STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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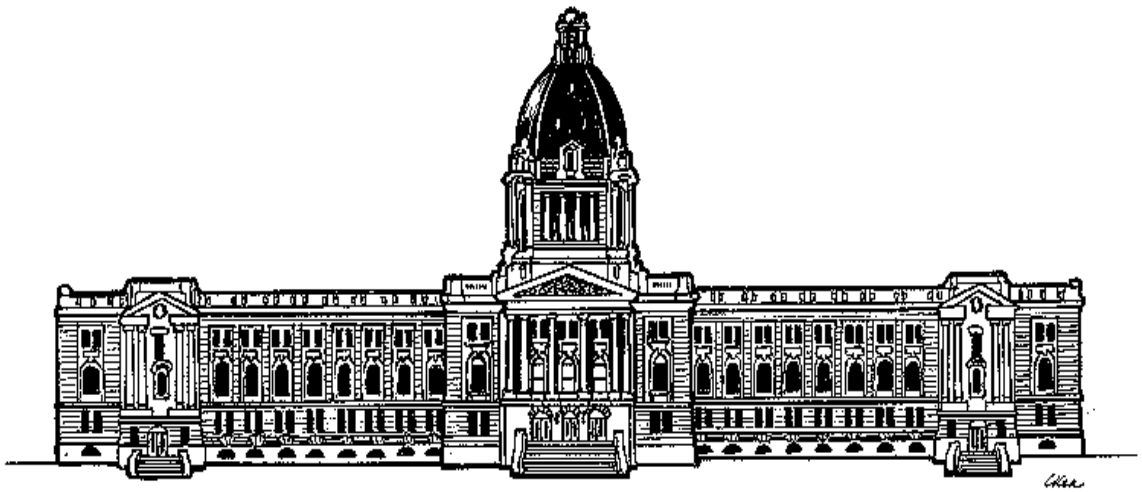

Legislative Assembly of Saskatchewan

Twenty-Seventh Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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[The committee met at 18:58.]

The Chair: — We want to welcome the members today to the Crown and Central Agency meeting. We have one substitution: Mr. Corey Tochor is substituting for Gene Makowsky. Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

The Chair advised the committee that pursuant to rule 146(1), the supplementary estimates for the following Crown corporation was deemed referred to the committee on November 27th, 2012: vote 152, Saskatchewan Power Corporation.

General Revenue Fund
Supplementary Estimates — November
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152

Subvote (PW01)

The Chair: — On today's agenda is the consideration of the supplementary estimates for the Saskatchewan Power Corporation. We will now begin with our consideration of vote 152, the Saskatchewan Power Corporation, lending and investing activities, loans, subvote (PW01). This vote is statutory.

We have with us Mr. Minister Boyd and his officials. I will ask Mr. Minister, would you please introduce your officials. And if you would like to provide a brief opening statement, that would be welcome.

Hon. Mr. Boyd: — Thank you, Mr. Chair, committee members. Good evening. It's a pleasure to be here this evening. I'm joined by Robert Watson on my right, president and chief executive officer of SaskPower. And behind us, on the right as well, Sandeep Kalra, the chief financial officer of SaskPower has joined us as well.

On behalf of SaskPower, I'm pleased to be here tonight with the committee to discuss SaskPower's borrowing needs for 2012-13 time frame. And I want to note, though, for everyone before we get too far into this, SaskPower's financial year is based on the calendar year, January to the end of December, whereas the Government of Saskatchewan's of course is, the budget cycle is April to the end of March. So that makes this a little bit complicated in terms of understanding it. I always remember in the opposition days that that was something that was a point of . . . that was always noted.

[19:00]

SaskPower officials have made the necessary adjustments to reflect the borrowing required over the 2012-13 government cycle from April 1st, 2012 to March 31st of 2013. SaskPower's forecasted borrowing requirements for the period of April 1st, 2012 to March 31st, 2013 are $772.3 million. These funds are needed to finance capital expenditures of $1.1 billion ending on March 31st, 2013. SaskPower anticipates spending the full 1.1 billion in this time frame to renew the province's electrical infrastructure, increase generating capacity, and maintain reliable electrical service for the people of Saskatchewan. Borrowings will come from both long-term issues through the Ministry of Finance in a floating rate debt.

I'd like to point out a few highlights of the $1.1 billion in capital expenditures for 2012-13, which include $420 million of the 1.24 billion carbon capture and storage demonstration project at Boundary dam power station near Estevan, $30 million on the $532 million project to expand Queen Elizabeth power station in Saskatoon, 305 million on the new customer connects to the province's electrical system capacity and sustainment, $140 million to renew SaskPower's generation infrastructure, and $205 million on smart meters and other initiatives such as buildings, vehicles, information technology initiatives.

