still have . . . there's still something back in a back drawer somewhere. It doesn't just disappear, your criminal record. It's still, my understanding anyway . . . It might let you get the job you wanted, might let you get into the States, whatever, but it doesn't completely disappear. A pardon isn't a disappearance.

And there are some agencies that actually are able to get back and see, this person doesn't have a current criminal record; oh but I see they have a pardoned record that happened 12 years ago. And that could be worthwhile information.

Hon. Ms. Atkinson: — That is information that the public service would not have access to. That information would be available in CPIC [Canadian Police Information Centre], but we would not have access to that information. Policing organizations may have access to that information, but for the purposes of the Public Service Commission we would not have access to that information.

Mr. Chisholm: — Would you prefer to have access to that information, or would you prefer not to have access to that information?

Hon. Ms. Atkinson: — Well I think that for the purposes of the Public Service Commission, what we're interested in obviously are those designated positions where people are coming into the public service. We want to be assured that they have the kind of integrity that would be necessary to fill certain occupations. When it comes to people working with vulnerable children, I think if you have some sort of sex offence with children, I understand that that's very difficult to get a pardon.

There are other minor offences — drunken driving, maybe disturbing the peace, those kinds of things — obviously that information may not be necessary to be noted for the purposes of our employees, depending on which position they're occupying. Criminal record checks are only one aspect of the controls that we have and the rigour that we have in determining a person's suitability to occupy a particular position.

I think what we'd be . . . I mean this certainly was the discussion that we had when we were going through the policy options around criminal record checks. If someone has a criminal record, does this necessarily prevent them from occupying a certain position that requires a criminal record check? And it doesn't prevent them. One of the risks in all of this is that if someone does have a criminal record it may have happened some time ago but the managers that are making the determination as to who is suitable for a position may not want to risk putting a person that may have done something years ago into a particular position.

So there's a lot of . . . You know I don't think this is an easy thing that we've done in many respects. But it's an important policy in terms of trying to assure the public — and all of us —

that we have people occupying positions where we're not going to have people that are taking advantage of the public purse or taking advantage of vulnerable citizens. But this is not an easy policy.

Mr. Chisholm: — It's interesting that you've said that drunken driving is a minor offence. I can hardly believe that, but anyway . . .

Hon. Ms. Atkinson: — What I'm thinking, I don't think it's a minor offence. But it's minor in this aspect that we're looking . . . when we look at people who are occupying positions where we don't want them to have been guilty of fraud. We don't want them to have been found guilty of sexual assault or physical assault. I'm not saying it's a minor . . . my language was . . . I chose my words poorly. But in terms of some of the positions . . . Or if you got into a fist fight, you know, as a 19-year-old, should this prevent you from being able to be a correctional officer? I mean there are all kinds of ways to get a criminal record. It does not necessarily mean that you wouldn't be a good person in a particular position.

Mr. Chisholm: — The president of SGEU [Saskatchewan Government and General Employees' Union], Bob Bymoen, has said that the union may intervene on behalf of an employee if they refuse to undergo a criminal reference check. What would be your department's response to such a challenge?

Hon. Ms. Atkinson: — As I understand it, the way they would intervene if an employee . . . Say five years from now, an employee refuses to have a criminal record check. There may be action taken in terms of suspension, and I suppose the worst case scenario could be severing that person.

What the union would do, I suspect, is file a grievance, and then they would go through the grievance process. If it couldn't be resolved, there might be an arbitration. And we'd have to await the results of the arbitration.

Mr. Chisholm: — So if that challenge came up, you'd welcome the challenge through the systems that are already available and . . .

Hon. Ms. Atkinson: — We're obligated. We're obligated to go through that process. If the union feels compelled to represent an employee through the grievance process, then we would be compelled to represent the employer interest through the grievance process.

Mr. Chisholm: — Thank you. Have any government employees subject to the criminal record checks refused to undergo such a check to this point in time?

Hon. Ms. Atkinson: — No. And in fact there are . . . as I think I indicated the other day, there are six or seven government employees that have undergone criminal record checks, and they haven't been required to do so. They've done so voluntarily.

Mr. Chisholm: — I guess my next question is, how does the government decide who to screen? There's a couple of things that just appear to be a little bit contradictory. It talks about candidates for the job of child protection worker require a

criminal record check. And then in another place it indicates that candidates' work in child protection work will be screened thoroughly to help ensure the safety of the children they protect.

And it goes on to say that positions where there is access to money will require a CRC [criminal record check]. So it kind of indicates that child care workers do not need this CRC. It's only the people that have access to the money.

Hon. Ms. Atkinson: — No. There's several positions that were currently covered by the old policy. Child care workers, correction workers, conservation officers, highway traffic officers, public prosecution staff, court staff — these are some examples of positions that were covered by the former policy.

We've expanded that policy and included a number of additional categories of people — including deputy ministers, assistant deputy ministers, senior managers, financial administrators, office managers, information technology positions — where they have the ability to modify existing systems. And then positions that are required to interface with third party service delivery systems. And I think there will be also contract people. So they may be in the private sector but they have access to our systems.

We'll require a criminal record check from those people. And there may be some other positions which departments may conclude require a criminal record check, but they will have to provide the rationale for that to the Public Service Commission.

Mr. Chisholm: — I guess my question is just this very thing that I asked was . . . It says the government determines which screening steps are required for which position based solely on the risk involved in the position. For example candidates for the job of child protection worker will need to be screened thoroughly to help ensure the safety of the children they protect. Positions where there is access to money will require a CRC. Now that, to me, that means that the first group didn't require a CRC.

Hon. Ms. Atkinson: — No, they both do.

Mr. Chisholm: — They both do?

Hon. Ms. Atkinson: — They both do.

Mr. Chisholm: — I don't really think it's that clear.

Hon. Ms. Atkinson: — Okay.

Mr. Chisholm: — Okay. Maybe just a definition of what we call access to money. Like if I have access to . . . even just to fill in a form to get my mileage and my meals paid for and I'm on a trip, that's kind of access to money. So would that, would somebody that . . . anybody that's on any kind of an account where expenses are reimbursed, would they require a CRC?

Ms. Isman: — It's with regard to the people who can authorize payments of money, not those people who would receive money in terms of a reimbursement. And with regard to the process right now, coming back to your earlier question, the process we're undergoing right now is we're virtually looking at every position in government with the departments and we

will identify all of the positions that meet the criteria that we've established in the process. And then we will do interdepartmental comparisons as well to ensure that we have consistency of practice between all of the departments. So that's the process we're going in now.

By the time we're done, our estimate was we should have identified approximately the 6,000 positions in government that will require them. And then we'll have a specific list that all of these jobs in these occupations require criminal record checks.

Mr. Chisholm: — I believe that's all the questions I have, Mr. Chair.

The Chair: — Okay. Any further questions?

Okay, this would be Public Service Commission, vote 33, human resource development (PS03). Human resource development, 150,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2006, the following sums for the Public Service Commission, 150,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Could I ask for someone to move that motion please.

An Hon. Member: — I'll so move.

The Chair: — Mr. McCall. Okay, is that agreed then?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay. Carried.

[Vote 33 agreed to.]

The Chair: — Okay, I'd like to thank the minister for appearing. And thank you very much.

Hon. Ms. Atkinson: — I'd like to thank the officials for being with me this evening and for the critic for his comments and observations.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I'd like to thank the chairman for her co-operation and her staff. Great. Thanks.

The Chair: — Order. Good evening.

This is a continuation of the business in the supplementary estimates for the department of SaskEnergy Incorporated found on page 17 of the Saskatchewan Supplementary Estimates book.

**General Revenue Fund
Supplementary Estimates — November
SaskEnergy Incorporated
Vote 77**

Subvote (SE01)

The Chair: — Mr. Minister, would you like to introduce your officials and any comments you might want to make. I know you've made the opening comments. There might not be a need.

Hon. Mr. Van Mulligen: — Thank you very much, Mr. Chair. Sitting beside me on my left is Doug Kelln, the president and CEO [chief executive officer] of SaskEnergy. Seated beside him is Dean Reeve, the executive vice-president of SaskEnergy. And on my right is Ken From, the senior vice-president of gas supply and business development. And I have no opening statement.

The Chair: — Yes. This is vote 77, SaskEnergy Share (SE01). Are there any questions? Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I'd like to welcome the minister and his officials here this evening. I know my colleague last week asked a number of questions related to the conservation program and the natural gas rebate program that these funds are dealing with. One of the questions I have that . . . he covered part of it talking about thermostats for people's homes, the new programmable thermostats. Are these thermostats that SaskEnergy is going to pay for directly through SaskEnergy — which in turn reduces the dividend paid to the Crown — are these thermostats specifically for natural gas furnaces?

Mr. Reeve: — There's actually two. The thermostats are for any customer. If they have a natural gas account with SaskEnergy, that amount will be essentially credited on their bill. If they don't, then SaskEnergy will reimburse them with a cheque if they do not have a SaskEnergy account.

Mr. D'Autremont: — So SaskEnergy is saying then as long as it creates an efficiency in the heating system, that SaskEnergy is therefore — and indirectly the government — is therefore ready to subsidize this. Is that the case?

Mr. Reeve: — The reimbursement of the thermostat does not depend on whether it's a natural gas fuel or not.

Mr. D'Autremont: — Okay, thank you. I guess that brings me to a question then that the minister made a comment on last week as well, that SaskEnergy is a natural gas company, so that they weren't particularly interested in — it seemed to be from reading his comments, to put some words in his mouth perhaps — that the minister was therefore less concerned about what happened with fuel oil and propane and other sources of heat such as geothermal or coal or wood. That wasn't natural gas so this program wasn't related to it, yet on the thermostat side it's related to the efficiencies of any kind of heating source that SaskEnergy is going to subsidize.

How do you square those two if in one case you're not interested, you don't care whether it's an alternate source of heat such as geothermal, but in the case of thermostats you do?

