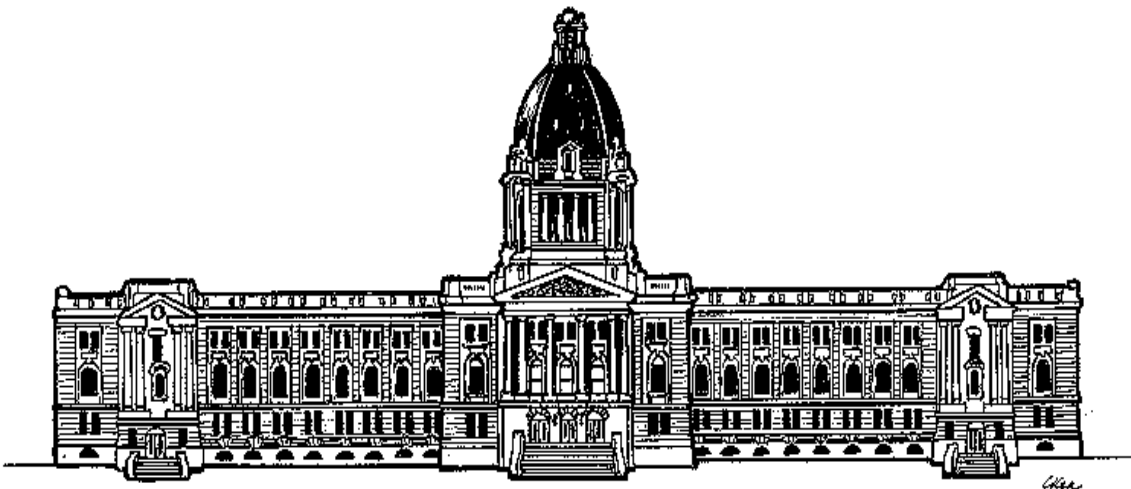




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES  
2006**

Ms. Sandra Morin, Chair  
Regina Walsh Acres

Mr. Dan D'Autremont, Deputy Chair  
Cannington

Hon. Graham Addley  
Saskatoon Sutherland

Mr. Dustin Duncan  
Weyburn-Big Muddy

Ms. Donna Harpauer  
Humboldt

Hon. Warren McCall  
Regina Elphinstone-Centre

Hon. Mark Wartman  
Regina Qu'Appelle Valley

[The committee met at 19:00.]

**The Chair:** — Good evening everyone, and welcome to this evening's meeting of the Crown and Central Agencies Committee.

Before us this evening we have Saskatchewan Property Management and minister responsible, Eldon Lautermilch. Before I continue, I will just introduce the members of the committee. We have Donna Harpauer, Dustin Duncan, Dan D'Autremont, Graham Adley. Sitting in for Minister Mark Wartman, we have Minister David Forbes and Minister Warren McCall. Minister Eldon Lautermilch, would you like to introduce your officials to start off with.

**Hon. Mr. Lautermilch:** — Thank you very much, Madam Chair. I will introduce my officials. To my left is Mr. Donald Koop who is the assistant deputy minister of commercial services. That's to my right — Mr. Koop, right here. To my left is Chris Oleson, the director of executive air services. And to his left is Ms. Deb McDonald, the deputy minister of Saskatchewan Property Management. I would like thank the committee for the opportunity to appear here this evening and if . . . Madam Chair.

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

**Subvote (PM07)**

**The Chair:** — Thank you, Minister Lautermilch. This evening we have consideration of supplementary estimates for Saskatchewan Property Management contained in the Saskatchewan provincial budget Supplementary Estimates, page 17, Property Management, vote 13, major capital asset acquisitions (PM07). Minister Lautermilch, did you have any opening remarks that you'd like to make?

**Hon. Mr. Lautermilch:** — Just briefly, Madam Chair, a little overview. Saskatchewan Property Management, or SPM, provides centralized accommodation and support services to government departments and public agencies throughout Saskatchewan. The department is responsible for providing air services for the Lieutenant Governor, the Premier, cabinet ministers, eligible MLAs [Member of the Legislative Assembly] including opposition MLAs and to senior government officials.

The executive air service operates currently three aircraft based in Regina. In 2002 the government entered into a five-year lease to operate a King Air B200 aircraft. The lease allows the government to purchase the aircraft at the end of the lease, and we have decided to exercise that option, hence the request for a supplementary estimate which is why we're here this evening. The estimate is in the amount of \$2.8 million. It would allow us to buy out the lease, and the government would then own, through SPM, the aircraft as of March 1, 2007.

So with that, Madam Chair, I would be pleased to answer your questions. Thank you very much.

**The Chair:** — Thank you, Minister Lautermilch. And Mr. McMorris.

**Mr. McMorris:** — Thank you, Madam Chair. I just have a couple of questions regarding Echo Valley Centre in Fort Qu'Appelle or just outside of Fort Qu'Appelle. We've talked about it a lot in this committee. I just have a couple questions just to kind of find out the status, where we are on that. The option was given to the town of Fort Qu'Appelle. Can you tell me when that option is up or if the town has exercised it to this date?

**Hon. Mr. Lautermilch:** — Madam Chair, thank you very much. I would want to say that I don't know how much information my officials have. Obviously the estimates before us are on page 17, at the bottom of the page, vote 13 as you've indicated, in the amount of \$2.8 million for the acquisition of the King Air 200. I would attempt to answer questions outside of the scope of those estimates if we have the information here. So I'll just consult with my deputy if that's all right with you.

Ms. McDonald will respond.

**Ms. McDonald:** — The town of Fort Qu'Appelle and their group that they're working with, the option is — unless they ask for an extension — is due February 2007.

**Mr. McMorris:** — So they haven't exercised, they haven't finalized it yet. February 1, 2007.

**Ms. McDonald:** — Sorry, end of February.

**Mr. McMorris:** — The end of February in 2007. So what's the department's plans then if the town of Fort Qu'Appelle and their group that they've been working with do not proceed? What's the department's next step?

**Ms. MacDonald:** — The next step would be to take it to our next level of disposal. And the next level of disposal for the department is TLE [treaty land entitlement].

**Mr. McMorris:** — And I guess, just one last question. So you haven't heard at all from the community of Fort Qu'Appelle as to, you know, problems that they're having, any renegotiations of the option? Has it been silent between the town of Fort Qu'Appelle and SPM? Or have there been questions, you know, as to changing the option at all?

**Ms. MacDonald:** — They have approached us and said what if we asked for an extension? And we said, well we would look at that closer to that point in time and we would have to look at why.

**Mr. McMorris:** — I think that's all I've got to say.

**The Chair:** — Thank you. Mr. Huyghebaert.

**Mr. Huyghebaert:** — Thank you, Madam Chair. I'd just like to go on the aircraft, the 2.8 buyout. What leasing company was that, it's going to be bought out from?

**Hon. Mr. Lautermilch:** — The lease was with Cajon Leasing.

**Mr. Huyghebaert:** — I understood last season . . . We talked an awful lot last time about leasing vis-à-vis purchasing. And the department's position at that time as I recall was that it was much more economical to lease the aircraft. I wouldn't necessarily say that I agreed with that, but that was the position that Property Management took. What's the rationale for the change into the outright purchase?

**Hon. Mr. Lautermilch:** — Well the lease arrangement comes to a conclusion, and the government had to make a decision whether we would exercise the option of purchase. The lease expires in March '07, and so our option was to let the aircraft go to the leasing company or to buy out the lease. We've exercised the option to purchase the lease.

**Mr. Huyghebaert:** — Madam Chair, the minister in his opening remarks said that now there are three aircraft. Could I get what the aircraft are?

**Hon. Mr. Lautermilch:** — Yes, there is a King Air 200, a 350, and a Cheyenne II.

**Mr. Huyghebaert:** — And the status of those aircraft, are they all owned or are the other two leased?

**Hon. Mr. Lautermilch:** — Yes. They will be at this point — with the purchase of the King Air 200 — all be owned by the province.

**Mr. Huyghebaert:** — That's the only aircraft that are in the fleet now?

**Hon. Mr. Lautermilch:** — Those are the only aircraft on the executive air fleet. We have of course some air ambulance aircraft stationed in Saskatoon. We also have . . . Yes, there's three air ambulance aircraft stationed out of Saskatoon.

**Mr. Huyghebaert:** — And those are?

**Hon. Mr. Lautermilch:** — Two King Airs and a Cheyenne III.

**Mr. Huyghebaert:** — Did we have a Cardinal or was that . . . Was there not a Cardinal in the fleet up until a while ago?

**Hon. Mr. Lautermilch:** — No.

**Mr. Huyghebaert:** — With the purchase, outright purchase of the aircraft, is that going to change in any way the association with maintenance or with maintenance personnel?

**Hon. Mr. Lautermilch:** — Well I think, you know, I think it's always a good thing if you can have your standby parts inventory somewhat generic as opposed to a number of different kinds of aircraft.

And I mean we've gone through some transition from . . . I think it was two Cheyenne IIs and a Navajo. We decommissioned the Navajo and one of the Cheyennes. We were left with the one Cheyenne II. And members of the legislature and others who fly that aircraft will know it's an aircraft that's been in service for a long, long time. And obviously we've been trying to use up our parts inventory and keep that aircraft operational. And I would have to say that the

job that the engineers do has been, like, has served us really well. They're very professional people and have done a good job.

Obviously if we could have a fleet of the same kind of aircraft, it would keep our maintenance down and obviously training for pilots and the work of the engineers, all of which . . . I mean you're only too familiar with knowing this industry probably much better than I could have, you know, having spent much of your career in the aviation industry.

But I think we would at some point, as we review our needs, like to have perhaps another King Air 200. The aircraft seems to suit our needs in terms of our landing strips in the province very well. The kinds of flights that executives take, MLAs and cabinet ministers take, it seems to suit us well. Obviously the 350 is a larger aircraft and allows for more passengers on a single flight, but it is somewhat more difficult in some areas of the province in terms of landing.

And so I think — because I'm sure you'll be asking this question in terms of what we might do into the future as the Cheyenne II comes to the point where it's no longer serviceable or felt for safety reasons that we would want to change the aircraft — what we might look at, and I think . . . And I can't speak for the employees, but my guess would be that at that point they may determine that another King Air 200 would serve us well.

**Mr. Huyghebaert:** — With the leasing agreement that you had with Cajon Leasing, was it strictly . . . The reason I ask the question — was there any change in the way of maintenance practices or personnel? — was strictly to find out if Cajon Leasing provided the aircraft, aircraft only, or do they do any supplementary maintenance through that leasing company? And the buyout, was it going to make any difference in personnel, maintenance personnel by numbers?

**Hon. Mr. Lautermilch:** — All of the maintenance has been done in-house, and the staff who were maintaining the aircraft will continue to maintain the aircraft after the buyout.