Record high investment in the electrical system will continue over the next decade as SaskPower works to renew an electrical system that was built between 30 and 50 years ago. In fact over the next 10 years SaskPower plans to spend in excess of $10 billion. These ongoing investments in the electrical system are critical because SaskPower plays a key role in supporting the province's economic momentum.

We've seen evidence of the province's growth through a record number of new SaskPower service applications and a record high amount of power use by customers this year. Electricity demand from SaskPower industrial customers is also expected to double over the next 12 years. Between the years 2000 and 2010, electricity demand grew about 1.4 per cent per year. But the forecast up until year 2021, the current forecast is 2.9 per cent growth per year. The province is growing. The electrical infrastructure needs to be in place to support that growth.

SaskPower looks and continues to look at a mix of generation and transmission options to meet the province's future electrical needs while balancing costs, social factors, and changing environmental regulations. These decisions come at a cost to everyone in the province. But thanks to the thoughtful planning and investment taking place today and into the future we'll benefit, I believe, from a sustainable, efficient, and reliable electrical system in the years to come.

Mr. Chair, with those brief comments, we'll be happy to take questions.

The Chair: — Thank you, Minister. The floor is now open for questions. Are there any? Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Minister, and thank you President Watson for being here today. As it relates to the debt to equity or the debt to capital, I'm not sure how you categorize it, what's going on with our debt to equity ratio at SaskPower: start of the year, projected at the end of the year, and what are we projecting for next year?

Mr. Watson: — Thank you very much. Our debt to equity ratio . . . And when we look at our business plan, we look at a 10-year business plan, and we operate within the year. As you're aware with power companies, the projects are long-term projects. So conceivably you start one in one year, and you may

not finish it for two to three years. So we look at it in a long-term basis.

Our return on equity projected for this year was going to be about 6.7 per cent return on equity. It looks like we're going to come closer to about 8.3 per cent return on equity. Again we're having our OM&A [operating, maintenance and administration] costs are staying within line, in fact even with the storms that came through in July, early July as you probably remember, which incrementally added about $20 million in our expenses. Because when a storm happens and things happen, and you just go. You don't . . . And in fact the SaskPower people have the full authority to get it fixed and get it fixed as expeditiously as possible. So even with that, we expect our 8.3 per cent return this year. And next year with our rate increase, we expect it to be about the same rate.

Mr. Wotherspoon: — And the debt to equity ratio?

Mr. Watson: — The debt to equity ratio, I just want to give you an accurate number. With 2012 we expect it to be about 66 per cent debt to equity. And with 2013, if that's your question, we expect it to be about 71 per cent. As you're aware, as we reported before, it's quite acceptable to keep your debt to equity ratio below 80 per cent. Several power companies within the country, Crown corporations, have their debt to equity ratio 90 per cent, if not 100 per cent. So this is a measurement that's given to us by CIC [Crown Investments Corporation of Saskatchewan] as to running the business.

Mr. Wotherspoon: — The carbon capture project was highlighted. Could the minister or could SaskPower describe the investment this year that's required, the capital requirements on that project, and as well give us some definition around the timeline and further capital requirements that are needed, required within the coming years?

Hon. Mr. Boyd: — Yes, there will be $420 million on the $1.2 billion clean coal project that will be taking place. I'll perhaps ask Mr. Watson to help me here a little bit. But I will say this, that it is moving along very well. We have had very, very good co-operation with everyone involved in the project. A number of the folks that have had dealings with it so far indicate that it's on budget and on time. It looks like it's going to be a very, very favourable project. I would say that in the next very short period of time, we will be announcing our private sector partner in this project that looks to take the offtake CO_2 and will then bring the whole project, I guess, to a point where the economics will be very solid.

So we're very encouraged by this in a number of ways. First of all, the project scope, and I think all of us were wondering about that to begin with. This is a very large project. There's certainly some unknowns when you're developing technology of this nature. There's certainly some unknowns in terms of what the regulation around coal generation would be back when it was started. That's becoming a little bit clearer now. So that was a bit of a challenge as well.

We also wondered whether there would be private sector folks stepping up in terms of the CO_2. That looks like that's taking place. And we will set that, you know, discussion aside a little bit for the time being and wait for the appropriate announcements around that.

The obvious benefits to the environment are the reduction of greenhouse gas emissions that are very, very important. And we have some 2 to 300, perhaps even more, years of coal available to us in Saskatchewan. So I think it makes a lot of sense to look to ways to continue to use that very economical generation fuel, but we also of course have to mitigate the environmental concerns around it. So that's being done through this project.

Private sector partners that I have met with from Canada and abroad have indicated a very, very high level of interest in the project. When the CO_2 is captured, then it will be pipelined to close-by oilfields for enhanced oil recovery, which looks to be extremely positive in terms of the projects that have been ongoing for a number of years now, in fact started under the Romanow administration was the early stages of it, and has been a project that's been, I think, by all estimates very, very successful in this whole process.