Hon. Mr. Van Mulligen: — I think the member may be reading a little bit too much into my words. It's not that we're uninterested. I just wouldn't encourage people to jump to an automatic conclusion that SaskEnergy is the agency that would be responsible with respect to geothermal.

I think there's an office within government, the Office of Energy Conservation, that's looking broadly at a number of issues related to energy conservation, a need for the government to become more active in the issue of climate change, whether that's geothermal or solar panels. We know that we have a challenge but at this immediate time I wouldn't encourage people to jump to the conclusion that this would be a direct Saskatchewan Energy responsibility.

But with respect to the program that we outlined, the Energy Share program, the conservation programs, we at SaskEnergy will do what we can to administer parts of that program, and other agencies will deliver other portions of the program depending on their area of competence and experience.

Mr. D'Autremont: — Well thank you, Mr. Minister. The decision-making process that took place to make the decision that thermostats, regardless of the type of fuel being regulated, was an acceptable area for subsidization, how did that process take place?

Mr. Kelln: — I think what we went through was looking at being a deliverer of part of the Energy Share program related to programmable thermostats, similar to the revenue or fuel neutral options that are provided for other aspects of the program, such as EnerGuide for homes.

It's not specific just to natural gas; it's specific to the efficiency of people's homes. The programmable thermostat is really about improving the efficiency of home heating in Saskatchewan. We're just the agent that's providing that ability.

Mr. D'Autremont: — So what benefit then does efficiency in home heating provide as far as the program is concerned? What are you looking for?

Mr. Kelln: — In terms of the programmable thermostat, it's looking at the possibility of a homeowner, regardless of the fuel they're using — their exact savings will be different depending on that fuel — but about an \$80 a year savings that they could realize by fully utilizing a programmable thermostat.

Mr. D'Autremont: — So then from SaskEnergy's and the government's point of view, the benefit will be the dollars saved. That's the benefit that the programmable thermostat you're seeing as a benefit to society as a whole and worthy of pursuit. So it's the cash value that's saved. Is that correct?

Mr. Kelln: — It's a saving of homeowners both this year, next year, and for the life of that programmable thermostat.

Mr. D'Autremont: — Would this not then also be the case where other sources of heating could save them that cash value to the consumer? Would that then not under this program, under this logic that SaskEnergy has applied here, be worthy of SaskEnergy's consideration for a rebate?

Geothermal saves a considerable amount of money. It has a certain cash upfront cost, capital cost associated with it, but it does save according to what I've been told a significant amount of money in the long run. You eliminate your fuel sources. You have a low-cost, circulating pump to do a heat exchange on. And would this not therefore, using the criteria that you laid out for the thermostat to save cash, qualify?

Hon. Mr. Van Mulligen: — I'm not discounting the member's suggestion. I think that in the context of the review and what was available to us in the short run, these are the elements of a program that we landed on at this point.

That is not to say that, as I indicated earlier, that we should not be reviewing geothermal. Also the question of solar heating. People have also raised questions about reversible meters with respect to on-site wind power generation.

I think those are all issues that we will have to look at in the coming weeks and months to see how it is that we can promote energy conservation in Saskatchewan by reducing reliance on the energy sources that we have today. And that's, I think, a clear challenge that we have.

Mr. D'Autremont: — Well thank you, Mr. Minister. I just find it interesting, the rationale for the subsidy and yet drawing boundaries on it. Obviously you put a dollar value that you felt was appropriate on how much you're prepared to support a program like the thermostat on. And that you would draw boundaries on it and say this qualifies — when using the criteria you put in place you didn't expand it. And I think if you're going to use those boundaries, use that kind of a qualifier, then are there going to be value in looking at other areas of it as well?

Hon. Mr. Van Mulligen: — I think everything gets accomplished in measured steps and this is a first step to deal with the challenge that faces us. We know that we have future challenges and it's incumbent upon all of us to address that.

Mr. D'Autremont: — Thank you, Mr. Minister. I'd like to move on to one of the other challenges that we face. And I note your comments from question period on November 25. And I quote: "I think we need [a] minimum about two hours to go through all the details of the question . . . the member raises." And that's dealing with derivatives.

So we have two hours tonight. So I'd like to give you an opportunity to explain SaskEnergy's use of derivatives.

Hon. Mr. Van Mulligen: — I'd like to refer to Mr. From. My sense is that if I were to answer the questions, it would take two hours. But Mr. From, given his technical expertise in these matters, may be able to reduce the amount of time that's required.

Mr. From: — Thank you. I'd be more than happy to answer the questions on derivatives. Let me say that at SaskEnergy we use financial derivatives in our gas price management program. The use of derivatives is consistent, I would say, with other utilities in Canada. The rate review panel reviews our application, reviews our hedging strategies. We have sent them our strategies for a number of years. The Provincial Auditor

looks at the policies that we have surrounding financial derivatives and ensures that their use is indeed in accordance with those policies.

The derivatives that we use are to control the price volatility. I'm sure you are aware that natural gas has the highest price volatility of any traded commodity. And what we want to do to help the people in the province, the ratepayers of natural gas, is to try and put limits on that volatility. And the way we do that is by the use of financial derivatives.

There is a number of tools that we have. They can be just a plain old simple what we call a swap, meaning we want to exchange all that price volatility for a very simple instrument that will keep our cost of gas constant no matter what happens out there in the marketplace. And sometimes we get a bit more sophisticated and use options over which I think some of the discussions are about . . . is our use of options and some of the accounting policies that surround options. We use those in order to reduce volatility to what we and our board consider to be manageable levels and provide our ratepayers with rates that are — for probably about I'd say five of the last seven years — the lowest in Canada.

So if there is a specific question on the use of derivatives I would be more than happy to delve in and spend an hour and three-quarters — not the two hours — on that particular subject.

Mr. D'Autremont: — Well thank you. I was hoping that you would be able to shorten it up from what the minister's were, but maybe it will take the hour and three-quarters.

The idea of the swap of your use of the financial instrument — what are you swapping? Are you swapping the various price levels that you've purchased at for a fixed price?

Mr. From: — Good question. Ever since deregulation really hit the natural gas market in the late '80s and moving into the early '90s, gas producers all across Western Canada have moved away from providing fixed-price contracts to their buyers. Instead they've all gone to what they call a market index. And that market index can be spot, a daily index, or it can be a monthly. At SaskEnergy what we have negotiated with our suppliers for the most part is to price our gas on the monthly index. What that means is, if we did no intervention, we would be paying a different price for our gas every month and that price would be at the market price.

When we go in for what we call a plain vanilla swap, what we are saying to the marketplace is, what is the price today for, for example, a 12-month — the next year — I want to exchange all that variability for those individual month price. What is the price today?

And the market is very transparent and very liquid and it trades. And they will say, well right now if you want a one-year price, it's going to cost you \$12.27. And then we have to decide whether we want that in our hedging portfolio or not.

Every day that number will be different because of the price volatility. We can swap for a variety of time frames. It can be for the winter period, which is the five months from November to the end of March. It can be for the summer period from April

through October, or it could be for the entire gas year which would be from November to the end of October. So a price swap just allows us to manage our costs in relation to what our rates are. We want to have rates that are stable, meaning in place longer than a month.

If we wanted to have monthly rates, we would not need to do any price hedging because our costs would equal what our rate is. And we'd just change the rate every month based on what we think the next month's price is. But we want to have rates that are more stable, and so in order to give ourselves the ability to offer a stable rate we must exchange that variability from month to month because it can change from, you know, \$5 to 12 in a matter of months. We have seen that.

We need to exchange that for something more predictable, something that we can put into our rate-setting program, something I think that the customers want us as the utility to do.

Mr. D'Autremont: — Thank you. Well I think most customers would understand the daily price. I go to the marketplace today, and I need to buy, you know, 10 gigajoules. And so I pay the fixed price, like filling up my gas tank. And I go home with that much gas at that price.

The monthly one, what are you buying when you buy a monthly rate? Are you buying an estimated price from today forward, or say, from the 1st to the 30th of the month? Am I buying the history of the past month, an average price? So how is that determination made?

Mr. From: — Okay it's kind of a combination of the two. And let me just use December as an example. In another day the price for December 2005 will — what we say — settle. It means it will be determined.

The way it is determined is that every day in the month of November where business is open, people trade the price for December. And what they do is every day they will make a weighted average, meaning depending on how much volume is done at the early part of the month compared to the last part of the month, they will weight that price by the volume.

And at the end of November, the last day before December starts, they will publish — and this is a published document that's fully audited by everybody in the industry — they will publish that number. And that is the number that we will pay for our gas deliveries each and every day for the month of December regardless of what happens to the spot price. And the spot price could, if it's very warm, fall for the odd day or two; or in case of a cold snap, spike for a day or two.

But we know in another day what our price for December is going to be. And that is the index. Now that's how it settles each and every month of the year — 12 times.

Mr. D'Autremont: — Okay. So we know now how the monthly rate is fixed. Now when you're buying into the future you want to average your prices out over the year; you try to level out your price. You don't have the history for . . . you're not going to take the history for one month to make that determination, so when you average out your price over the year — when you swap down the road three months, six months

down the road — how is that price determined? Is it used to . . . Past history, is what you're basing those swaps on, taking into account production coming on stream, taking into account gas dropping in volume so that there may be some concerns, political situations around the world? Are all those factored in, and is there a body that makes the determination as there is close to the end of the month where you have your monthly price fixed? Is there somebody doing that down the road for six months or a year?

Mr. From: — Again, a very good question and I will try and keep it in order so I can put it in order so that it makes sense. The futures market . . . we're looking for a price for one year we go into what we call the futures market.

Now the futures market gives you connotations of the New York Mercantile Exchange where futures for not only natural gas but for grain, for metals, for agricultural products are traded, and what you can see on this screen is you can see each individual month — in the case of natural gas going out about 36 months. You can see what people on that day are saying based on all the information they have — what fundamentals, cold weather, production coming on or off in the Gulf of Mexico, drilling results. That's what they're saying that they will pay for gas delivered in, let's say, June. And that happens for each and every month.