**Mr. Huyghebaert:** — Did the leasing arrangement include lifetime spares, life-cycle spares, or was it strictly airframe?

**Hon. Mr. Lautermilch:** — Now you're being technical, and now I'm going to ask my officials to respond on my behalf.

**Mr. Oleson:** — The lease was set for the aircraft. It wasn't for . . . There was no parts support with it, just the frame.

**Mr. Huyghebaert:** — The lease was signed in 2000. Was the aircraft new at that time, or was it a used aircraft?

**Hon. Mr. Lautermilch:** — It was a used aircraft. The aircraft was built in 1998. It at that point had 1,100 flight hours on it, on the airframe. It was leased in 2002 as you've indicated. And currently the aircraft has 3,400 flight hours on the airframe.

**Mr. Huyghebaert:** — The leasing arrangement, what was the cost per year for the lease? And I imagine that's a dry lease.

**Hon. Mr. Lautermilch:** — Mr. Huyghebaert, I'm going to give

you the lease by fiscal year. In 2001-02, it was \$500,000. That included lease prepayment in cash to be amortized to expense over a five-year term. In 2002-03, that amount was \$273,330.23. The 2003-04 amount was \$249,543.84 for 12 months of lease payments. In 2004-2005, the amount was \$230,906.61, and that was for 11 months of lease payments. '05-06 was \$251,898.12 for 12 months of lease payments. And the payout, '06-07, will be in the amount of \$1,130,073.89.

**Mr. Huyghebaert:** — What was that last one? One million . . .

**Hon. Mr. Lautermilch:** — \$1,130,073.89.

**Mr. Huyghebaert:** — Mr. Minister, that's a buyout for '06-07. Is that on top of the 2.8 million which is the buyout price?

**Hon. Mr. Lautermilch:** — Yes.

**Mr. Huyghebaert:** — So I just quickly figured out, about a \$5 million cost, give or take a little, for that aircraft.

**Hon. Mr. Lautermilch:** — The total lease expense including buyout is \$5,636,108.79, which includes taxes.

**Mr. Huyghebaert:** — Was the lease based on an annual basis or a per-hour flight basis or what was the actual lease based on?

**Hon. Mr. Lautermilch:** — It was based on an annual basis.

**Mr. Huyghebaert:** — Okay. Is there a runway length restriction on the fleet of aircraft or is it for each aircraft . . . [inaudible interjection] . . . What's the shortest runway that you can operate off of?

**Mr. Oleson:** — The shortest runway that you could operate off would be with the B200 and that's 2,500 feet.

**Mr. Huyghebaert:** — Twenty-five hundred. That has to be hard surfaced?

**Mr. Oleson:** — Preferably.

**Mr. Huyghebaert:** — That's all the questions I have on that line. And there's only one line in the estimates, but I have some other questions on property management.

There's a revised valuation of some office space accounted for in the supplementary estimates someplace. Can the minister tell the committee what office space value increased and why?

**Hon. Mr. Lautermilch:** — I'm told by Mr. Koop that it's not for this department. It may be for another department. If you could tell us which department it is, then maybe we could find it in here. Mr. Koop could help you with it. Do you know which page it is on the supplementary estimates?

**Mr. Huyghebaert:** — I don't have that at my fingertips, what page it is on. It was one of the researchers that had that. I got a couple of other ones that I'll come back to on the flying side.

Do you have a record of the overall number of flights taken by cabinet members on exec air from the beginning of the year to this date?

**Hon. Mr. Lautermilch:** — I certainly do. And I don't know if we have a copy of this but I'll keep my . . . I'll send, Madam Chair, I'll send the member a copy of this. These are, as I understand it, made public on a regular basis. They include the cabinet ministers' flights from April 1, '06 to September 30, '06. I see here the cabinet is included along with the Lieutenant Governor, the new Lieutenant Governor, Mr. Barnhart, and Ms. Haverstock. It includes also the private members, who also have access to the government aircraft when we're in session, as you will know. And they're listed there for you.

**Mr. Huyghebaert:** — Is the costs on there also or just the flight hours? Costs are there too. Okay, thank you.

**Hon. Mr. Lautermilch:** — We haven't got the cost per flight broken down. I believe it's an aggregate amount. We have separated charters, which are also paid for by SPM on behalf of members, and executive air. So you'll see the first column being the invoices for the charter flights that have accumulated under the ministers' and MLAs' names, the number of flights on charters. The next column will give you the executive air invoices in the aggregate. The next one will give you the number of flights that that aggregate represents. The next column is total invoice amount for the year. And the final column is the total number of flights that ministers and MLAs have chosen to fly on.

**Mr. Huyghebaert:** — I'll wait to have a look at that. What do you base your costing on? Is it so much per flight mile? Is that how you base your costs?

**Hon. Mr. Lautermilch:** — Yes.

**Mr. Huyghebaert:** — What is the amount?

**Hon. Mr. Lautermilch:** — \$2.88 per mile.

**Mr. Huyghebaert:** — Can I ask what that includes? Does that include salaries?

**Hon. Mr. Lautermilch:** — It's all-inclusive. Everything.

**Mr. Huyghebaert:** — And is that a loaded mile, or is that . . . that's per loaded mile?

**Hon. Mr. Lautermilch:** — Yes.

**Mr. Huyghebaert:** — Now when you say it includes everything, I know we had this debate at some time before. What do you factor in as hangarage costs?

**Hon. Mr. Lautermilch:** — The process that we've used . . . But I should share with the member, we also charge \$1.98 per deadhead mile. We charge departments, Crowns, a standby fee for having the aircraft available to them. And I'm . . . this is for each. There's a standby fee of \$34,000 for each department and agency.

**Mr. Huyghebaert:** — Okay, I'll wait until I get the . . . Thank you. One of the buildings that we wanted to ask about was the Finance building, the one on College Avenue. I'm just wondering what the actual final cost upon completion of the construction at the Finance building, what would the actual

costs be.

**Hon. Mr. Lautermilch:** — Madam Chair, we're just looking up that number now. The forecast is 16.5 million.

**Mr. Huyghebaert:** — What was the original completion date set for this building?

**Hon. Mr. Lautermilch:** — I'm told by Ms. McDonald that we're about a year behind what we originally thought the completion date would be. As I'm told, we're not completed that yet. But we will be a year behind what the projected date was.

**Mr. Huyghebaert:** — Could you find that?

**Hon. Mr. Lautermilch:** — We can find that date for you. I don't have that here.

**Mr. Huyghebaert:** — What would the total . . . You said a total cost of 16.5 million. What was the total cost estimate from Dominion Construction?

**Hon. Mr. Lautermilch:** — I am told the completion date — just to answer your previous question — is June '08, which would suggest that June '07 was what we had anticipated the date to be.

The original amount was 15.9 million. That number now stands at 16.5 as I indicated earlier.

**Mr. Huyghebaert:** — Fifteen point nine was what was approved by the government at the time.

**Hon. Mr. Lautermilch:** — Right.

**Mr. Huyghebaert:** — Is there an explanation for the cost overrun?

**Hon. Mr. Lautermilch:** — I don't have the details before me. And my officials can look, but I think it's pretty obvious that in this market that we operate in it's more and more difficult to find subtrades; it's more and more difficult to find tradespeople; the cost of materials has escalated — steel, concrete. Based on, you know, a lot of rising labour costs I think private sector, public sector, all of us are finding that we are incurring some incremental costs over what we had initially assumed.

In this particular building there are some improvements being made that weren't anticipated. The replacement of plumbing and light fixtures and asbestos removal were over and above what was originally projected in the \$15.9 million figure. As well, the tenant requirements have changed a bit which has added a bit to the cost. But for the most part, replacement of plumbing and additional asbestos removal.

**Mr. Huyghebaert:** — Does your department track on an ongoing basis what has been spent, like up till now?

**Hon. Mr. Lautermilch:** — We have project managers, you know, and so obviously it's their job to be on top of these different construction projects. They report back on a regular basis to their superiors. So yes we have a running, you know, an

ongoing relationship with the work activity.

**Mr. Huyghebaert:** — Could I get the figure of how much has been spent at this point on the project? Because it's a year and a half away from completion so I was just wondering how much has been spent at this point.

**Hon. Mr. Lautermilch:** — I'm told it's just in excess of \$11 million at this point.

**Mr. Huyghebaert:** — Like I'm not familiar with the building itself, but is there parts of it completed and if it is, how many floors are completed and what's the end number of floors that will be constructed?

**Hon. Mr. Lautermilch:** — Mr. Huyghebaert, I'm not familiar with the building either. I haven't been in it. But I'm going to ask Ms. McDonald to respond in terms of what's completed.

**Ms. McDonald:** — Completed to this date are the 10th and 11th floors, and the 8th and 9th floors are now in progress.

But the biggest part of the expenditure is the addition on to the main floor which — I don't know if you noticed — there's been a relatively large addition on the outside of the main floor that's sort of covered where there used to be a cement pad where water would pour into the basement, and we've now covered that and turned it into offices and it's complete and occupied.

**Mr. Huyghebaert:** — Okay, thank you. Now on page 18. I'd glossed over this but that was my very original question. It's on page 18, the amortization of capital assets, Property Management, \$51,000. "The amortization expense is increased due to revised valuation of office spaces . . ." And that was my question, the revised valuation of offices spaces accounted for in these estimates. Can you tell me, tell the committee what office spaces' value increased and why? That's page 18.

**Hon. Mr. Lautermilch:** — Madam Chair, that is 51,000 under Property Management, page 18 is for increased amortization for the month of March because of the sale. The Community Resources, \$93,000, we believe that is, Mr. Koop . . . Is that the office space maybe that you're referring to? Because we're not sure.

**Mr. Huyghebaert:** — . . . just revised valuation on office space. And my question was, what office space value was amortized?

**Hon. Mr. Lautermilch:** — I think we would have to get back to you on that. Are you asking which specific building, like which floor? We'll have to get back to you on that. We don't have that level of detail here tonight. But we'll get back to you in the next couple of days.

**Mr. Huyghebaert:** — Sure. And follow-on probably wouldn't have it either but I would appreciate if I could get it, is how much office space the department owns or leases that is vacant.

**Hon. Mr. Lautermilch:** — We have that number here and we'll just, we'll retrieve that for you. I'm told we don't have it actually here, but we will get you the total number and forward that to you as well.

**Mr. Huyghebaert:** — Thank you. And I'd be interested in what the cost of that would be on an annual basis for the vacant and the square feet of the vacant offices.

**Hon. Mr. Lautermilch:** — We can get all of that for you.

**Mr. Huyghebaert:** — I just want it included in so it's on record.

**Hon. Mr. Lautermilch:** — Yes. Fair enough.

**Mr. Huyghebaert:** — And also you probably you don't have, but if you could include also is how much the department has spent on office renovations to date.

**Hon. Mr. Lautermilch:** — . . . that as well.

**The Chair:** — Mr. Duncan.

**Mr. Duncan:** — Thank you, Madam Chairwoman. And thank you, Mr. Minister, and to your officials, welcome tonight. I guess we've strayed a bit from the supplementary estimates, and I hope that you could continue with that a little bit. I don't have any questions specifically on airplanes, so I'll let my colleague do that.

But I was wondering if this evening if you would be able to answer a few questions on the deal between the city of Weyburn and the Souris Valley property. The \$4.5 million that's going to the city, my understanding is that the city will receive the money in two parts. Could you explain the . . . or give the dates of when that will happen?

**Hon. Mr. Lautermilch:** — Madam Chair, Ms. McDonald was involved in putting together that transaction and is familiar with that arrangement so I will ask her to respond.

**Ms. McDonald:** — The first payment of \$3 million goes to the city of Weyburn before April 30, 2007. The balance will go to the city by April 30, 2008.

**Mr. Duncan:** — Is there a specific reason why it was divided into two parts like it was or is that just, I guess, normal business practice in a case like this?

**Ms. McDonald:** — There was no special reason.

**Mr. Duncan:** — The demolition costs, I've come across a number — have heard a number. And I think it's . . . Understandably the whole issue of Souris Valley for a number of years has been a topic of interest for people in Weyburn and so I think today on the streets in Weyburn there's a number that goes 9 or 11 million or something like that for the demolition costs. And there was some confusion. I think it's been clarified now, but there was some confusion around the time of the deal whether or not, I guess, who was going to pick up the additional costs of demolition, if it came to that, over and above the 4.5. There was some that believed that the government — whether it's SPM or just the government in general — but there was some confusion as to whether or not the city would be left to pick up the rest of the costs of demolition. Could you clarify that?

**Ms. McDonald:** — During the negotiations with the city, and recognizing the significance of the heritage attached to this facility, part of the deal that was struck was that, should it end up in demolition, should this group that has it now not be able to turn the facility around — because what we had had as an estimated cost of demolition at that time was certainly not anywhere near \$11 million but because you don't know two or three years out — we put in a rider that said should it go above . . . because we also included for the city some heritage dollars to do heritage preservation of bricks and of some of history attached to the building and also some of the artifacts within the building that the heritage report thought we should keep, and certainly we know that the city would want to keep and the province would want to keep as well.

We said that within a two-year period that, should the city decide that the business can't make a go of it and it has to be demolished, they would have to come back within that period of time and we would renegotiate the deal to include the demolition costs. But it's a two-year clause. So we've given the city basically two years to get what they want out of the group that they have there, to get what they want. So they're able to sort of . . . we've sort of assisted them in being able to push getting the business done.

**Mr. Duncan:** — The group that has a deal with the city, I believe it goes . . . the name that is referred to now is DistributionCanada.com. Prior to the building being turned over to the city, did SPM have any contact with this group? Like were negotiations done with this group or any other groups leading up to the deal with the city?

**Ms. McDonald:** — We had tried to market this building every which way from Sunday. We had marketed it nationally, internationally. We had had some pretty interesting requests for the building of which we couldn't do to any community. And some we just couldn't get answers on. We have a pretty stringent requirement with regard to what we will do when we have disposals of property.

The deal that was struck with this distribution group was struck with the city. It wasn't struck with us. We had had other groups though approach us and talk to us about the building, but they never liked the terms and conditions that we had attached to it. And plus when some of them came or got on the web and saw the size of the building and the condition of the building, they weren't willing to take it on either. And some just, after initial contacts, just never contacted us again.

**Mr. Duncan:** — The March 2008 date, I'm just wondering, if the building is being turned over and the ownership is turned over to the city and they in turn have made a deal with this other group, why is there the March 2008 deadline coming from SPM? Just looking at the deal, I guess I would just assume that the city would then . . . If they can't make a deal with this group or any other group by March '08, what precludes them from trying to market it further? Why does SPM have that as a date?

**Hon. Mr. Lautermilch:** — I think, Madam Chair, it's fair to say with any arrangement, one will want to bring the terms and conditions of that arrangement to a conclusion. If we left it open-ended, obviously there would be no responsibility to pay the second tranche of the money that the province would

receive for the sale of the assets.

But I think it was fair to say that co-operation with the city civic leaders, their lawyers representing their best interests and ours representing the province, it was determined that an April '08 date would be a reasonable time frame. I think in that time the city would know whether or not they were able to conclude a deal with the potential purchasers.

And I mean, you know, obviously the province was working with the city of Weyburn for a long, long time on this. I mean that building has sat empty for so long, and it's been such a piece of emotion for all of the people in that area. And you know, everybody recognizes that because I think every family in southern Saskatchewan in some way or another is connected with it — hopefully because one of your family members worked in that place.

But there was a desire to find a solution that would satisfy both the province's needs and the community's needs. And I think that's why in terms of the demolition costs, obviously it was not the intention of the province to saddle the city of Weyburn with a liability that is rightfully ours, and so that's how the arrangement was struck. And I am very hopeful that it's going to serve that community well.

The other part that I think is interesting and I think really a positive for that community is the property that that facility sits on I think has some huge economic benefit and potential for the community for redevelopment, whether it be industrial or whether it be residential. It's sort of in the heart of the city. And I'm really hopeful that the community . . . And I know they will make the best use of this arrangement. Hopefully it will conclude in a positive sale.

**Mr. Duncan:** — Well it's certainly an incredible building not only in its size but its historical significance for not only the people of Weyburn, but I think the province.

You touched on the actual land and the property. And I was going to get to that. How much land did SPM hold in the — I guess what we would consider — the Souris Valley area? And has all of that land been turned over to the city in the deal? And just as a third question on that, if you're familiar with the Souris Valley site and the new Tatagwa View, how it's kind of on the same grounds, does SPM own the land that Tatagwa View is situated on?

**Ms. McDonald:** — Yes. The health district owns that land, not SPM. But you're obviously very familiar with the piece of property. All of the land, with the exception of the piece of property that the health district owns, and there's also that piece of property that SaskPower owns where their training centre is . . . So the rest of the land, and I'm trying to . . . I can't remember how many acres it was, but it's a substantial piece of property. All the rest of it was in the deal to the city.

**Mr. Duncan:** — I don't have the exact number, but I'd have to guess it would be close to 200 acres, 180 acres, something . . . [inaudible interjection] . . . Okay. So with what SPM owned and what the health region owns and also where the SaskPower facility is, has the land been surveyed? Like, has it been parcelled out with this transfer of ownership to the city? Has

that been completed?

**Ms. McDonald:** — The complete transfer including the surveying of all the lands is completely done. That was done probably . . . I don't remember the exact date. Oh I guess I've got it right here. The complete sale and everything was done by September 12. So to have it all done, you would have to have all of those lands, or all those parcelled, taken out and everything. So it's completely done.

**Mr. Duncan:** — I think that's all the questions that I have for this evening. It's certainly an incredible property in terms of not only the size of it but also the significance of it for the people of Weyburn and the province. I'm glad that it's been turned over to the city, and I certainly hope that they can make a go of it with their new partners and that something can be salvaged. It certainly would be a shame to lose. And I want to thank you for your answers. Thank you.

**The Chair:** — Mr. Huyghebaert.

**Mr. Huyghebaert:** — Thank you, Madam Chair. I don't have any further questions. I'd like to adjourn at this time. But first I'd like to thank the minister and the officials for the answers they provided this evening. And we're a little bit early, so I would just like to adjourn.

**The Chair:** — Thank you, Mr. Huyghebaert. So this committee stands recessed until 8:30. Minister Lautermilch.

**Hon. Mr. Lautermilch:** — I'd just like to thank members of the committee for their questions and my officials for their answers. It's sometimes difficult when the parameter of the discussion moves out a little bit, but I think to serve the committee well, this is the way we should manage our evenings. So thank you very much.

**The Chair:** — Thank you, Mr. Lautermilch. I certainly appreciate the co-operation that you and your officials have shown this evening in the questions that have been posed to you. So have a good evening. Thank you very much.

And this committee stands recessed until 8:30. Thank you.

[The committee recessed for a period of time.]

**General Revenue Fund  
Supplementary Estimates — November  
Information Technology Office  
Vote 74**

**Subvote (IT03)**

**The Chair:** — Good evening everyone and welcome to the reconvening of the Crown and Central Agencies Committee. At this point we're going to continue on with the supplementary estimates for the Information Technology Office contained in the Saskatchewan provincial budget under Supplementary Estimates on page 16. And it's the IT coordination and transformation initiatives (IT03). And we welcome this evening Minister Andrew Thomson who is the minister responsible, and perhaps you'd like to introduce your officials as well.



**Hon. Mr. Thomson:** — Thank you very much, Madam Chair. I'm joined tonight by our deputy minister, Don Wincherauk, who is seated to my left. To my right is Fred Antunes who's the executive director of corporate and customer services. And seated next to him is Richard Murray, also an executive director in the department.

**The Chair:** — Thank you, Mr. Minister. Did you have any opening remarks that you'd like to make?

**Hon. Mr. Thomson:** — We've appeared several times before the committee, and I always appreciate the dialogue.

I just want to mention one, I guess, two initiatives. First is the CommunityNet II initiative which is of course moving forward nicely. This is the initiative to provide wireless broadband throughout the province. Once complete we will have wireless broadband available and indeed broadband available in every community that has a school and more than 100 people and every community with more than 200 people even if it doesn't have a school.

I also want to congratulate the officials in the department who were recently awarded a gold medal at the annual Distinction Awards at the Government and Technology Conference in Ottawa. And I think it recognizes the level of professionalism that there is in the department, specifically as it pertains to the partnership model that we've been using to integrate government services. So I wanted to take this opportunity to give them a pat on the back and a big vote of thanks for all that they do for Saskatchewan people.

With that, I would welcome the questions. Just note that tonight we are here seeking \$100,000 in the supplementary estimates to . . . maybe just by way of introduction to say that we are seeking this really to deal with website enhancements. And I think for anyone who's been using the government website, they'll know that there's an opportunity here for us to improve and to just keep pace with what people are expecting in terms of information. And this 100,000 will be most helpful. So I'd welcome the questions.

**The Chair:** — Thank you, Mr. Minister. And we too as a committee would like to congratulate the officials on the award that they've received. That's certainly to be commended. Any questions? Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Madam Chair. Welcome, Mr. Minister, and your officials. I'd also like to congratulate your officials on the award that they have received. It's always nice to be recognized for the work that you do. In our line of work and I'm sure in the department as well, thank yous are few and far between. So it's always nice when you get one.

I'm interested in the \$100,000 that you're now spending for website tool development. What kind of changes are you proposing to make to your website tools, and what kind of changes are we apt to see on the government website?