So what happens is if we are asking an institution that provides us with a fixed swap, they will go to these screens and they will simply do an average of the next 12 months out and then convert that into Canadian dollars and then convert that back into Alberta. And there's a variety of firms that do this. The ones that we deal with are people like CIBC, Toronto Dominion Securities, J. Aron, Morgan Stanley — big banks where their business is to take on risk that other people don't want and then pass it again then on to those that make their money on risk.

And they do that for all commodities whether that be, you know, someone wanting to hedge their price of grain, someone wanting to hedge the price of gasoline or the airline for jet fuel, or in the case of a natural gas utility, for its natural gas purchases. The futures market is that institution that gives you that ability to what we call hedge what our price will be in the future.

Mr. D'Autremont: — So when you have studied this market and looked at what people are saying and you agree to buy a fixed amount of gas a year down the road — so you have a contract for X amount of natural gas — is that what you're talking then about swapping? You can swap your purchase for a year from now at that price for some gas two months from now that may be at a different price and you think it's going to be advantageous to you to buy at the price that's listed two months from now. And somebody else thinks the price of gas is going to go up a year from now so it's a good swap for them, they believe. And that's what you're talking about swapping?

Mr. From: — Yes. When I'm talking about swapping I'm talking about locking in the price that we see, or that the market has clearly identified, as the price into the future. If we did nothing we would simply get the price in the future which would not be what's on the screen. It would only be coincidence if it turned out to be the same thing and it has

never, ever been that. It fluctuates greatly. With every buyer of course there's a seller who's selling us that product. And just like a stock market, whoever you buy an equity from, someone is selling it to you. And the same with the futures market. People are taking positions because they have contrarian views.

In our case we're not always buying into the future because we think today is the absolute best price. We simply don't have that ability to predict the market like that. What we're doing is we are saying to ourselves, we want to control the risk — that the price could skyrocket because of factors unforeseen to us throughout the winter period such as cold weather, supply disruptions, pipeline disruptions, things of that nature.

Mr. D'Autremont: — Okay. Thank you. So perhaps a better word for my understanding and for some people in the public would be the use of the word futures. You're buying futures contracts. Would that be . . . The use of the word that you used for swap would be future contracts?

Mr. From: — That would be an accurate representation. That's not technically exactly what they are but it's an accurate representation, that we are buying a futures contract. It happens to be over the counter and not with the futures exchange. But that's probably lost on most people, yes.

Mr. D'Autremont: — Okay. Thank you. So when we come to the questions that my colleague from Kindersley was asking in question period dealing with the derivatives account that showed a third quarter loss, and the minister responded that that was only a paper loss, that derivative instrument that was being used at the time you had purchased gas at X and it was now X minus whatever, so it showed a paper loss — if those contracts had been due though, that futures contract, at the end of that three-month period and we had come to the end of that three-month period, that would no longer be a paper loss, would it? Because you'd have had to take possession of the gas at the price you purchased it.

Mr. From: — The transactions that we're talking about that are mark to market in this case were option transactions. Option derivatives are extremely complicated. Their value is not just the absolute price. There's all kinds of volatility measures, time value of money that are embedded into the option price.

And what I can tell you is that, had the prices actually materialized the way that they were on that end of the third quarter where it indicated a mark-to-market loss, there would have been no actual dollars transferred to indicate a loss. In fact we would have gained. And it was in our application that we sent to the regulator. We actually had the financial institutions paying us \$31 million.

The mark to market takes into account credit, it takes into account volatility, it takes into account interest rates, and the time period over which that instrument takes place. So there's a great deal of things in there other than just the fixed-price swap which would . . . If it was a fixed-price swap, I would agree with your statement earlier that had it occurred in that time, then that would have been an actual receipt or a payment to them. But because it was an option and it's far more complex, it is not quite that simple.

Mr. D'Autremont: — Well if it's an option with all these other built-in values, such as credit as you mentioned, how is the value of credit and all of the other components you mentioned built into that price then if it's not reflected in the price of the contract?

Mr. From: — Okay, let me just back up a little bit to say that the mark-to-market loss that was being discussed was a very small slice of the pie. A very small slice of the pie. It was only one of the instruments that we used.

The accounting industry is trying to come to grips with how best to reflect in accounting statements the value that companies have on their financial books. I believe the minister, when answering the questions, made reference to EnCana and a few other companies in the oil and gas industry that are in similar positions to us, and they have mark-to-market losses as well.

And what's interesting is that the analysts, understanding what these mark-to-market losses did, did not say anything to discount the credibility. Nor was there an impact on the share price of EnCana when they had a \$600 million mark-to-market loss, because people understand that is a paper loss and that will evaporate as you get closer to the time period.

If all of the instruments that we had in place were valued in the same fashion as these options, we would not be having these discussions because there would have been no mark-to-market loss. But what happened is the way the accounting rules are today, we isolated one of the instruments, did not do a mark-to-market . . . a full, a fair market value of the other instruments — just this one — and yes, that one particular one shows a loss. The other one showed gains. But we didn't take that into account. Those accounting rules will change in 2007 so that we must do this different accounting method on every component in our portfolio — not just those isolated ones. And SaskEnergy will be in all likelihood becoming an early adopter of those new accounting rules prior to 2007 so we can give a more accurate picture.

I should remind everyone here that last year in 2004, October 31, there was a mark-to-market loss of about \$20 million on the books and in December it was a mark-to-market gain of 11. The reason derivatives are as volatile as that is because their underlying product, the underlying commodity of natural gas, is extremely price volatile. So these instruments that are laid on top of it show that same price volatility. And as it turns out, that mark-to-market gain that we posted for 2004, it's a paper gain. It had to be reversed in 2005 — which again is adding to the number that you see in that mark-to-market loss.

So it's an industry right now, the accounting industry is trying to come to grips with how do we best account for these instruments, understanding their complexity — some are used for hedging; some are used in other forms of hedging with the price — and how do we put them all together so that the reader of this financial statement can get a true picture and a true understanding of any risk or any price impact that these instruments have on the earnings of the corporation.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. Mr. From, I was listening

with interest to your explanation. Would you say what you do as far as price protection — or risk management, I guess, strategies in using the futures market for natural gas — would be similar to what grain companies do when they are buying say canola and taking price protection on the Winnipeg Commodity Exchange? Would that be a fair analysis of what you do in SaskEnergy as far as taking price protection, or risk management strategies, when you are buying natural gas?

Would you be comparable to Sask Pool? They can buy huge quantities of canola on a price offered on the Winnipeg Commodity Exchange. They have certain risk management strategies that they employ to minimize their risk while they own that product until they get it to the final buyer. Would your strategies be, and the things you were explaining, would it be somewhat comparable to those kind of risk management practices that they would use?

Mr. From: — I am not deeply familiar with what the Wheat Pool does, but I would say that our practices of risk management would be very similar to any buyer of a commodity, whether that be natural gas or a grain product. They should be relatively similar.

Mr. Hart: — Did I hear you to say that you're using the New York Mercantile Exchange as a basis for your risk management strategies? You're buying and selling futures contracts as part of a hedging program to minimize price risk. Is that correct? Is that what you're doing?

Mr. From: — All of the instruments that we buy, we buy over the counter in Western Canada. We actually do not go out and buy any futures contracts. My mention on the futures contracts was to give you the basis for which all price in North America is really . . . what it's derived from.

The New York Mercantile Exchange, NYMEX as it's called, is really what every marketing house looks at because that is considered to be the benchmark. And then from there you have your regional price disparities that may influence that, similar to grain differences and quality differences in oil. There's always differences from that benchmark, but the benchmark seems to correlate very well with what's going on in most markets in North America.

Mr. Hart: — So the New York Mercantile Exchange is the major influence, and these regional markets work off of that using currency conversions and distance to market and distance to supply. And all those factors would be factored in to get your regional desk trading then. Is that a fair analysis of what you're . . .

Mr. From: — Yes that is. That's correct.

Mr. Hart: — The market you're working in, okay. And you mentioned options. You use options as a means of price protection. Do you write options or do you merely buy the calls and the puts? Could you explain what you do in that particular area.

Mr. From: — Sure. We do use options, and we've used more options in the last two years than before, simply because we believe that we're in a price environment that is very high. And

when you're in there trying to protect price, you want to protect it from going higher, but you also want to leave the ability that should prices fall, then you can capture that downside. And that's why we want to use options.

In the use of options we will both buy a call and also sell a put to make callers. So we are buying and also writing, if you will, strategies. We do them all at the same time. Our policies do not allow us to do one-half of those at one point in time and the other half later, trying to think that we can outguess what's going on. Our policies state very clearly that they must be done as a group.

Mr. Hart: — So you're not going out and writing options without taking some other reverse protection in the markets in case the market goes against you because when you write an option, you're fully exposed. There's no way of getting out of it.

And unless you're protected, you could suffer huge losses and also of course reap large gains. But what you're saying here is you take opposite, you do opposite transactions to protect you so that you achieve the goal you initially set out to do. Is that what you're telling us?

Mr. From: — That's correct. We do not write options or any instrument, rather, for that matter for anything more than what we're buying. We have certain rules there. In fact we don't go any higher than 95 per cent of what we're buying, you know, just for weather variations. Because if it's warm, then we may not need to buy in which case we would be over hedged. And we don't want to do that.

We also in our portfolio have a variety of strategies in place, not just one. We have a variety that will give us a nice balanced approach. It's very similar to any kind of portfolio, whether you're using equities and bonds and interest rates and cash. We have all those things in our portfolio to give it a rather balanced look at the market.

Mr. Hart: — So you said you're only going to about 95 per cent in your option strategies, and you only go to about 95 per cent of what you actually buy on the cash market so that you're not overextended. Because I believe if you were writing or participating in the options market for more than what you actually own, then you become a speculator. Is that correct?

Mr. From: — That would be my definition of a speculator, yes.

Mr. Hart: — That would be your definition, okay. So you were explaining to my colleague that the \$46 million loss that was reported, that was only one part of your transactions. So am I understanding it correctly then if I would say that you are only required to report your losses, but you'd report the gains somewhere else that don't show up? Like I don't understand that part of it. If you could perhaps clarify the reporting mechanism for these various groups of transactions that you do.

Mr. From: — Sure. A very simple example is that we had some options in place which, as you know, will vary with the market. We also have some fixed-priced swaps. And we had some very attractive fixed-price swaps.

When the market rose dramatically after Katrina and Rita, and that's when the third quarter numbers were cut, and it's only in that one day . . . at the end of that day that's where the number is, and we use that. Although the fact that it's changed dramatically from that point in time . . . So it indicated a loss on those options instruments, but it did not the way we do the accounting because we treat a fixed-price swap as a pure hedge rather than an option.

It did not give us the value of that swap which was huge. And had we actually done them both together, we would have seen a profit reported and not a loss. That's what I mean by just that one segment. It did not take all those items together and do it as a portfolio; it just did it as one thing. The reason it did that is because that's the way the accounting rules are today. The accounting rules will change to reflect that if you're going to change this one instrument with the market, then this other one, why would you not change it with the market and give a better representation of the gains that this one had which would offset the losses that that one had?

Mr. Hart: — So if I, if you bear with me, if I just would try to understand what you just said. Basically you took a kicking in the options market on that specific day, the valuation day, but you had some other . . . you had some swaps that, if they would have been valued, the losses on the options market would have been more than offset by the gains in the swapping that you did. Am I understanding it correctly or am I lost somewhere in there?

Mr. From: — No. No I think that's a very good understanding of it. I might represent it slightly differently because options — as I was explaining to your colleague — have a variety of things that influence their price.

And what happened on this December . . . or this October . . . or this September 31 . . . Pardon me. The September 31 valuation for the third quarter was just after the hurricanes and volatility was at an extreme. And of course option value, part of that equation is volatility, not necessarily the underlying price. The volatility went up; the price remained the same; but there was a change in the value of that option. And you don't necessarily — well you don't see it at all — volatility impacting the fixed-price swap. The only thing you see impacting fixed-price swap is the absolute price of the market, not the volatility.

So yes in this particular case, that option, because of a variety of things all coming together at once — volatility and a slightly higher underlying price — that one there showed that if we would go buy it back, we would have lost money. But it did not take into account with that swap that we had. If we sold it to the market at the same price, we would garner a lot of cash coming our way.

Mr. Hart: — So then the \$46 million loss was strictly based on the valuation on September 30, but in fact you didn't close out your positions at that time. You closed them out some time later, or perhaps you still have the positions.

I guess two questions. Do you still have those positions, and what are they worth now? And if you did close them out between then and now, what was sort of . . . how did it all shake out?

Mr. From: — Okay. When we enter into hedging transactions in the financial markets, we do not close them off; we let them go to expiry. Whether that be an option or a swap, we do not get into trading of those instruments.

Today if you were to do the same valuation — but today using the market price and also the fact that November and almost December's price has now been established and they're off the books — you would see that that valuation would be as close to zero as I could state it, so that that whole market has shifted from an area that indicated a loss on those options to a time frame when the options are just at the same value today as when we put them on during the summer period.

Mr. Hart: — So you just said you never exercised the options?

Mr. From: — We let everything go to expiry. We may exercise them, yes, but we do not change them prior to their exercise date. That's what I mean. Yes.

Mr. Hart: — Thank you.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you. To carry on with that line of questioning, did you indicate that the current balance of this account was basically zero then or . . . there is value in there, but it's not a gain or a loss?

Mr. From: — It's not an account. It's simply a valuation. And if you did a mark-to-market evaluation today in the same manner that it was done for the third quarter report it would indicate a number, you know, either zero or 5 million. I'm not sure if it's a plus or minus — it's very close. The market is very volatile and movements like that are not . . . not unusual to have a couple million dollars moving in one day.

Mr. D'Autremont: — What do you expect to happen by the end of the next quarter on these accounts? Do you think they're going to be relatively close or that's too much speculation?

Mr. From: — Well there would be a great deal of speculation in that, but I think we saw an extreme after the hurricanes. We saw an extreme in the absolute price and we saw an extreme in the price volatility. We now have a few months of those options off the books because they have expired. November and December are basically finished. There is less time value. So I would say even with volatility that we should not be getting numbers anything higher than that, but we may get back to that level or it could go the other way. It could become a positive number rather than a negative number.

Mr. D'Autremont: — Your past history in doing this, has it been positive? I'm assuming it has been because you continue to do it. But if there are losses at the end of the day — because at some point in time you do have to take the gas — then is that cost reflected in the gas variance account or is it reflected in the overall profit or loss of SaskEnergy? And how does it show up in the books?

Mr. From: — It is standard regulatory practice across utilities in North America to include all hedging gains or losses into the cost of gas.

Mr. D'Autremont: — So then that would show up in the price that the consumer ultimately pays for it and in the profit or loss registry of the corporation.

Mr. From: — That would show up in the cost of gas which would show up in our commodity rate which is meant to be a non-profit part of our organization. So that should not hit the bottom line.

However the way the gas cost variance account goes through our financial statements . . . As you know, the gas cost variance account goes through the income rather than the balance sheet. So in a sidebar, yes it does have an impact on our net earnings, but it's not meant to.

Mr. D'Autremont: — Yes thank you. I was still thinking of the \$75 million you had to eat in gas variance accounts a few years back and take time to build that back in again. So it does reflect at some point in time.

The Chair: — Mr. Toth.

Mr. Toth: — Thank you, Mr. Chair. Mr. Minister, and to your officials, just a couple of quick questions. Going back there was a couple of comments made in regards to communities that chose a couple of years ago to go with CEG in their fuel delivery. And in the last estimates and I believe on the . . . there's a line item where customers in Lloydminster who receive their gas from Direct Energy, I believe you show about a \$1 million expenditure to customers in that area who received their . . . Direct Energy is supplying their gas.

Now the concern from these communities who made a choice to go with CEG is that they've been informed that they will not be included in the gas rebate. And the argument is that as the gas has gone up for them, they are helping to add to the revenue that the province has seen because of the higher natural gas prices.

Mr. Minister, what do we say to communities like Broadview and Windthorst that have another company delivering natural gas and are not included in the rebate?

Hon. Mr. Van Mulligen: — Again I would say what I said earlier, and that is those companies seek an advantage that I guess is not provided by SaskEnergy. With respect to delivery of gas, those companies or those communities are desirous of greater predictability for a longer term in terms of delivery and price for that delivery than we can provide at SaskEnergy. So they have sought to have that commodity delivered by another company. And that is their right and prerogative to do that.

But we take the position that we're not providing the commodity. We're simply providing the delivery. We're not providing the commodity. And therefore we're not covering . . . We're covering the customers to whom we provide the commodity.

Mr. Toth: — Mr. Chairman, Mr. Minister, while you may not be providing the delivery, the cost you're addressing though is a higher cost of actual natural gas. And as a province don't you agree that regardless of who's delivering it, the province is still benefiting overall in the higher gas prices and therefore it shows

up on the bottom line of the province of Saskatchewan? And as a result of that higher line you've decided that we need to take a look at the customers that are out there having to absorb a much higher heating cost or expense at that level. Don't you agree, Mr. Minister, that it might seem fairer to treat everyone equally?

Hon. Mr. Van Mulligen: — Well if you take the position that, say, some CEG customers have been able to lock in at a price of say \$7 a gigajoule, and because we provided to SaskEnergy customers — to whom we provide not just the delivery service but also the commodity service and had been able to cap their price — that you would seek then to reduce the cost of CEG customers to something that might approximate say \$5 per gigajoule. Is that your position?

Mr. Toth: — I believe, Mr. Minister, what these customers are asking for is something of fair value — not at the same level, given the fact that they may have locked in a price that was higher than original — but still lower than where the natural gas is. They're still paying at some point a higher price. And they're not, from what I gathered, they're not asking for the same level of rebate.

But there's something, I believe, as you looked at oil and propane, you took kind of an average and factored in, okay this is what the additional costs would be, therefore we feel we can do a rebate of \$200 to a customer.

Hon. Mr. Van Mulligen: — We have made choices obviously in delivering this program, the Energy Share program. We have put forward a program that recognized the needs of SaskEnergy customers for whom we provide delivery service and a commodity service, and we have made that decision.

We have also made a decision, unlike other parties, to recognize the costs for low-income people in Saskatchewan that some parties in putting forward proposals have not chosen to recognize. That is the, you know, proposal that we are putting forward before the people of Saskatchewan. And that is the question that faces the opposition as to whether or not they will support the supplementary estimate request.

Mr. Toth: — Mr. Minister, as well while we are talking about who's delivering the service, the question also arises regarding recreational community facilities and the difficulties that communities are having in providing the services to their customers and trying to maintain and keep these facilities open. And we know that heating costs have been a major factor in rinks and community facilities over the years and, if I understand correctly, there's no recognition of that in this rebate form. Why?

Hon. Mr. Van Mulligen: — No, I think to the contrary. We're also capping the rates for that category of user. There are a number of categories that we're seeking to protect. On average it's a 10, 11 per cent increase including for rinks and recreational facilities.

The Chair: — Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you, Mr. Chair. Mr. Minister, you talked about the SaskEnergy rebate program and SaskEnergy

delivery. If they provide the delivery and commodity services, then those customers would receive a rebate, but not CEG. Is that correct? CEG customers.

Hon. Mr. Van Mulligen: — We're taking the position that CEG customers receive only delivery service from SaskEnergy and not commodity service. They are not eligible for the equivalent credit on SaskEnergy's commodity rate.

Mr. Huyghebaert: — Can the minister tell me what's going on with the rebate program in Lloydminster and who the delivery service and commodity provider is there?