**Hon. Mr. Thomson:** — I would ask Mr. Murray if he wants to comment on this as he's leading the project.

**Mr. Murray:** — The \$100,000 will provide for better software

tools that will allow us to manage our websites more efficiently. We will be able to keep information on the web updated on a more timely basis with more accurate information and improved accessibility. We're going to use that as a platform for future web delivery, and so the public can expect to see enhanced information and enhanced services on the Government of Saskatchewan website as soon as early 2007.

**Mr. D'Autremont:** — Someone visiting the site may not see a lot of external differences. Are you using a different language tool, or are you simply using the same software tools but a more enhanced version of them?

**Mr. Murray:** — I guess probably the best way to explain what these tools are, there's something called content-management tools. And I'll give you a few examples of some of the things that they're going to allow. They're going to allow government staff with no knowledge of computer programming, no knowledge of HTML [Hypertext Markup Language] to be able to update and post information on a day-to-day basis as part of their jobs.

When a page expires or becomes out of date, employees will be provided emails by the system automatically advising them that this page could be updated, could be deleted, could be kept as is. It'll keep archived copies of the site. And it really allows us to do more consistent updates to the site, more easily done, and will allow us to manage sites. They're typically easier to update and less expensive to maintain.

**Mr. D'Autremont:** — So for the \$100,000 there's no new staff involved. This is just simply on the software side, the management side.

**Mr. Murray:** — That is correct. New tools for the existing staff to allow them to do their jobs better.

**Mr. D'Autremont:** — Okay, thank you. You mentioned pages that are out of date. How do you determine when a page is out of date? How does the software know that something has changed someplace in the department? Or has an employee had to input a change that then in turn reflects back into what you have archived and what you have on the site to say, this has been changed, so therefore this page needs to be updated?

**Mr. Murray:** — As part of the creation process now and as part of the management process, every page will be assigned an expiry date if that's appropriate. And then the system will automatically track those expiry dates. Another great example is, when a page gets updated, all links on the entire system or all across all government web pages will automatically update and reflect the new change.

So it's really what they call post once and access many times. So a page can be posted and then accessed across any of the number of government websites automatically without any sort of intervention or computer programming needing to be done.

**Mr. D'Autremont:** — Well on these pages that are out of date that you've put a time-expired stamp on, those would go to a particular employee for a review, and they would make the decision then that nothing has actually changed on that page that needs to be updated? Therefore they would put a new

expiry date stamp on that page, or they would make the appropriate changes?

**Mr. Murray:** — That is exactly right. And the system will also support . . . They will then make the changes and then that will be forwarded to their supervisor who can approve of the new changes with the click of a button via email again. So it's all automatically done, very, very efficient, very, very . . . Helps eliminate time-consuming processes and really doesn't require, as I say, any technical expertise.

**Mr. D'Autremont:** — When you are making the determination on these pages, do you have various categories of pages, sort of . . . A history text, let's say, would have a very extended expiry date where something with, let's say fuel gas prices, something like that would be changing on a constant, regular basis, would have shorter . . . You can make those kind of variations in that date. I imagine you must have a certain series or standards that each page would have to conform to.

**Mr. Murray:** — Absolutely. Absolutely. And that will vary from department to department or page to page depending on the nature of the content.

**Mr. D'Autremont:** — Okay. Thank you very much. What kind of changes is someone visiting a government website with these new management tools apt to see when they visit?

**Mr. Murray:** — We've also got some enhancements in mind for the website. And so the general public can expect, as I say, to see some of those changes introduced as soon as January '07.

**Mr. D'Autremont:** — The government websites, are these changes going to make them more intuitive?

I know that in doing searches on the government websites, sometimes it's not always clear where you need to be going, or you have an idea what you want to look for but you don't know where to look for it. And I haven't spent a lot of time looking on them. My assistant generally does that and she's quite good at it actually. But do you have a search, word search on the government page so that you can actually do a word search on it so you can at least get a list of where to look?

**Mr. Murray:** — We do indeed. And clearly, any changes that we have anticipated or have in mind are always aimed at making it easier to access government information and streamlining the pages in such a way that . . . We always have a goal of providing better, better access to our information for the citizens.

**The Chair:** — Minister Thomson.

**Hon. Mr. Thomson:** — If I can just add to that. Certainly the search engine has been one of the difficulties we've had on the website. It has been a point of frustration for a number of people and I think it has to do with really two things. One is how the individual pages have been tagged, because we haven't been using a uniform content management tool. It means that different departments are putting up pages with a lot of different types of tags on it. Uniformity's been a difficulty for us.

Second issue though — and in some ways it makes it easier —

is the fact that Google, MSN [Microsoft Network] search, and others have simply been so effective. And in many ways, they're often the easier way to go in and look for a specific item and be directed to the appropriate government site.

I think we do need to do more work to make the website more accessible and more, as you would say, intuitive.

**Mr. D'Autremont:** — One of the concerns when you make a website more accessible is always the security of it. If you're doing, let's say, a web search under Google or MSN and you type in, you know, a minister's budget for Saskatchewan, you don't want to get — or I would want to get but the minister wouldn't want us to get — the pre-announced budget. And so, do you have the security measures in place to ensure that not just the minister's budget but the other information of government would not be accessible through a word search, either through the government website itself or through some other search engine?

**Hon. Mr. Thomson:** — A great deal of the effort we've spent in the last 18 months has been on the issue of security. And in fact it would be one of the hallmarks of the new partnership model that we have is that we've been able to actually raise the standards across government in terms of how information should be dealt with.

This involves both better understanding by employees as to what should be kept private as well as actually the technical issues in terms of maintaining privacy. But the website itself would not easily give you access into the government servers where we would keep detailed financial information or that matter. That's not to say that as a matter of policy at some point we may very well want to put — I don't know — the public accounts in real time on the web. We're not at a point where we can do that today. But obviously private information is, the security of that is paramount to us.

**Mr. D'Autremont:** — Well privacy concerns are always a great deal of concern to especially to the individuals involved, that their information be somehow broadcast at large, especially with the concerns for identity theft that we see around the world today.

And while it doesn't involve your department, the government is involved in one area where I believe that there is private information made available and is available on the Internet. And it's the automobile accident insurance commission, which I have raised that issue as well as the Information and Privacy Commissioner has with the people involved. And I gather it's still an issue under debate, as the Speaker would like to say.

So as I say, it doesn't deal with ITO [Information Technology Office], even though the technology is what's making it available or readily available. It would've been available before, but you would've had to go and access paper court records to find out that information. And today with the availability of the technology, it's no longer necessary to actually walk down to the courthouse to get it.

And so people's information — while legally nothing has changed — the access is so much easier. And I think that's an area that governments need to be aware of and need to spend

more thought and more time on, in determining just what is appropriate and what isn't.

The minister mentioned CommunityNet II, but before . . . I was going to go to that, but I have another thing I want to deal with first. Within the ITO system we've talked about security already on the websites, the new changes. Has ITO, any of its departments that it's dealing with, not ITO itself — it could be ITO itself — but some of the other departments, have you had any security breaches for information since the last time we met?

**Hon. Mr. Thomson:** — No we haven't. And in fact we've taken some fairly important steps forward since we last met. I think when we had last met we had just undertaken the contract with Lenovo to do hardware replacement throughout government.

There are two important additions I would note. One is we are starting now to deploy that technology. I was very pleased to receive my new laptop with the fingerprint reader on it this week. All my fingers are still intact so this is a good sign that the system is working as it should. And that is . . . I think will change a lot of the physical security within the building. This was one of the issues — within our buildings — this was one of the issues that was identified.

I think it was in the Deloitte & Touche review that one of the major areas that they identified of concern was simply the ability for computers that were left on for a period of time to be accessed by individuals who had popped away from their workstation. This we've tightened up a lot by moving in . . . Now we'll have, I think, fingerprint readers on all the laptops that are deployed. This will improve a lot of the security.

The second thing that has been undertaken within government is we are now very close to having all the departments of government covered by the ITO partnership. That may not mean a great deal to people outside of government but what it does mean is we will have a standard application of a security policy throughout government and I think that will do a great deal for improving the security that we, obviously as legislators who provide oversight on government, want to know is there. So this will be a very major step forward and we expect that to be complete by the end of '07.

**Mr. D'Autremont:** — Having one security system . . . Having government ITO under one system is probably a good thing in the sense that it creates efficiencies. From a security side though it does cause some concerns as well, because if you can penetrate one system then you have access to the entire system. Whereas previously — and it creates inefficiencies — but if you accessed SaskPower it didn't give you access to SaskTel because they were two completely different systems and you may have to go back and do all your steps over again and go through all the necessary work to try and crack into someone's system. Whereas if you do manage to break into the ITO system today you're apt to have access to most of the information available on the entire government system rather than only a part of it. So there is that part of a concern, so you have to be doubly concerned to ensure that there is no penetrations of your system.

And so I guess my next question is, have you seen a significant number of attempts to enter into the government system in an unauthorized manner?

**Hon. Mr. Thomson:** — I would just start by saying I think it's important to indicate that what we are largely talking about is common protocols. The government continues to use a mix of government held servers and private sector servers for delivery of service. We've been very clear as a result of the Deloitte & Touche review to be cautious about how commingling of data, as they call it, how that is dealt with so we don't end with all the identifiers kept with us on the same hardware or within the same systems. And this has been a fairly major step forward.

I think it's fair to say that we are spending increasingly large amounts of money trying to deal with spam which is coming on the email that is tying up a great deal. And there are from time to time the usual kind of security threats that other large corporations would be familiar with, whether those are worms or whether they are direct attempts for denial of service or other. I don't think there has been anything particularly unusual in our profile but these remain serious concerns that obviously we guard against and spend a fair amount of time and human resources making sure it doesn't happen.

**Mr. D'Autremont:** — One of the areas . . . And I'm not sure that ITO would have been involved in this because it's possibly through the government caucus which wouldn't be an ITO operation so it could have been through Executive Council perhaps or through government caucus, but there was a poll that was being carried out that had some problems with it. And I don't know if there's any polling done within the government system through the IT, whether any of the departments have some online polling or not, but your new software management tools, your website tools, would they be able to ensure that everything is working properly and that there is no untoward things happening within that kind of a system?

**Hon. Mr. Thomson:** — I guess the short answer is yes. That's obviously something we work on. The issue about the online click — if you want option 1 or option 2 — situation was with an Executive Council project. We weren't involved in that but with the new approach that we have across all departments that similar situation should not be able to occur.

I should just note that in that particular case it was largely a political exercise. This was not a case that any particular information was ever at risk. It was simply a manipulation by a particular interest group wanting to see one particular outcome on a public opinion survey.

**Mr. D'Autremont:** — Which is what public opinion surveys are all about, trying to extract information. And others who may have a particular idea about it, they want their particular point of view expressed versus another point of view. So when you have those kind of online polls you have to expect that people who are interested on either side of the issue are going to participate. And that may or may not skew the results you expect but . . .