Hon. Mr. Van Mulligen: — The people in Lloydminster are citizens of Saskatchewan. They too are affected by increases in energy costs. Their delivery comes through a gas company, I believe Direct Energy out of Alberta, because they're serviced through the Alberta networks. Their energy costs will also increase but they're not eligible to receive any rebate programs or credit programs that might be in effect for the citizens of Alberta. We seek also to shelter the people of Lloydminster, and that has been incorporated as part of our program.

Mr. Huyghebaert: — Thank you, Mr. Minister. So it just seems like a bit of a dichotomy because you say, on one hand, CEG customers will not receive a rebate, but Direct Energy customers will. I'm happy to see that for Lloydminster but I go back to the premise that my colleague was stating where CEG customers are not. It appears that you are picking sides wherever you feel like it on this.

Hon. Mr. Van Mulligen: — Again we believe that options are available to, obviously to those customers that choose to utilize CEG. They have seen an advantage over the years to use CEG's services. CEG is able to provide delivery for a longer period of time, and at guaranteed prices for a longer period of time, than we are able to do or want to do. That's not our strong suit. That's CEG's strong suit. So obviously those customers, whether they're commercial, industrial, institutional, they have made that decision because it benefits their needs.

Having said that, many of those customers are in fact experiencing prices that are less than what many SaskEnergy customers will be paying even with the cap in rates that we are providing.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. Mr. Minister, on the conservation program with the replacement of furnaces, it's not directly I believe under SaskEnergy. It's actually under the Finance is it not? But SaskEnergy I think gets involved in these issues when it comes to the replacement of furnaces, going to let's say a high-efficiency furnace and the inspections that are involved as well as the chimneys that are in place.

What is involved there with SaskEnergy when it comes to replacing a furnace under the conservation program and SaskEnergy's involvement in dealing with any of the aspects of that, including chimneys?

Mr. Kelln: — In terms of furnace replacement, the program

follows the EnerGuide for homes which is a federal program where inspectors come to residents' homes. They're qualified within that program and determine what improvements can be made. The homeowner makes those improvements. And then there's a subsequent audit that is done that verifies those improvements. That then makes them eligible for a federal grant. SaskEnergy then manages the provincial matching portion of a grant as well.

So we're really just solely involved in the provincial grant portion related to the program.

Mr. D'Autremont: — Does this grant program, both the federal and the provincial, include the necessity to change your chimney? Let's say you have an older natural gas furnace or an oil furnace as the case may be, propane, and a natural gas, propane hot water heater. You change out your furnace and go to a high-efficiency furnace. You no longer utilize your old chimney. You just simply have a ducting system going outside. Now you get into the situation where your chimney no longer matches the exhaust heat that's going up there and you run into serious problems with your chimney. Does the grant program also deal with the necessity to replace the chimney? Don't use chimneys?

Mr. Kelln: — Well it would be dependent on the criteria and not specific to what EnerGuide for homes criteria revolves around. I know for installations of high-efficiency furnaces, as a rule you're going with a direct vented water heater as well which vents out the side of your home similar to the high-efficiency furnace.

Mr. D'Autremont: — You can vent your hot water heater outside along with your high-efficiency furnace? Or do you have to change your hot water heater to something to do that?

Mr. Kelln: — You would have to change your hot water heater to do that, yes.

Mr. D'Autremont: — What kind of efficiencies do you gain in changing out that hot water heater and what would the cost involved be?

Mr. Kelln: — I don't have the specific costs with me. I know that is one of the options. Your second option is to see if the chimney's still applicable. But as you've pointed out, the chimney has to be properly sized for the venting of just the water heater.

Mr. D'Autremont: — What kind of efficiencies do you get out of changing the hot water heater? I know the hot water heater uses a fair amount of natural gas but I'm not sure how inefficient the old systems would be compared to the new system. So what kind of efficiency gains would you be getting?

Mr. Kelln: — Again I think the focus is that the criteria's built around the federal program. The provincial assistance component is really just matching a grant similar to what the federal is providing, to a maximum of \$2,000.

Mr. D'Autremont: — Mr. Chairman, I think we're close to done but my colleague here has a question.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — What does SaskEnergy envisage as a workable solution to the Lloydminster, Saskatchewan customers in relation of providing a natural gas service in the future?

Hon. Mr. Van Mulligen: — We have undertaken some discussions with the mayor and his officials in Lloydminster to see if there's an opportunity for SaskEnergy to in fact be the supplier of natural gas for Saskatchewan people who live in Lloydminster.

I, you know, don't know any of the details at this point. It's strictly exploratory at this time. I think we have to explore various cost options and feasibility options, but it is something that we've discussed with them. Mr. Kelln participated in those meetings, if he wants to say anything further about that.

Mr. Kelln: — What we've talked with . . . We had an opportunity to meet with the mayor and several councillors. The option would be, really, utilizing an existing pipeline system that's already in place. So it would be a matter of arranging to haul gas on that existing pipeline system and really provide an option for Saskatchewan residents in Lloydminster, that they could choose if they wished a SaskEnergy commodity option. We're still working on the feasibility of that, but we're certainly going to try to consider it.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — . . . my question, I guess, is then that you would envisage that the customers there would have a choice of either switching over — if they're on the Saskatchewan side of the border — of switching over to SaskEnergy or staying with where they were before?

Hon. Mr. Van Mulligen: — Yes, I think that's . . . yes, I mean, people would have the choice. And the question is, are we in a position to provide a product that Saskatchewan people in Lloydminster might find advantageous? And that's part of the feasibility work that we have to do.

Mr. Chisholm: — One more question then. Would you also consider providing service on the Alberta side of the border if it was requested by residents or made financial sense to?

Hon. Mr. Van Mulligen: — Well we could certainly do that, provided the opposition didn't have any concerns about us moving outside our borders again. But no that's not part of our study at this point. But who can say? I mean, if we provide a product for the people on the Saskatchewan side . . . and I suppose anything's possible. But that's not what we're looking at, at this point.

The Chair: — The vote, SaskEnergy Incorporated vote 77, subvote SaskEnergy Share (SE01). Gas cost variance account deficit elimination 30,900,000; subsidy for winter rate 92,040,000; assistance for Lloydminster, Saskatchewan natural gas consumers, 1 million. Total: \$123,940,000. Is the subvote agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay.

Resolved that there be granted to Her Majesty for the 12 months ending March 31, 2006, the following sums, 123,940,000.

Could I have a motion for that?

Hon. Mr. Taylor: — I so move.

The Chair: — Moved by Mr. Taylor. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried.

[Vote 77 agreed to.]

The Chair: — I'd like to thank the minister and his officials. Thank you very much.

Hon. Mr. Van Mulligen: — Thank you, Mr. Chair, and thank you to the members for their questions. Also I would like to thank my officials for attending here tonight. Thank you very much.

The Chair: — Mr. Huyghebaert.

Mr. Huyghebaert: — Yes I'd like to thank the minister and officials for their answers. I think we've got a better understanding of the derivatives account, Mr. From, so I thank you very much for that. And thanks to the rest of the officials.

The Chair: — At this time the committee will take a five-minute recess while the new minister comes in.

[The committee recessed for a period of time.]

**General Revenue Fund
Supplementary Estimates — November
Property Management
Vote 13**

Subvote (PM07)

The Chair: — Well good evening and welcome to the Crown and Central Agencies. It's a continuation of the business . . . is the supplementary estimates for Department of the Property Management appearing on page 16.

So, Madam Minister, you have made an opening comment, but do you have any other comments to make? And then perhaps introduce your officials.

Hon. Ms. Higgins: — Mr. Chair, thank you very much. I'll introduce the officials from — to you and to members of the committee — the officials from Saskatchewan Property Management who are with me here this evening. To my left is Ms. Deb McDonald, the deputy minister of SPM [Saskatchewan Property Management]. Sitting to my right is Mr. Donald Koop, assistant deputy minister of commercial services. To my far left is Mr. Garth Rusconi, assistant deputy minister, accommodation services. And sitting behind at the

table are Ms. Debbie Koshman, assistant deputy minister of corporate support services and Mr. Phil Lambert, assistant deputy minister, information technology and telecommunications.

I would like to thank each of them for being here this evening, and we can head right into questions.

The Chair: — Vote no. 13, major capital asset acquisitions, subvote (PM07). I recognize Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. At our last meeting there was a motion made and approved by the committee that the steering committee review the role in dealing with the minister and officials and how broad or how narrow our questioning should be.

The steering committee has met, but we're still going I believe through a further discussion just to clarify for the committee what our role is going to be on supplementary estimates.

So as a temporary measure only, I would like to move that for this hearing:

That the committee expand our current review to include issues of SPM properties.

The Chair: — With leave, moved by Mr. D'Autremont:

That the committee expand our current review to include issues of SPM properties.

Is that agreed?

Hon. Ms. Higgins: — Could I ask a question? What exactly is covered by SPM properties?

The Chair: — Properties with SPM, just as it reads. Is that carried?

Some Hon. Members: — Agreed.

The Chair: — Carried. Any questions? I recognize Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you, Mr. Chair, and welcome again to officials. I have a few more questions going back to what I was talking about the last time we met on the supplementary estimates and the vehicle acquisition and the lease agreements. And just some further questions with respect to the leasing of vehicles and the disposal of vehicles.

And an agency that was mentioned, but I didn't get a full explanation on it or maybe didn't ask, is the Central Vehicle Agency, the CVA. Can the minister explain the relationship of the CVA to SPM? Is it part of SPM? Is it associated? Is it a government agency, or what exactly is CVA?

Hon. Ms. Higgins: — CVA is a branch of the commercial services division of Saskatchewan Property Management.

Mr. Huyghebaert: — And the role of CVA?

Hon. Ms. Higgins: — What CVA does is provide a centralized fleet management that is a service provided for government departments and Crown agencies.

Mr. Huyghebaert: — By fleet management, does that include the CVA actually leasing the vehicles?