**Hon. Mr. Thomson:** — This is true and of course we can't expect that everyone will look at things from a perspective of fair play. There are certainly people who are prepared to

manipulate the system and so be it. I think it speaks unfortunately about what is evident in some parts of the community, but I don't think that that's reflective of Saskatchewan values or Saskatchewan people. And obviously we need to guard against those with a malevolent interest. And the new standards and protocols that we have in place protect that.

**Mr. D'Autremont:** — When you are on the Internet you are not dealing just with Saskatchewan. You are dealing with worldwide interest or apathy as the case may be. And I think that as many things are on the Net you have to take the results with a grain of salt because there . . . only those who are interested participate. And if you're interested you have a point of view and you're going to express it so . . .

I was just wondering if the new software tools though, and you've answered that, would not allow that to happen in the future.

On the CommunityNet II program, you mentioned that communities with schools and a minimum of 100 people or communities without a school and 200 people would be eligible for CommunityNet II, which is the wireless broadband. When you are counting people in a community are you counting only those in the urban municipal area or are you counting a greater community?

**Hon. Mr. Thomson:** — We are looking at the urban population, so that community village population. But we should note the benefit of the CommunityNet II system, depending on the topography of the area, should or could well allow for access up to 30 kilometres outside of that community to farm gate access. Hundreds of farmers are able now to log on using the wireless technology that's in place because of CommunityNet II being rolled out.

**Mr. D'Autremont:** — For that very reason is why I was asking whether you are only counting the urban municipal population. Because there may very well be the 200 people in the surrounding area that would be accessible to the wireless broadband within what most rural sites consider their community even though there may not be 200 people within the urban residential area of that area.

**Hon. Mr. Thomson:** — If I can just put this in perspective, when we are done with this project next year, this will be the largest contiguous broadband build out anywhere in the world. Nowhere in the world will have this kind of a network available. And that's really something that we've been able to achieve because of the government investment, because of the work we've done with SaskTel. This is something that I can tell you, even in this country, major population centres in Eastern Canada won't have this type of access that we'll be providing at the farm gate and in our smallest communities.

There remains some small pockets that are difficult to reach in the Far North. We have been working on that and some of the very remote areas to try and get access into them. But overall we expect roughly . . . pretty close to 90 per cent of the population should have access to broadband — whether that's wired or wireless — and that is a remarkable accomplishment.

**Mr. D'Autremont:** — I think there may . . . Your isolation might not just be in the North, but I think there's a number of areas in southern Saskatchewan where that is a fact as well. I know that in some of the areas already private operators are providing wireless broadband access. But I know that in a good many communities that's not available either. And I know that I do get phone calls from people in my constituency wondering when SaskTel is going to provide wireless into their areas.

So, Mr. Minister, do you have a list of those communities to which it has already been provided and a list of proposed sites for . . . I believe you said that you would have it done by the end of 2007? So if you would have something available to indicate where this is going to happen and at what kind of a time frame.

**Hon. Mr. Thomson:** — SaskTel actually has it posted on its website. So if you want to go there it should tell you which communities are eligible for it. I'm not sure how detailed its rollout schedule is, but it usually identifies kind of four to six months in advance of what they're expecting. So you should be able to go . . . I don't have the direct . . . the URL [universal resource locator] with me, but if you were to go on to the SaskTel site they would be able to find it.

Obviously as a member, I'd be happy to find you the information and give you a paper copy of it. But for those who are still tuned into this discussion and are interested, if you are interested in going to the SaskTel site, you should be able to find that information.

**Mr. D'Autremont:** — Well, Mr. Minister, I'm sure there are thousands who are watching this with bated breath. I'm sure I can find it and if I can't, my assistant certainly will be able to. I do know that that is one of the areas — information technology access — that the general public is concerned about and would like to have access to.

And it's certainly one of the areas I think that is an area for government to be involved in, in providing that kind of access to the people of Saskatchewan. We may be in the centre of the continent. We may have great distances to transport our goods. But information flows very easily over any distance, and we need to be able to access it for the maximum benefit of the people who live in Saskatchewan. And I think that is one of the roles for our Crown corporations and for government to play a role in that area.

So I think this is a worthwhile effort. There will hopefully be very few people that do not have access and maybe at some point in time that needs to be looked at as to how they can gain access. And maybe there are other methods other than just strictly towers.

**Hon. Mr. Thomson:** — I appreciate that. That remains, service delivery remains an important issue to us. We believe that in order to tackle the digital divide we still need to focus on making sure the basic broadband is available. And we've been working hard to do that. I appreciate your comments tonight about the approach we've taken. As you know it was a difficult approach in this legislature. There was much partisan debate and division over the anchor tenant model that we decided to do by entering into a single partnership with SaskTel to move

forward with this.

And so I appreciate the change in position of the Saskatchewan Party and for its support of our NDP [New Democratic Party] government's initiative in this regard. It's a rare moment of partisan unity in here.

**Mr. D'Autremont:** — Although, Mr. Minister, I'm not sure if all of the . . . how much of the acrimony or non-support came from this side of the House as opposed to perhaps from your own side of the House in convincing your own members that this was a good project. Yes, I'm sure it is, Mr. Minister, all peace, love, and harmony on your side.

Mr. Minister, I think in dealing with ITO, as you said you have been before us quite a number of times and we have dealt with the issue that involves \$100,000. So I think at this time we're ready to move on. I don't believe we have any more questions. So I'd like to thank the minister and his officials for coming in this evening. And we will be voting this off at a later date, and so I'd like to thank you at this time.

**The Chair:** — I too would like to thank Minister Thomson.

**Hon. Mr. Thomson:** — Madam Chair, I'd like to thank the members for their time and for their questions tonight, and thank the officials for coming out on a Tuesday evening.

**The Chair:** — I agree. As Chair of the Crown and Central Agencies Committee, thank you to Minister Thomson for answering the questions, as well as his officials, and presenting yourselves before the committee this evening. So have a nice evening, and the committee stands recessed for five minutes.

[The committee recessed for a period of time.]

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

**Subvote (SE02)**

**The Chair:** — Good evening everyone. Welcome to the reconvening of Crown and Central Agencies Committee. We have before us this evening the consideration of supplementary estimates for SaskEnergy Incorporated, contained in the Saskatchewan provincial budget Supplementary Estimates, page 18, SaskEnergy Incorporated, vote 77.

With us this evening, we have the minister responsible, Minister Andrew Thomson. Perhaps you'd like to introduce your officials at this time.

**Hon. Mr. Thomson:** — Thank you very much, Madam Chair. I'm joined tonight by Greg Mrazek who is the chief financial officer for SaskEnergy. He is seated to my right. And seated to my left is Dean Reeve who is the executive vice-president of SaskEnergy.

If by way of introduction I might say, I understand it is unusual for a Crown corporation to be before a committee with regards to estimates, at least for SaskEnergy. We are here tonight

seeking approval for a \$7 million grant from the GRF [General Revenue Fund] to SaskEnergy to allow us to complete the natural gas pipeline to La Ronge and Weyakwin.

This was an announcement that we made, and it has been several years in the making, several years in the making to get to the point where we have been able to find the economics to work in terms of being able to get an affordable solution for this large community in north central Saskatchewan.

The project, just by way of introduction, is a large project. We are looking at a GRF contribution of \$7 million. We are looking for . . . SaskEnergy will make an additional \$7 million investment, and we're anticipating \$6.1 million worth of contribution by individuals as they sign up to going on to the project.

This project, we believe although we haven't announced it, will need approximately 500 businesses and residents signed up in order to make it economic. We can discuss it somewhat tonight how that drive is likely to move forward, what the costs are, and why we think now is the time to embark on this.

I was very pleased, very pleased to be up in La Ronge to make the announcement. It was very well received by the gas committee, and I think we've got a great opportunity here to make this move forward.

With that, I would welcome the questions by members of the Assembly and will endeavour to provide succinct answers tonight.

**The Chair:** — Thank you, Mr. Thomson. Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Madam Chair, and I want to welcome the visitors — or the officials — here tonight. Sorry, you're not just visiting. And thank you for your time.

Has the government ever received a recommendation from SaskEnergy in years prior to fund a share of the cost to supply natural gas to La Ronge and other northern communities?

**Hon. Mr. Thomson:** — No, we have not. I had asked for this to come forward this year in part because we had spent several years now working with the gas committee up there trying to make the economics work. It was generally viewed by the gas committee — this group of citizens and businesses who were lobbying for this — that they thought the cost needed to be in the range of about \$4,500 per hookup. This only becomes possible with a sizable contribution out of the GRF.

Now in this particular case, what we are going to do is undertake — because CIC [Crown Investments Corporation of Saskatchewan] has additional revenue — we will undertake to do a special dividend from CIC to the treasury, to the General Revenue Fund which we will then grant to SaskEnergy. We've done this in order to maintain the respective roles of the organizations, especially as it pertains to competitiveness and other issues.

But we have not previously generated a request of this nature. And frankly, the finances in the past have not permitted us to do it. Now is a time of relative prosperity in the province, and this

seems to be a wise infrastructure investment to undertake.

**Ms. Harpauer:** — So approximately, what cost are the residents looking at per hookup?

**Hon. Mr. Thomson:** — Will vary somewhat obviously, depending on the type of operation, but we would be looking at roughly a cost of about \$4,500 per customer. There will be obviously additional costs that will depend on what type of energy they are using today that they may need to deal with. If they're using propane, it should be a relatively inexpensive conversion. If they're using electricity, it may be more expensive depending on what they need to have done for ductwork and that kind of issue. Fuel oil obviously costs a bit more to convert over also. These are the three main heating types that are used today in those communities, so there will be some additional cost.

We have also undertaken a change in terms of how we allow individuals to finance the project. I think when the project went forward to Anglin Lake, it was largely, at that time, looked at that the customer would need to make a lump sum payment. We have now provided a payment option over . . . 10 years? . . . [inaudible interjection] . . . Up to 10 years that they can pay off their hookup cost on their bill on a monthly basis.

So this is just a much easier way for people to look at signing on. It should make it more affordable, more accessible, and I think as such we have the right combination of factors here that allow us to take this up to this community.

**Ms. Harpauer:** — Have you ever had a project in the past where you've allowed the payments to be added on to the bill? Because I know I live in an area where natural gas was just brought into not that many years ago, and we financed our hookup at the time, but it wasn't possible for that project to apply the payments to the bill itself. Is that something that's done in other projects?

**Hon. Mr. Thomson:** — I'm going to ask Dean to answer the question.

**Mr. Reeve:** — Thank you, Minister. When the project went forward in the southern communities of Highway No. 2, that policy of spreading the payments out over 10 years had not existed at that time. That policy now has been in place for probably about five years. And as the minister mentioned, that policy now makes it available for people in La Ronge to spread out those hookup costs for a period up to 10 years.

**Ms. Harpauer:** — Thank you. The people in the community have been under the impression that they've been promised this in a number of years. And that's what they're saying to us, that this has been a promise that has been a long time coming and many times made. The minister mentioned that the timing of this now is primarily due to the finances of the province being in a situation that they can afford to do this at this time. Is that basically the main reason why this is now going forward?

**Hon. Mr. Thomson:** — There were a number of factors that I looked at in bringing this project forward. It is convenient that I am both Minister of SaskEnergy and the Minister of Finance. It makes it much easier to try and . . . [inaudible interjection] . . .

Yes the critic says it makes it much easier for SaskEnergy. I'm not sure that they would agree, but it does allow us to deal with a number of the issues that happen in terms of how this moves forward. We had made a commitment in the 2003 election campaign, the New Democratic Party had, that we would move the line north to Weyakwin and La Ronge. The issue really was one of how we got the cost down. And when we had last looked at doing it, I think we were looking at a hookup cost of around . . .

**Mr. Reeve:** — In La Ronge the hookup cost was about \$7,300 per resident when we were out the first time.

**Hon. Mr. Thomson:** — So we would have been in a position to have brought the line up. The difficulty would have been getting enough customers to hook into it to make it affordable or make the project viable. And so what we looked is, what was a reasonable level for hookup?

The other issue that I felt was compelling at this point is we have just expanded natural gas service now into or are just in the process of doing it into Lloydminster. And my view was fairly strongly that if we are prepared to offer this in Lloyd, and in particular onto the Alberta side of Lloyd, that we should make sure that the other major large communities of our province have access to it also. And so for a variety of reasons — CIC being in a good cash position that they could grant a special dividend, us being able to get a more solid set of numbers to make the program more feasible, and a larger one of fairness and equity within the province — we decided this was a good time to move forward with it.

**Ms. Harpauer:** — The minister will have to excuse me because I think he did mention before how many customers that you have already signed up, but I am just going to ask that number again. How many customers do you have signed up? How many are residential? How many are commercial?

**Hon. Mr. Thomson:** — We're just now starting the sign-up process. So we are anticipating we'll need about 500 to sign up. We had over 300 people show up on November 3 to express interest in it, which I think was a very positive sign. And part of it will depend a little bit on the mix of who the customers are. Obviously we sign up more commercial customers, we will need fewer residential ones.

We are looking at putting in . . . And we can get into some of the technical discussion. But we are looking at putting in a 4-inch line, up. And so this will allow for commercial, some light industrial, and obviously the residential needs to be met.

**Ms. Harpauer:** — What would happen if you didn't get beyond the 300 customers? Would that shift the approximate \$4,500 hookup, or would you as the government absorb the additional cost? Because of course the more hookups you have, I'm assuming the more economical the project becomes.

**Hon. Mr. Thomson:** — We would need to take a look at that at the time. I think our expectation is that the 500 number is quite reasonable. And indeed the committee seems to be of the view that's a reasonable target for us to move forward. If we are in that range — and it doesn't have to be exact, but if we are relatively close — I would be prepared to authorize the project

to move forward with laying the pipe north, and we would expect completion by spring '08. Is that what we are looking at? Spring '08.

**Ms. Harpauer:** — Okay. Through a written question that I submitted, the answer was that it's going to begin in the summer 2007. So when will you begin your tendering process?

**Mr. Reeve:** — There are a number of things that are going to have to happen in terms of critical path as we go along. Some of the most critical work is environmental work to begin with. That work has already been tendered, and some of that work is under way.

In anticipation of a spring construction period, spring-summer construction period, as you know from an environmental perspective we have to do certain kinds of environmental work given the time of the year. And so we have authorized some of that work this fall and into the winter.

Some of the large amounts of the costs obviously of the project, the material itself, so we will tender the pipe, knowing. . . If we know we've got a project at the end of January, we would then start tendering pipe and those kinds of things in February, March. And the other piece is we're going to need things like trucking, all of those kind of things for trucking pipe. Those all happen in the critical path once we know that we've got an approved project where we've got committed customers.

**Ms. Harpauer:** — The pipe that you will be using, is it steel?

**Mr. Reeve:** — Yes. The transmission line that will go up the west ditch of Highway No. 2 is a 4-inch steel transmission line. So that construction technique is basically a trenching technique with welded steel pipe.

Once we get to the communities, that's where we really take off from the steel and go to a plastic system. And the plastic system is essentially trenched and sometimes ploughed, depending on the area, and of course it's fused together. So some different construction techniques as you go from high pressure to the low pressure systems.

**Ms. Harpauer:** — The anticipation for completion or the goal for completion is summer 2008 or spring . . .

**Mr. Reeve:** — Actually the completion will be targeted for late winter, early spring 2008. And the reason for that is most of the infrastructure will actually be built next summer in a period from, kind of, May till the end of October. The reason that we won't be able to provide service until late winter or spring '08 is that we have some sections that are muskeg, and we're going to have to have some winter construction along there. So we have to wait till things are frozen up quite nicely to build that part of the system.

**Ms. Harpauer:** — I'm just chuckling because my colleague and I had this debate as to how much muskeg would have to be worked with.

Do you have a strategy for this project to include First Nations and northern people in the hiring, in the labour force?

**Mr. Reeve:** — As we talked about, as we go along . . . And we've got a number of different elements, but obviously within our tendering processes and requests for proposal processes, northern content and local content will be a very important part of that, of those requirements. We feel very comfortable that we're going to have very high levels of local content around major parts of the project. And that will be part of our purchasing process.

**Ms. Harpauer:** — Do you have, like, a goal in mind that you want to reach? Such as, for example, 60 per cent northern or First Nations labour force? Or are you just anticipating that you will have a good participation rate?

**Mr. Reeve:** — I think a lot of that depends on what we're talking about in terms of the different elements of the project. Obviously something like trucking we would think would have a very, very high northern content piece. When you're talking about some elements of the pipeline construction, it may be that some of that will not be local content, but good parts of this project in terms of, you know, labour content, trucking. We're probably going to have a camp that we're going to have to have people work out of. All of that we would expect very, very high local and northern content in that process.

**Ms. Harpauer:** — This is, as the minister pointed out, this is quite a large project. It'll take, I would think, a fair amount of labour as well as material for this project. And I know a number of projects that are under way or are hoping to be under way, and the cost overruns are astronomical because they didn't anticipate the labour shortage that we're now facing. And with that comes of course a demand for higher wages. And material costs are going up because of unavailability.

So if this project ends up in a cost overrun, who's going to absorb that cost? Is that going to be absorbed by CIC? The government? Where is that? What contingency plan do you have in place?

**Hon. Mr. Thomson:** — If I might say, there are two key issues here that I think will help us avoid significant overruns. Number one is that it is tightly time boxed in. We're talking about a relatively short period in the very near future to undertake this. So we are more certain now about what the cost is likely to be.

Second of all, because we are using more northern and local labour, our expectation is that it will simply be more available than some of the competition we've been seeing in the South, and so we should be able to deal with this. We've had discussions with . . . is it KCDC [Keewatin Career Development Corporation] or the La Ronge Band, I guess?

**A Member:** — Yes.

**Hon. Mr. Thomson:** — The La Ronge Band about opportunities we may be able to deal with in terms of making sure labour's available. And so we're expecting we won't see the same inflationary pressure on this project that we may well have seen in other projects throughout the province.

The very short answer to your question is, who assumes the additional liability? Given that the partnership is essentially two-thirds government, we would expect that that would likely

be how the overruns would be dealt with.

**Ms. Harpauer:** — So in the overruns, then the one-third would be . . . The community would have to absorb one-third of overruns.

**Mr. Reeve:** — Just as we do with all projects, we do a final estimate of costs. That's what we quote customers on. So that's what we're working on now is a final estimate of costs. And like all projects, the corporation assumes the risk around building the project at that cost. There's no additional risk imposed on the customer.

**Ms. Harpauer:** — I was wondering too, why is the amount budgeted for in the supplementary estimates and not in the spring budget? Are we needing that money now, or are you needing that money now when in essence the project hasn't quite started yet?

**Hon. Mr. Thomson:** — Why are we doing it now instead of next spring?

**Ms. Harpauer:** — Why is it not in the spring budget?

**Hon. Mr. Thomson:** — I guess for two reasons. One is the project will be under way in this fiscal year, and so we will begin the work associated with it. Second of all, I think from a perspective of accountability, having announced the project we should provide the funding for the project now. And that is largely what our thinking is, is that within this fiscal year we'll move the money from CIC to the GRF, and it should move back out of the GRF within the fiscal year.

**Ms. Harpauer:** — Okay. What is the average cost for trenching, both summer and winter?

**Mr. Reeve:** — Well as I talked about, this is basically going to be a summer construction project. There is only small amounts of kilometres that are going to be constructed in the wintertime, and that's through those muskeg areas. In the summertime what you're looking at, this is a \$15 million transmission line going up Highway No. 2, and the total kilometres about 150 kilometres up Highway No. 2. So you're talking about \$100,000 per kilometre to build the steel transmission pipe in the summertime.

And winter construction, you've got some mobilization issues, but basically the reason that we do it in the wintertime is because it starts to reflect summer conditions, at least when you're trying to dig in muskeg. And so the reality is that's the only time we're going to be able to build in that muskeg is when it's got the frost all the way through it.

**Ms. Harpauer:** — Approximately, how many kilometres of muskeg would you have?

**Mr. Reeve:** — Right now, we're looking at probably 20 to 25 of the total kilometres are muskeg. So about 20 kilometres of the 150 are probably going to be winter construction.

**Ms. Harpauer:** — Okay thank you. I don't have any further questions on this project. I have questions in other areas. However my colleague does, so we'll turn it to him before we

change topics.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you very much. You've mentioned that you're looking at about 500 sites. CIC and the GRF are putting in roughly \$7 million is what, actually the reason that we're here this evening. So 500 sites at \$7 million works out to a subsidy of \$14,000 per site if you only get 500 sites to sign up. Is that a reasonable subsidy to supply natural gas to La Ronge and the communities north? And how does that compare to the costs of going into Lloydminster or the costs for other natural gas being supplied across southern Saskatchewan which was subsidized at the time as well, probably in across a good many of the southern areas but certainly not all.

**Hon. Mr. Thomson:** — I would look at it somewhat differently in terms of the reason for undertaking this. We're talking about the 4-inch transmission pipe being laid out. I don't view this as a direct subsidy to the cost of that as a subsidy to the customer. This is largely a piece of strategic infrastructure we want to build in the province, which deals not only with the existing customers but may well allow us to see additional economic development and industrial expansion within that northern region.