Hon. Ms. Higgins: — SPM or CVA would acquire or purchase the vehicles, and in turn they would be a rental or lease agreement to the departments or Crown agencies that are using the vehicles. It can be a . . . I mean these leases may include maintenance. They may be non-maintenance agreements. But it's two departments and two Crown agencies.

Mr. Huyghebaert: — The way you put that is CVA, SPM . . . Can we just use one or the other, or are they two separate agencies that I should be talking about? Because I want to make sure I cover some of this. Is there two separate entities specifically? Or if I say SPM, does that include CVA? Or if I say CVA, does it include SPM?

Hon. Ms. Higgins: — SPM would include CVA.

Mr. Huyghebaert: — Okay. Can SPM, CVA, or the government sell these vehicles to agencies as you called last week, clients? Are these vehicles totally and solely leased or can they be sold outright to clients?

Hon. Ms. Higgins: — Vehicles would be purchased by SPM . . . or would be purchased by CVA for the client and would be rented or leased to the client through a normal lease agreement. When that vehicle is eligible for replacement by mileage use — I mean a variety of issues — it would be returned to CVA and would be sold then.

Mr. Huyghebaert: — Okay. So there is no situations where a new vehicle or relatively new vehicle would actually be sold to a client — client being a government department or a Crown agency — where actually CVA, SPM would purchase a vehicle and then resell it to a client?

Hon. Ms. Higgins: — There was, a couple of years ago, there was a request by the City of Regina to participate in one of the tenders. Those vehicles were purchased through tender and sold to the City of Regina. But to all of our knowledge, that was the last time that was done. Normally it is . . . they're just vehicles for departments that are leased out or rented out to departments and Crown agencies.

Mr. Huyghebaert: — Okay. And, Mr. Chair, the minister mentioned that vehicles when they are finished with the client they return to CVA for disposal. Is that correct?

Hon. Ms. Higgins: — Yes.

Mr. Huyghebaert: — Now if they are returned for disposal, it would appear then that the CVA, SPM, the government is in the business of selling used vehicles. Is that the disposal you're referring to, is that these vehicles will now be sold?

Hon. Ms. Higgins: — If a vehicle is turned back in for whatever reason — no longer needed, whatever the change may be that would cause that to happen — if the vehicle is still

useable, it is then assigned, put back in the pool, and it will be assigned somewhere else.

Normally what you will have is when a vehicle has exhausted its economic life, which can be eight years old or older, and it hits a certain mileage or kilometres — I think it's 180 or 190,000 kilometres — then it will be sold through public auction which you will see quite often advertised. Well not quite often, but when there is to be a public auction held, there will be advertisements in the paper.

Mr. Huyghebaert: — Madam Minister, if these are sold at public auction and there is indication that the advertising for these vehicles to be sold is as is, would you confirm that?

Hon. Ms. Higgins: — Yes. Typically that's the way it's done.

Mr. Huyghebaert: — Okay. Thank you. My understanding is that car dealers that deal in used vehicles are prohibited from doing this. They cannot sell a vehicle as is. So it would appear there's a double standard — one for the government and one for car dealers that deal in used cars. Could you comment on that?

Hon. Ms. Higgins: — We don't have information on that with us right now, but we will get back to you as soon as we can. We've got some vague recollections of this being raised previously. And where the issue falls or where the explanation falls, instead of, you know, giving you a half-baked answer what we'll do is endeavour to get back to you as soon as we can with a complete answer.

Mr. Huyghebaert: — Okay. The last question on this particular issue is, is there a capability for the government through CVA, SPM to retail any vehicles to the general public?

Hon. Ms. Higgins: — The legislation defines whom CVA and SPM does business with, and that's not open to public by definition within the legislation. It's defined as government departments, government-funded agencies, Crown agencies.

Mr. Huyghebaert: — Okay. Thank you, Madam Minister. My last question is related to the supplementary estimates with a comparison to the budget estimates. And my question is, is there any change in FTEs [full-time equivalent] from the budget of the spring until and including the supplementary estimates?

Hon. Ms. Higgins: — No, there's no change in FTEs.

Mr. Huyghebaert: — Okay, thank you. My colleague now would like in.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. Mr. Chair, last week I had asked the minister a number of questions concerning the disposition of the Echo Valley Conference Centre. And as we proceeded along that line of questioning there was some, I guess, some question as to whether they were proper questions for this set of estimates. And I understand that yourself and Mr. D'Autremont have agreed that this would be a proper line of questioning for tonight's sitting. And so I will proceed with that understanding.

I would also like to make it abundantly clear that I certainly do not oppose the awarding of the Echo Valley Conference Centre to the town of Fort Qu'Appelle but I do have a number of concerns about the legitimacy of the tender process. I have some documents that would lead me to be concerned about that whole process and perhaps we can clear this whole issue up tonight, Madam Minister.

Just to review what we talked about last week, when I had asked whether the May 31, '05 deadline for the receipt of proposals was the only deadline as far as the disposal of the Echo Valley Conference Centre, Minister, you indicated it was. That was the deadline.

And you also indicated that there was two proposals received by that deadline. One was received on May 30 from the San-Echo in partnership with the village of Fort San. And another proposal you indicated was received from the Fort Qu'Appelle and you also had indicated that there was a developer was partnered with the town to submit that proposal.

However when I asked, Minister, whether the proposal was delivered as the Fort San proposal was actually hand delivered to SPM, you weren't quite clear how it was received, whether it was received in the mail, or emailed, or anything. And you weren't quite certain as to the method of delivery. And I was just . . . I would ask I guess tonight if you did have time, or your officials checked so that we could understand exactly what method this proposal was, how it was delivered. Would you have any further information on that?

Hon. Ms. Higgins: — The member is correct. The first proposal that we received on May 30 was hand delivered from San-Echo. The other proposal from Fort Qu'Appelle was delivered by email on May 31, '05.

Mr. Hart: — Thank you, Minister. I understand that the San-Echo Fort San proposal was a very detailed proposal. I understand that there was lengthy conversations and consultations with officials from SPM as far as in the preparation of the San-Echo proposal. There was, I believe according to a letter from the mayor of Fort San to the Premier, he indicated and I quote from the letter:

During the 12- to 15-month time frame of developing the proposal, SPM staff were provided with interim copies of the report to ensure that their comments and concerns and suggestions were adequately taken into account.

From that, that would tell me there was a fairly close working relationship between the proponents of the Fort San proposal and your staff. And my question is, was there similar consultation . . . First I guess the first question I should ask then is, how detailed was the proposal received from the town of Fort Qu'Appelle and its developers?

Hon. Ms. Higgins: — Well what I will say is that the proposal was received and it is covered by a confidentiality understanding. We have spoken to San-Echo. They do not want details or discussion to be held on their proposal. So I will have to end it at that.

And I apologize but I have to say, Mr. Chair, SPMC

[Saskatchewan Property Management Corporation] does a great deal of work or SPM does a great deal of work with businesses in the province of Saskatchewan, many companies. They have a good reputation for the way they deal with proposals and the processes that we use and I would not put that in jeopardy by getting into discussions on one proposal, especially when the proponents have not wanted this to be discussed or details to be discussed.

Mr. Hart: — Madam Minister, I'm not asking for the details of the proposal. All I'm asking is if the proposal submitted by the town of Fort Qu'Appelle, along with their developers, that was submitted on May 31, was it a detailed proposal? As I said, as I quoted from a letter that the mayor of Fort San sent to the Premier on October 24 . . . had indicated that their proposal was very detailed. They did a lot of work, the Fort San people. Now all is that I'm asking is . . . and they said that their proposal was quite detailed, the one they submitted on May 30.

Now the proposal SPM received on May 31 from the town of Fort Qu'Appelle, was that also a detailed proposal? Did it have a lot of the refinements and so on that the Fort San proposal had? I'm just asking for a comparison. I'm not asking about the details of the two proposals.

Hon. Ms. Higgins: — The proposal from Fort Qu'Appelle outlined future use of the site.

Mr. Hart: — Well, Madam Minister, you can outline the future of the site in a couple of sentences or a paragraph at the most. You could say, well we would like to do great things here and so on and so forth. And within a paragraph of less than a quarter of a page, you could do that.

I guess, let's go at it in this way. I would suspect that the Fort San proposal probably was several pages, 10, 15 pages or more. I don't know. I haven't seen their proposal. I don't know any of the details. But let's assume it's 10 pages.

Was the Fort Qu'Appelle proposal more than one page? And if so, was it more than 10 pages or less than 20? Could you give us a bit of an idea as to the volume, sheer paper volume, of the Fort Qu'Appelle proposal.

Hon. Ms. Higgins: — One proposal was 17 pages; the other was 12.

Mr. Hart: — Thank you, Madam Minister. I'm sure that wasn't too difficult. I realize it took a little time to count them, but at least that gives me a . . . and the Fort Qu'Appelle proposal was what — 12 or 17?

Hon. Ms. Higgins: — No. I mean, and you said that you didn't know any details about Fort San. So one was 12; one was 17. And we'll leave it at that.

Mr. Hart: — Okay. So they were both received by May 31 — that volume of paper. Correct? Just to be clear. Both proposals with the volume of paper — one was 17 and one was 12. I don't care whether the 12-page one was received on May 30 and the 17-page one was received on May 31. All I want to be assured of, that both proposals in that type of detail were received by May 31.

Hon. Ms. Higgins: — Yes.

Mr. Hart: — Thank you. We've got something accomplished then.

Madam Minister, on last week I quoted to you, and I mentioned that there was a memo dated May 18 to Alf Zimmerman, the mayor of Fort San, from Wil Olive, and I had also indicated and I quoted, and I'll just restate or re-quote some of the memo. It says:

As representatives of Mitchell & Associates Properties Ltd., we appreciated the opportunity to meet with you, and the representatives of the Town of Fort Qu'Appelle. The potential for redevelopment of the Echo Valley Centre site is certainly an exciting prospect.

Our group wishes to work co-operatively with the regulatory and community organizations as we move forward.