And so I would . . . My view of this is that this is relatively close in terms of what we're looking at, in terms of the subsidy, with the exception of the \$7 million grant which is outside of the normal business model. And the reason I have recommended and we have approved the additional 7 million is largely from a strategic standpoint of making sure that we have this ability to locate, to move natural gas into what is an area we believe has additional economic opportunity.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Well there could very well be strategic infrastructure needs in other parts of the province, and we certainly hear the stories. We're contacted many times by individuals and corporations that are proposing manufacturing sites, construction sites away from the current infrastructure, and yet the prices they are quoted are astronomical for natural gas, for telephone, for power. And yet there doesn't seem to be any assistance provided for them when they are off of the main access points on the energy infrastructure, and they have to provide those kinds of supports.

I can certainly understand providing it to Weyakwin and La Ronge. Natural gas is a good, sure, steady supply that provides an efficient heat source especially for residential as well as any potential light manufacturing that may be happening in the area. But it also provides those same benefits to other locations across southern Saskatchewan, and yet considerations are not given in those other areas.

And so I'm just wondering is this a new policy that strategic infrastructure is now going to be in place and accessible for everyone, or is this simply one project — going to be the only project — that this kind of investment is going to be made in?

**Hon. Mr. Thomson:** — I would indicate two things. First of all, I'm not aware of any other communities of this size that would not have access to natural gas. The infrastructure, that strategic infrastructure is built there. Now in terms of the actual



distribution systems, you move away from those lines and the cost of that, it'll depend on where the projects are sited and what additional upgrades are needed for it. But SaskEnergy has a policy to make an investment in those lines in partnership with the companies or the individuals.

What is different in this case is that because of the economics of it and because of the broad piece of economics, we have decided to expand the strategic infrastructure into this northern area of La Ronge, Air Ronge, Weyakwin, and the Lac la Ronge Indian Band area which, I think, any of us who have been up there know that there's a fair amount of economic potential which is underutilized today there which could be enhanced by this.

**Mr. D'Autremont:** — There certainly is a significant opportunity in the area that's unrealized. And natural gas being provided into the area will absolutely be an asset into the developing of the economy in that area. But there is also those kind of opportunities in other places in Saskatchewan, and while an individual community of that size, they all do have access to gas.

But away from those larger communities, there still is a great need in some cases for access to more natural gas than is available under the current system. But if you have to run a significant line to provide that — let's say 20 miles, 30 miles, 40, whatever the case may be — currently under SaskEnergy's policies as I understand them, that cost will be borne by whomever was asking for that gas to be delivered. And there isn't any, that I know of, assistance being provided either by CIC, SaskEnergy, or the GRF.

**Hon. Mr. Thomson:** — In fact in all products, SaskEnergy's prepared to make an investment. And so it is a cost shared by SaskEnergy as the corporation which obviously has a strategic interest in expanding its natural gas network and with the customer.

And I think if we were to look at a comparable program, northerners have certainly told me when I met with them that they do not believe that this level of subsidy by any way is as close to the level of subsidy that many individual farms received under the Devine administration's program. I think that that's a debatable issue in terms of level of subsidy given what the value of dollar is. I think what we are trying to provide today is a workable rate and to bring that down.

I am not aware of other situations where we would need to look at laying — what is this? — 140 kilometres of 4-inch pipe to deal with a population of this nature or an economic centre of this nature. If there were, we'd be prepared to look at that again. But I'm not, not aware of any that would be in this neighbourhood.

**Mr. D'Autremont:** — Well SaskEnergy is making an investment as well. If you take your \$7 million that the GRF is providing plus the \$4,500 per site at 500 sites is 2.25 million. So SaskEnergy is making a contribution, an investment of 5.75 million. So SaskEnergy is certainly making a contribution. And they will expect to recover that through the fees that they charge. But the \$7 million is — unless SaskEnergy is going to charge a rate commensurate to recover that, which I don't think

is happening — is a subsidy.

So my question though is, if there is a proposal that comes forward for a need to lay some pipe — and it certainly isn't likely going to be 150 miles because the province is covered, in general, with a significant infrastructure already but it may be 10 miles or it may be 20 miles where there is a significant need for gas — is SaskEnergy and the GRF prepared to look at that kind of a proposal in making a determination on whether or not it's going to be a viable operation? We're getting a lot of proposals, or we're hoping at least to get proposals in this province for ethanol production, and they may very well need a significant gas supply for that kind of production.

**Hon. Mr. Thomson:** — We would have to take a look at these as they came forward, but I wouldn't anticipate that there would be any or at least very, very few other projects that would fall into this kind of a criteria. But as Minister of SaskEnergy, I would be obviously interested in seeing what other proposals there are.

That being said, of the major ethanol projects or major, for that matter other major industrial projects that are on the horizon, they are all relatively close to the SaskEnergy transmission system as it is today. Now we need to . . . I don't want to say never, but I can't imagine another situation of this nature that we would need to do this with. For example, we have not needed to do this to move into Lloydminster.

And you know, I think that this important, that what we're trying to look at is what is the end cost to the consumers here and how do we deal with that? Yes, there is a subsidy coming. The subsidy is from the Crowns because it is coming into the GRF out of CIC in a dividend process. So this is in fact the utilities reinvesting in the strategic infrastructure via the GRF rather than this being a taxpayer subsidized initiative.

**Mr. D'Autremont:** — Well I guess we've had this debate before on dividends and the money coming from CIC and going to the GRF. If this project wasn't in place, that money would still come as a dividend even though I know the minister has said that you're taking a special dividend.

But with the formulas that are in place for the CIC, the criteria would be in place that this money would come to the General Revenue Fund in any case because SaskPower, I believe it is, is 90 per cent dividend, SaskEnergy is 60 or 65, SaskTel is somewhere in that neighbourhood as well. So you know, based on the profitability of those Crowns, that money is transferred on to the GRF in any case.

So it's a question of whether it's transferred this year to the GRF under a special dividend, or it's transferred next year as part of the regular dividend. It still gets transferred from CIC to the General Revenue Fund. So it becomes a case where the General Revenue Fund, the Consolidated Fund is actually providing this money one way or the other.

**Hon. Mr. Thomson:** — That's not exactly the way this works because in fact what this is, is not . . . The usual targets that the Crowns are being asked to meet in terms of providing dividend to CIC continues to be met. This is over and above that and is coming out of the CIC portion. So this is otherwise money CIC

may have invested in other projects. But we are granting this in special dividend from CIC to the GRF and moving it back to SaskEnergy. So this is in fact a special dividend that we would not have otherwise have called on from CIC.

**Mr. D'Autremont:** — On the sign up of the whatever number of sites you get, when a person signs up to get the natural gas connected up, what kind of time frame do they have to sign up for?

**Mr. Reeve:** — We don't have a contract that says you must be with us for 10 years. Or customers I guess could make a decision to sign up, convert, and switch back over in two months. The reality is, is that given the cost of financing the line plus the work that has to occur within the business or the home in terms of the conversion, it's not very likely that customers would go back to a different fuel once they've converted.

So anybody who signs a customer with us, there is no term of arrangement. People don't sign for 5 years, 10 years, 15 years. They sign. They take service. And if they wanted to in two months, they could essentially convert back. But they would still be responsible, obviously, for the cost of the line to serve their premise.

**Mr. D'Autremont:** — If someone signed on, took the natural gas service for a month and then cancelled their contract, I'm not sure if there's a penalty for cancelling the contract, but had signed on for a month — they have some other source of heat for their home and don't need natural gas, but it's nevertheless a good asset if you wish to sell your home in the future — that debt would still be sitting there against that residence or business at some point in time. But does SaskEnergy have some means of realizing on that other than a garnishee on the sale of the home?

**Mr. Reeve:** — For somebody who had not paid for the full amount of the installation — if they were financing in the example — we do it on approved credit, and it flows with the owner. It doesn't flow with the premise. So if we had to for some reason, if they were about to sell the home, that's how we would make sure we got our money for the line financing. But given we've done this a lot of times throughout the province and we've had very, very few issues at all related to line financing and people not paying for a line that they committed to and got installed to their premise. It's just not a very common problem.

**Mr. D'Autremont:** — The reason I ask is I know of a situation in my area where they paid the initial hookup fee and never took any natural gas, so SaskEnergy never recovered any of their investment on that. And they may have signed up now, but I know for many years they had not done so.

**Mr. Reeve:** — And it does happen once in a while, but as I said, you know, most of the time when people are committing, they're committing for a reason. They want to have a different fuel source. And so when they're spending that kind of money to commit to a line, they're typically also doing a lot of work inside their premise, and so we don't have a lot of situations where we put a line in someplace and people don't take service.

**Mr. D'Autremont:** — We're talking both residential and commercial on this. Is there a difference in the hookup price between residential and commercial? And is that based in some measure on volume, e. i., the size of the line coming into the business?

**Mr. Reeve:** — That's exactly right. A residential service will be in that 4,500, \$4,700 range for residential service. Commercial service is depending on the size, pay an incremental amount in terms of additional capital contribution. And it is exactly that; it's based on the amount of gas that they would use at their premise.

**Mr. D'Autremont:** — Thank you. How many stations along the route are you proposing for this?

**Mr. Reeve:** — Well we will have to have a takeoff station at each of the communities that we serve. So right now the line ends at the south end of Montreal Lake that goes into Montreal Lake First Nation. We will begin the transmission line from there.

Our first tap station will probably be at Weyakwin. To go into Weyakwin, we'll build a pressure regulating station which we will then take the plastic system off of. And then we will probably have another four or five stations potentially up in the La Ronge area, because there'll be La Ronge, Air Ronge, the First Nation. There also is within the project plans for Potato Lake and Napitak — so potentially, you know, another four or five stations up there as well.

**Mr. D'Autremont:** — So you'll only have access to the gas though where you have a station. So if someone who is halfway between Air Ronge and Wayakwin would not have access?

**Mr. Reeve:** — That's correct. It's a common issue that we've got in the province. We have, as you can understand, we've got lots of places where we've got a pipeline that might go across a piece of property and somebody says, well the pipe's right over there why can't I just get that gas? Well the problem is that gas might be flowing at 7 or 800 pounds and you use it in ounces at your premise, and the cost to essentially put that station there and regulate the gas down is not feasible for one or two customers.

**Mr. D'Autremont:** — What kind of cost would you be looking at for a step-down station for, let's say there's a small village or, you know, 2 or 3, 4 or 5 people, homes or a business?

**Mr. Reeve:** — Well again there's all different kinds of sizes of stations. What you're talking about at the town of La Ronge is you're talking about stations that are probably in . . . It's a 100,000 or \$150,000 station at La Ronge. Weyakwin, you'll have a smaller station. And then you know depending on size of communities, you can go out around the province and you can . . . We call them suitcase stations; they're really quite small. And they would serve smaller kind of rural systems, and those can be in the range of probably 10 to 20, \$25,000. But again if there's one customer there, that makes that a very difficult situation. You need some economies of scale to make something like that work.