Now it would seem to a casual observer reading this memo that these Mitchell & Associates people . . . the interpretation that the casual observer might have and I would have is that it sounds like a done deal; they've already got the property. They're meeting with the Fort San town council or village council and the Fort Qu'Appelle town council to talk about working co-operatively as we move forward. Now what other interpretation could you put on that memo?

Hon. Ms. Higgins: — We were not at that meeting, so what took place . . . and none of SPM's representatives were at that meeting. So what took place is outside of what I would comment on.

But I would say to the member that when anyone is putting forward a proposal of any kind, you always talk in a positive nature and talk about the things that need to be done and how you will do those things. I mean it's just natural that you would be positive about a proposal you're putting forward. But the member would be better to speak to people that were at the meeting.

Mr. Hart: — So what you're saying is you don't really know what went on at this meeting? Is that what you're saying?

Hon. Ms. Higgins: — I wasn't there.

Mr. Hart: — And you don't know what went on at the meeting? I know you weren't there.

Hon. Ms. Higgins: — No I wasn't there.

Mr. Hart: — Do you know what went on at the meeting?

Hon. Ms. Higgins: — We were not part of the meeting. There was no representatives from SPM that were there. The meeting that you're talking about, we do not have first-hand knowledge of what happened or what took place at that meeting.

You also asked the other day, you commented on the tone of the meeting. Again I will say that SPM was not there. There was not representatives of ours there. I was not there. So it's pretty

difficult to comment on a meeting and what took place when we weren't there.

Mr. Hart: — Okay, Madam Minister, just to be clear, you're saying you really don't know; you have no details of what went on at the meeting. You weren't there. I believe you; you weren't there. None of your officials were there. You know, why would we question that?

But I do question your comment that you don't know anything about what happened at that meeting because I'm in possession of a letter that you wrote to Mr. Zimmerman on November 14. And in that letter you stated, and I quote:

It is indeed unfortunate that the details of the May 18, 2005 meeting continue to dominate your correspondence with me. I am in possession of the minutes of the Fort San proposal outlining the redevelopment plan for Fort San grounds and buildings which was presented for your information.

So now why would you write, "I am in possession of the minutes," referring to the May 18 meeting?

Hon. Ms. Higgins: — He had sent me the minutes of that meeting and had also implied that there was something incorrect about the information that was out there, in that he had not been informed of the meetings that had gone on or that he had been denied any information from Fort Qu'Appelle, and had been involved in those discussions. And I guess by the minutes of the 18th — May 18 I believe it was — he was there.

Mr. Hart: — So then in fact you or your officials did have a knowledge of the tone of the discussion of that May 18 meeting?

Hon. Ms. Higgins: — It was what Mr. Zimmerman wrote to me about the meeting.

Mr. Hart: — So do you have any doubt that these aren't the official minutes of the meeting? What form were the meeting . . . were they some hand-scribbled notes or were they . . . Obviously I would just assume, because it was members of both the village and town councils, plus this group of developers, if we'll call them, I would assume that somebody took official minutes. And I'm assuming or I would think that you received a copy of those minutes. What form were those minutes in?

Hon. Ms. Higgins: — We were sent a copy of who was there, the Fort San project proposal — a bit of an overview, by the looks of it. What I will have to do is go back through logs within the office because . . . and get more details on when it was sent and who it was sent by.

Mr. Hart: — Just to be clear, these are minutes of that meeting as referred to in the May 18 memo. They're minutes of the May 18 meeting that took place between the developers, representatives of the council of Fort Qu'Appelle and representatives of the village council of Fort San. Is that clear? Is that correct?

Hon. Ms. Higgins: — Well put it this way. It's not minutes as I would have taken them in any of the organizations I've ever

been involved. It could be a summary, or it could be the way someone takes minutes.

Mr. Hart: — Well but it's the May 18 meeting that they're referring to. Correct?

Hon. Ms. Higgins: — Yes. Yes it is.

Mr. Hart: — Okay, fine. That's good. Because in your letter you go on to state:

As stated in the minutes, a memorandum of understanding was to be signed by the developer's group, the resort village of Fort San and the town of Fort Qu'Appelle. Subsequently, a development agreement was to be signed by the developer's group and the resort village of Fort San.

And let's, for the record, state that Echo Valley Conference Centre is located in the resort village of Fort San.

So we are referring to minutes that are dated May 18, 2005. The closing date for the receipt of proposals was May 31. You said that the Fort Qu'Appelle development proposal was received on May 31. Yet here we have a group which . . . and you won't divulge whether these people are, in fact, the developers for the town of Fort Qu'Appelle. I would make the observation that they could be.

But here we have memos and minutes of meetings that took place on May 18 where it sounds as if the property has been awarded to this developing group, the developing group calling themselves Mitchell & Associates. And I'm assuming the principals involved from Mr. Olive's memo dated May 18 — Wilson Olive, Mitch Molnar, and Randy Beattie. And that's where my concern lies, Minister. We've got 12 or 13 days before the end of the deadline date and we've got a group here that's meeting with town and village officials, writing up minutes, sending out memos, and sounding as if they've got the property; it's a done deal. Do you care to comment on that?

Hon. Ms. Higgins: — I don't know who took the minutes but I would say to the members that, again, any proposal that is being put forward . . . there was deadlines. The deadlines were met. The proposals were reviewed. In August we made a decision, but it still is a proposal and details are still being worked on.

I don't know who took the minutes. That you will have to find out from people that were present at the meeting. But I will say to the member, it doesn't matter what proposal it is. When anyone . . . In anything I have been involved in within government or within other organizations, when someone comes to make a proposal, they do so usually with enthusiasm and with a plan laid out of the things that they will have to do, what areas will have to be worked on. That's not uncommon.

Mr. Hart: — So what you're saying is that this memo of May 18 from Wil Olive is merely an expression of enthusiasm to actively pursue and put forward a proposal and it's nothing more than enthusiasm. Is that what you're saying?

Hon. Ms. Higgins: — Well again you're asking me to comment on something when I wasn't present at the meeting. I have seen a written summary or minute from the meeting. We

have a copy here, you had a copy at the last supplementary estimates, and my understanding from anything that I have heard was there was . . . part of the meeting was to try and draw the whole valley together to work on one proposal. That is my understanding in any of the comments that I've heard.

Mr. Hart: — But it does seem a bit strange that individuals who are involved with this whole project as early as May 18 would act in such a way that it would lead people to believe that they've already somehow been told that they will be the successful proponents on this when the closing date hasn't even passed. I'll just quote another sentence from the memo:

I would appreciate your advising of a convenient time within the next few days that we may get together, or alternatively your advising as to the manner in which we may move this initiative forward.

Again it sounds as if, you know, they were talking about wanting zoning bylaws and you need to . . . and those sorts of things.

I would suggest, Madam Minister, that from the tone of these memos and what I've been told, it sounds as if these folks felt that they had the inside track on this.

Hon. Ms. Higgins: — In any business plan or any proposal, you will have the steps that need to be taken one at a time to have a successful completion of any project, whether it be zoning bylaws, whether it be a business plan, whether it be your financing, whether it be other partners. I mean there's a number of things that have to be pulled together. You don't put in a proposal with nothing behind it and no support behind it.

What happens then if you were awarded the contract through your proposal but you had nothing behind it? Well for one thing you probably wouldn't be awarded a contract or the tender without anything behind it. You don't just fill out a blank piece of paper saying, well this is what I will do if and when I get the contract. No, you do a lot of work behind it.

And you talk to any, whether it be a construction company, whether it be developers — no matter who it is — there's a great many steps and a great of work and effort and expertise that goes into any proposal and any tender that is put forward. That's why there are rules in place. That's why there's processes in place. That's why there's deadlines that are there so people all have the same deadlines. They know what's needed when tenders are put out, when proposals are put out. There is also . . . there was always information that is needed within those proposals for them to be accepted.

It's a great deal of work. It's not done on a whim and you need to draw in partners and you need to work together with communities in many cases and draw in other areas of expertise so that your proposal is accepted, that your project is successful in the end.

Mr. Hart: — I can't agree with you more, Minister. In fact and I'll quote from Mr. Zimmerman's October 24 letter to the Premier where he indicates, and I quote:

As you are aware, our village along with local investors

last May submitted a detailed proposal to acquire this property [referring to the Echo Valley Conference Centre] and develop it for the benefit of the village, the valley, and the province as a whole. To this end, representatives of the village worked with Sask Property Management staff in the formulation of our proposal to ensure it met all of SPM's requirements and the designated time frame.

As you can understand, in the course of this development process the proposal was written several times in response to SPM questions and suggestions. During this 12- to 15-month time frame of developing the proposal, SPM staff were provided with interim copies of the report to ensure their comments and concerns and suggestions were adequately taken into account.

So from what Mr. Zimmerman is saying and explaining is that they did a lot of work and worked with your staff extensively to develop their proposals so that it would meet all the requirements that were laid down in the tender process.

My question to you is, did the people who put the second proposal together work with your staff for any period of time in the development of their proposal?

Hon. Ms. Higgins: — There was meetings held with the town of Fort Qu'Appelle on a number of occasions.

Mr. Hart: — Could you or your officials give us some sort of an indication as to the extent of the meetings? How many meetings took place? Were there interim reports received as the Fort San proposal? Was the consultation anywhere comparable between the two groups that were submitting a tender?

Hon. Ms. Higgins: — It's a little different situation in that the previous mayor of Fort Qu'Appelle, SPM had met with him before he passed away and had been meeting with a different developer at the time with the mayor. When the mayor passed away, there was . . . everything just of course come to a halt, and there was a bit of time that went by in that period. And then we had met with the new mayor a number of times after that.

Mr. Hart: — Madam Minister, I believe the new mayor only took office . . . Well I've got a news article here, *Leader-Post* dated April 29, 2005, and the headline is "Osika back in politics." And so I would think, and I don't recall the exact date, but I'm guessing that Mr. Osika was only elected as mayor right near the end of April so that there would have been very little time, you know, there'd be only a month for Mr. Osika to confer with you and your staff.