**Mr. D'Autremont:** — One question that my colleague

mentioned to me that I think is of interest to some of the people in the North, will this project . . . How will the overtime exemption affect people working on this line in northern Saskatchewan?

**Hon. Mr. Thomson:** — As I think members are aware that the current provisions around the exemption are under review, and I would expect we would have a report available before this project is undertaken. So at this point I wouldn't be in a position to comment.

**Mr. D'Autremont:** — Under the existing current rules, if no changes are made, then that exemption would be in place, would it?

**Hon. Mr. Thomson:** — Yes. My understanding is that the exemption would be in place.

**Mr. D'Autremont:** — Has SaskEnergy or any of the other Crowns in working the North, have they had an exception to the exemption to allow overtime to be paid, or have they observed this exception on overtime not being paid in northern Saskatchewan?

**Hon. Mr. Thomson:** — I would have to go and find a more detailed answer of that. I mean we can certainly take notice of that and respond back. But from SaskEnergy's perspective I'm advised that we have not used the exemption, but we have obviously not done a great deal of work in the North. I'm not sure how Power or Tel or others may have utilized the exemption, but it's a good question, and it's one that we can endeavour to get you an answer to.

**Mr. D'Autremont:** — I'd appreciate it if you would please. And that's all of my questions. I believe my colleague has some other ones now.

**The Chair:** — Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Madam Chair. I've had a number of calls to my office on the landlord service transfer agreements, so if you would indulge me I would like to get some answers back to these people.

A number of the landlords are quite upset about it, and they're phoning my office. So I just want to clarify, why did you feel it necessary to introduce this new agreement? And in doing so, it is a mandatory agreement that the landlords sign. So what was the need that you felt that this agreement was filling?

**Hon. Mr. Thomson:** — Just as we embark on this line of questioning, if I can just advise the member, we may not have all the detailed information tonight given the officials that we have with us. But we can take a stab at the fairly high level ones, and if we run across something that you want more information on, if we can just get back to you that would be good. Dean.

**Mr. Reeve:** — I will endeavour to give the high level answers. The agreement that you talk about really came into existence for one primary reason. And that is, with landlords and tenants often when you've got tenancy changes or things going on, at some point we're not sure sometimes who needs to be in billing

to keep the heat on in a landlord property. And what the agreement really does is to say, if at some point a tenant leaves and the premise is vacant, what we're really asking the landlord to do is tell us what you would like to do with the premise in terms of how you want to pay for the gas service.

That wasn't a big deal probably 10 years ago because gas really was a pretty cheap commodity, and it wasn't really a big issue if we didn't know who was in billing for a few days. Now that becomes a much more significant issue in terms of just the price of the natural gas commodity at that premise. And so the landlord agreement was really one to try to get the landlords to say, in the event that a tenant leaves, what would you like done with the property. We'll give you notice when they leave when we know that they leave, but what we really want to do is know what do you want done with the premise. And it's not an option to have nobody in billing and leave the heat on. That's really what we're saying.

**Ms. Harpauer:** — So if a tenant vacated without notice and disappeared and there was a gas bill in arrears, can the landlord be held liable for the billing that incurred before the tenant vacated?

**Mr. Reeve:** — No, not up to the point the tenant left. And really what we do is the whole landlord agreement is to give notice to the tenant that we now know that they've left. So now we need to know who you want to place in billing related to that premise being vacant.

We are not talking . . . The landlord is not responsible for any gas consumption in the tenant's name up until the time the tenant left. But once that property is vacated, now we need to know how's the heat going to stay on and who's going to pay the bill for the premise.

**Ms. Harpauer:** — So how long would you then leave . . . Let's say we have a tenant who's living there, and he hasn't paid his bill, and he's going into his fifth month, and he's not paying his bill. Would you then get a hold of the landlord to find out if he's even there? Because how would you know he vacated?

**Mr. Reeve:** — Well that's always an interesting question when you've got landlords and tenants. And it's exactly why we've tried to get agreements to try to understand how landlords want their premise dealt with.

Typically if we've got somebody in five months worth of arrears, we've made lots of contacts with that tenant trying to resolve the account issue. Essentially we will deal with the tenant around final notice, all of those things. But what we're saying to the landlord is, if for some reason we are going to cut service related to that tenant, we're going to give you notice to make sure you know we're going to cut service. And what we're asking of you is, you tell us upfront what you would like done with that premise.

**Ms. Harpauer:** — Okay. And again if a tenant vacates without notice and the landlord does not pursue another tenant so the premise is going vacant, who's responsible for the cost of shutting off the gas? Or is there a cost to shut off the gas?

**Mr. Reeve:** — Yes, there's a disconnection fee, and that is the

responsibility of the tenant if the landlord wants it disconnected. Now the issue is, is that, that's why we're asking the landlord saying, do you really want the gas cut off? Or do you want it really now billed under your name or into your account once that tenant leaves? Because the reality is most landlords don't want to leave their premise without heat, especially certain parts of the year.

**Ms. Harpauer:** — But what if the tenant's already gone? The tenant is gone, and he's left his bill in arrears. And the landlord's had it. He's not going to rent any more. He's been stiffed. Then is he responsible for the shut-off?

**Mr. Reeve:** — Yes, if he wants it disconnected to the property, my understanding . . . now this is where I need some clarification. You're starting to drag me into policy here a little bit, and that's always dangerous at my level to get into policy. But my understanding is if the landlord wanted the service then off that he would pay for a disconnect fee.

**Ms. Harpauer:** — Thank you for the answers you gave. And I may pursue this a little more when we have the full set of officials here . . . [inaudible interjection] . . . Not in question period.

Just a general question that I think maybe the minister could help me . . . I met with some city officials in Lloydminster, and they were talking about the gas distribution system there. And of course it's a unique city that we have, being on the border. And my understanding is SaskEnergy has now signed up customers and is retailing gas in Lloydminster which is a system that's owned by Alberta, but they're only signing up Saskatchewan residents. Why? Why are we not selling it to Alberta?

**Mr. Reeve:** — One step at a time I guess. The reality is, is that the rules on selling gas in Alberta to Alberta residents and businesses requires a lot of rigour in terms of signing agreements. And it is a very rigorous process in front of the Alberta Energy and Utilities Board there regarding selling gas into the Alberta market.

The reality is we were looking for . . . This was all a process around finding an option for Saskatchewan residents of Lloydminster, and we were very fortunate ATCO worked well with us in terms of providing that option. But it was always very clear we were not trying to sell gas into Alberta. We were selling gas to Saskatchewan residents.

**Mr. Mrazek:** — I'd like to make one comment about that. It's a different concept . . . I'm sorry.

**A Member:** — Go ahead, Greg.

**Mr. Mrazek:** — Thank you. If you look at . . . In Alberta there are retailers who sell commodity, and the concept is that they make a profit on selling the commodity. And as you know in Saskatchewan what we do is we sell the commodity at cost. So it's a different kind of . . .

Once you cross the border into Alberta, you have to have a certain volume of customers on the Lloydminster side or anywhere in Alberta to make it a profitable business. So it's a

different kind of concept. We're selling the gas to the residents of Saskatchewan at cost, whereas if you go into Alberta, now you really have to have really a critical mass of customers to make it a profitable business. And that's really not what we do right now.

**Ms. Harpauer:** — Thank you for that. And I think at some point there might be some more questions in that area as well. One other very . . .

**A Member:** — Maybe in question period.

**Ms. Harpauer:** — Yes, maybe in question period.

**Hon. Mr. Thomson:** — I would love to take questions from the Sask Party about why the Crowns should be expanding into other provinces. This is truly a sign that you have seen the light, truly a sign.

**Ms. Harpauer:** — Okay. One other quick question, as I see time is moving on here. By going to SaskEnergy's website . . . I'm trying to . . . There's a formula that you use to convert cubic metres into gigajoules, and I notice that that number's changed. And I would think that a conversion formula would be a standard formula. But in November 2005, you used a converting rate by multiplying by .03712. In April of this year, the conversion rate was by multiplying by .03768.

**Mr. Mrazek:** — According to the rate itself or the conversion factor?

**Ms. Harpauer:** — The conversion factor.

**Mr. Mrazek:** — Excuse me. The conversion factor, now I'm an accountant so I'm going to have to talk to you about heat value in natural gas. We have in our billing system, what we do, excuse me, is we take measurements when natural gas comes onto our system through our receipt points. What we do is we measure what's referred to as the heat value because different gas at different points in our system, it's not . . . Natural gas is not all the same, so the heat value does change over time depending on the receipt points you're bringing it in from which are various across the province at different volumes. So what we try and do is we try and take readings at our receipt points to determine what the heat value is, and then we convert. We use that particular heat value conversion factor to go to cubic metres.

Gigajoules — now we're really getting complicated here — gigajoules is a heat value, how much energy you get, where cubic metres is just a mere volume metric measurement. So they are different. They're not equal all the time because the heat value will change, so a gigajoule will give you a different cubic metre at different points of heating value. And I'm sorry for making that complicated but . . .

**Ms. Harpauer:** — Actually I'm understanding this better than the IT [information technology] questions we had earlier in the other estimates. I'm okay when it comes to mathematics. So how often would you . . . you say you measure it. You take readings. How often would those readings be done then and . . .

**Mr. Mrazek:** — Well the readings are done constantly in the

system, and it should be within a range . . . you use the numbers of 29 and 30. It will vary about 29 or 30. It will be very close. In Saskatchewan it won't go very much off 29 and 30. So we keep a constant reading of it. And when it does, when the reading does change, we change the conversion factor.

**Ms. Harpauer:** — Thanks. I did understand more of that than you thought. I have just one more question. Does SaskEnergy have a partnership agreement with any oil manufacturing companies in Alberta?

**Mr. Mrazek:** — In what sense do you mean?

**Ms. Harpauer:** — I have no clue. I was asked that question of whether or not there was a partnership agreement with . . . let me find the company . . .

**Hon. Mr. Thomson:** — If I might just suggest that the answer is we probably don't know. But if there's a specific . . . If you're interested in posing a written question, we would endeavour to get a written answer to you.

**Ms. Harpauer:** — I could do that. That's all the questions we have tonight.

**The Chair:** — Thank you, Ms. Harpauer. Seeing that there's no more questions this evening, I'd like to thank the minister and his officials for being so patient and answering all their questions for us and appearing before the committee this evening. And Ms. Harpauer would like to speak as well.

**Ms. Harpauer:** — I also would like to thank the minister and the officials for coming in tonight.

**The Chair:** — Thank you very much. Given that brings us to the end of the agenda, I will entertain a motion to adjourn.

**Hon. Mr. Addley:** — I move to adjourn.

**The Chair:** — Mr. Addley, thank you very much. Motion to adjourn. All in favour? Those opposed? Carried. Thank you very much. Have a good evening.

[The committee adjourned at 21:43.]