And I would wonder if this would have been his first priority — consulting with SPM staff on the Echo Valley Conference Centre tender process — when he's just new to office. I would think he'd have a number of other issues that he would have to deal with.

Hon. Ms. Higgins: — When we had met with the previous mayor, the council was also there. And this was one of their top priorities. And even when the mayor had passed away, the council still held and maintained an interest in this project. So I think you are being unfair to the council of Fort Qu'Appelle when you say that, you know, nothing started till Mr. Osika was

elected mayor. I don't know when Mr. Osika was elected, but this project had been a priority for the council previous to that.

Mr. Hart: — Minister, I'm certainly not trying to be unfair to the town council. I'm sure they worked diligently; the Fort Qu'Appelle town council worked diligently on this issue. I guess what I'm trying to do is get a sense of the work that was done on both proposals.

The understanding I have, the Fort San proposal, the individuals who prepared the proposal, I think they were not part of the village council. They were part of the developer's group that partnered with the village, were the ones that were consulting with your staff.

And what I'm trying to do is get a sense of the amount of consultation that the people who prepared the Fort Qu'Appelle proposal . . . which I'm guessing would not be town council. They would have some other folks. As you'd indicated, there's developers as part of their proposal, and I would think that those people would have prepared the Fort Qu'Appelle proposal. And I'm just trying to get a sense of how much consultation and how much work did they do with your staff to make sure that their proposal met all the needs of the tender process.

Hon. Ms. Higgins: — Mr. Chair, what I will say is that SPM has met with both Fort San and Fort Qu'Appelle and the appropriate folks that were looking to put in proposals on Echo Valley, and they were both appropriate proposals that were put forward and accepted.

Mr. Hart: — Minister, when properties such as Echo Valley or other properties that SPM is disposing of, when you're considering properties for disposal, do you have an appraisal done on the properties prior to the tendering process?

Hon. Ms. Higgins: — Yes we have an appraisal done on any property that is estimated to be over \$5,000.

Mr. Hart: — And who does the appraisals for you?

Hon. Ms. Higgins: — They are contracted with an independent private company.

Mr. Hart: — So I'm assuming from what you've told us is that an appraisal was done on the Echo Valley Conference Centre.

Hon. Ms. Higgins: — Yes.

Mr. Hart: — Could you provide the committee with the value of the Echo Valley Conference Centre?

Hon. Ms. Higgins: — We don't typically hand out the appraisals, and it would be inappropriate at this point in time being we're at the stage we are with Echo Valley.

Mr. Hart: — Madam Minister, you're telling us that you've already accepted their proposal, and I'm sure the value of the property was discussed. So I mean why would it be inappropriate to disclose the appraisal value of that property at this time?

Hon. Ms. Higgins: — We have informed the town of Fort Qu'Appelle that theirs is the proposal that we have accepted. But it is still at this point a proposal. There is still negotiations ongoing, and there is not a final deal in place.

Mr. Hart: — So what you're saying is that you . . . what, you've accepted their proposal in principle?

Hon. Ms. Higgins: — It is an option to purchase, is what it is technically.

Mr. Hart: — Well I'm somewhat confused here. I'm looking at an August 30 newspaper report of the *Fort Qu'Appelle Times* where . . . And I'm quoting here referring to SPM regional director, Dennis Jones. And the paragraph starts:

Jones accompanied SPM deputy minister Deb McDonald and assistant deputy minister Garth Rusconi to the *Fort Qu'Appelle Times* office where the deputy minister announced that an agreement has been reached that the proposal put forward by the town of Fort Qu'Appelle has been tentatively accepted.

So it's just a tentative deal then? That's all it is?

Hon. Ms. Higgins: — Is that not what you just read to me . . . [inaudible interjection] . . . Tentative. Yes that's exactly what it is because . . .

Mr. Hart: — So it's still tentative. That's on August . . .

Hon. Ms. Higgins: — The proposal . . . Well just a minute now. If you want me to answer, then I will answer. It's a tentative agreement. And that's exactly what it said in the paper, exactly what you just read to me, exactly what you have read a number of times, I'm sure. But yet you question it.

SPM has a very good reputation with the businesses that it deals with in the province of Saskatchewan. All of those . . . Well in a majority of cases, they are private businesses — all of those are private. The tenders we do, the construction we do, the work we do, the policies we have — SPM has a very good reputation. You have questioned that. And you do, I would say, a disservice to the people who work for SPM. And you do a disservice to people who have put in a great deal of work and effort on many proposals across this province.

It is a tentative proposal. The proposal was accepted, and further negotiations will be carried on to come to a final agreement. That was accepted about the third week in August of this year. And negotiations are continuing over various details and other issues that need to be dealt with.

But you read it in the newspaper yourself. It was tentative. But yet you are insisting on trying to corner this whole process, which is a standard process that SPM has and has followed for many years — disposal of various buildings in this province when they are surplus to government needs and needs of the province of Saskatchewan.

You continually criticize, you continually criticize . . . [inaudible interjection] . . . No I'm not. You continually . . .

The Chair: — Excuse me, members. Would you please direct your comments through the Chair.

Hon. Ms. Higgins: — Mr. Chair, I guess I take offence when they continually criticize as a Government of Saskatchewan things that we do in this province. And then when we do try and sell a piece of property, then they disagree with that. You can't have it both ways. Do you want the Government of Saskatchewan to keep it?

We have very strict policies in place. We have standard disposal policies. We have guidelines that we follow that have worked well in many situations, in many circumstances. And we have followed that in this same process with Echo Valley Conference Centre. And I will stand by the processes that we use, and I will stand by the people that perform the roles with SPM and with the services that we give the people of Saskatchewan.

The Chair: — Mr. Hart, if I could just ask you to address your comments to the Chair. Thank you. Yes.

Mr. Hart: — I was just going to do that, Mr. Chair. Mr. Chair, we just heard the minister go on for about five minutes talking about tentative and a proposal . . . And the paper that I quoted from was dated August 30.

Since that time I also have a report where the mayor of Fort Qu'Appelle, Mr. Osika, was speaking to the local chamber of commerce where he said that it was a done deal, that the proposal has been accepted. He told the people attending the meeting that it was not a tentative agreement; that it's been accepted.

Now I will quote from the minister's letter to Mr. Zimmerman dated November 14. And the paragraph on the last page says this, and I quote:

Let me emphasize that the town of Fort Qu'Appelle's proposal has been accepted, and my officials are moving forward to finalize the agreement. This being the case, I see no benefit in this meeting.

Mr. Zimmerman was asking for a meeting in his letter to the Premier to discuss this whole tender proposal. The minister just said, it's a done deal. And she goes on just not two minutes ago talking about a tentative deal and trying to weasel out on this case.

Mr. Chair, I think this whole tender process stinks to high heaven. They will not release the appraisal value of the property. It's a done deal, and the citizens of this province have a right to know what the market value of that property is.

And I have one final question to the minister. The developers attached to the Fort Qu'Appelle proposal, are they the Mitchell & Associates Properties Ltd? Are they the developers attached to the Fort Qu'Appelle proposal? And from the memo I have, I believe some of the principals involved are Wilson Olive, Mitch Molnar, and Randy Beattie. I wonder if the minister would answer that question.

Hon. Ms. Higgins: — Mr. Chair, I would say to the member opposite when he was first discussing the letter I sent . . . And I

think he actually quoted me where he said, “my officials are moving to finalize.” So there we get back to that this is a tentative . . . I mean, he actually . . . he just read it out. So I mean, it’s in there. I know it is.

Yes I would say Mr. Mitch Molnar is the developer; Randy Beattie is finance. These are the general partners, and they are Mitchell & Associates Properties Ltd. The partners are now called EV Resorts. Also Jim Kambeitz is real estate, and Wilson Olive is the legal.

Mr. Hart: — Mr. Chair, just to clarify and I’ll read it again. And this is in the November 14, 2005 letter from the minister to Mr. Alf Zimmerman, mayor of the village of Fort San, and on the second, on the last page — there’s only two pages to the letter:

Let me emphasize that the town of Fort Qu’Appelle’s proposal has been accepted.

I don’t think we need to discuss it any more. It’s a done deal, Mr. Chair. That would conclude any questions that I would have.

Hon. Ms. Higgins: — Mr. Chair, the proposal is a proposal with an option to buy or . . . I better get this right. The proposal is an option on the purchase of Echo Valley. Yes the proposal was accepted, and now we will move forward with negotiations to come to . . . or to finish the negotiations to reach the final deal surrounding that proposal.

The Chair: — Any further questions? This being Property Management, vote 13 subvote major capital asset acquisitions (PM07). Machinery and equipment: 1,400,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: —

Resolved there be granted to Her Majesty for the 12 months ending March 31, 2006, the following sums for Property Management, 1,400,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Can I get a motion to that effect?

An Hon. Member: — I so move, Mr. Chair.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

[Vote 13 agreed to.]

The Chair: — I’d like to thank the minister and her officials for appearing here this evening.

Hon. Ms. Higgins: — Thank you very much, Mr. Chair. And I

would like to thank my officials for being here this late in the evening and thank the members of the committee for the questions this evening.

The Chair: — Mr. D’Autremont.

Mr. D’Autremont: — Thank you, Mr. Chairman. I’d like to thank the minister and her officials for coming in this evening and the other day as well. So thank you.

The Chair: — Members, the next order of business is a report that was distributed to the members. Mr. McCall.

Mr. McCall: — Mr. Chair, I’d like to move a motion to the effect that the . . . Mr. Chair, I would like to move a motion:

That the fifth report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly on November 29, 2005.

I so move this, November 28, 2005.

The Chair: — Moved by Mr. McCall:

That the fifth report of the Standing Committee on Crown and Central Agencies be adopted and presented to this Assembly on November 29, 2005.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I will now entertain a motion for adjournment.

Hon. Mr. Taylor: — I so move.

The Chair: — Mr. Taylor, adjourned. The committee stands adjourned.

[The committee adjourned at 21:35.]