So we have the environmental benefits. We have the CO_2 being captured there. We have the benefit of being able to sell. We will be soon selling that offtake, and then the obvious benefits of the enhanced oil recovery that again will throw significant royalties to the province of Saskatchewan. So I think it's a very, very important project for our province that looks like is going to meet or perhaps even exceed our expectations.

Mr. Wotherspoon: — I appreciate the minister getting directly into the contracts around CO_2 and the comments that he's provided. This is an area that I've certainly been tracking and have some level of caution around, am ensuring exists because I believe this is fundamental to making this project economic. So are we in a position here today to say with confidence that a contract's in place with one purchaser or various companies? Or what sort of an arrangement has been established?

Hon. Mr. Boyd: — I would say that we're not in a position today to announce anything. We are in advanced discussions with private sector players. I know that the discussions are ongoing, and they're working through the details of the contract with the proponent that looked very, very positive. Perhaps Mr. Watson has a bit of an update as well.

Mr. Watson: — Yes, I'd be happy to. No, we can't announce who the partner is today. We actually hope to announce that within days who the partner is. Yes, there's been a contract agreed in principle; however, there's the final governance details that the other party has to participate in.

Mr. Wotherspoon: — What is the price for CO_2 that has been pegged by way of the fiscal planning for SaskPower? What makes this project economic?

Mr. Watson: — As you are aware, the economics . . . We have two things that we're looking at for this project. First of all we're looking at the technology, putting the technology together. And just a bit more flavour for you is that we have actually let and given out 98 per cent of all the contracts, and it is still within budget. In fact we still have a contingency left over, which is very encouraging.

I in fact was at Boundary dam yesterday if . . . And to give you

a bit of detail, I was there from 7 a.m. until 7 p.m. yesterday because we did a safety stand-down at the carbon capture facility. We have now surpassed 700 hours of zero lost times at the facility, which is a great track record. The carbon capture facility is still ongoing and starting in March time frame, the power island, the replacement of the turbine which is a Hitachi-produced turbine, starts in March. So we wanted just to ensure there was a safety stand-down with everybody involved with the project, and we did that.

As for the project, the other aspect is the financial aspect, the financial model. We had a range of carbon, price of carbon, and the range was anywhere from $15 to $25 as we were looking for the price of carbon to prove out the financial model.

Mr. Wotherspoon: — And how does that price impact the cost per kilowatt of energy produced?

Mr. Watson: — The model will prove . . . The prove-out with the model, obviously if it's closer to $25 a tonne per carbon, it'll prove out to be as cheap as building a new gas plant and then it just varies from there as to . . . And that's conservative. So if the capture rate is higher than we expected, it makes the model better. If the economics are closer to $25 a tonne, then it makes the economics better. So it's looking very positive actually.

Mr. Wotherspoon: — I appreciate these two pieces to understand that model. The 15 to 25, that itself, and I understand it doesn't operate in isolation. It's the capture rate that also matters. But the 25, what cost per kilowatt are we looking at then as far as you've cited natural gas generation? What would be the cost in that $25 range? What would be the $15 range?

Mr. Watson: — The cost would be, at the $25 range which is what we would look for, would be about $115 per megawatt which again comes within good economics of what we get new power with today.

Mr. Wotherspoon: — And 15 would cause what?

Mr. Watson: — It varies up. It could get as high as 130, maybe $135 per megawatt.

Mr. Wotherspoon: — 135 would be the impact of a $15 contract?

Mr. Watson: — Yes. And still with other modern power requirements, 135 would still be a reasonable price for modern power production.

[19:15]

Mr. Wotherspoon: — And so is that the range then, about $20 million for a $10 variance? So if this project were without a contract in place, it would be about $50 million more expensive? Sorry. Yes, $50 million more per megawatt, is that . . . Or sorry, $50 more per megawatt?

Mr. Watson: — [Inaudible] . . . 115 to 135, about $20.

Mr. Wotherspoon: — And then if we were down . . . If there wasn't a contract in place, do you have that contingency figured out as far as the cost per megawatt?

Mr. Watson: — If there was no contract in place, it could be as high — it depends — it could be as high as about $155 a megawatt.

Mr. Wotherspoon: — Right. Okay. And what's the relationship by way of . . . What's the planned capture rate by way of percentage? I wouldn't know.

Mr. Watson: — The model shows an 85 per cent capture rate, so anything above 85 per cent is great, adds to the model.

Mr. Wotherspoon: — Is there some certainty that 85 will be achieved?

Mr. Watson: — Yes, there's very good certainty 85 will be achieved. We've had it. Not only did we have the technical model, but we had the financial model. Not we. The board quite frankly had an independent consultant review the financial model and the technical model to ensure that it was reasonable, and they confirmed it was reasonable.

Mr. Wotherspoon: — So what sort of volume of CO_2 is captured then with an 85 per cent capture rate?

Mr. Watson: — About 950 000 tonnes.

Mr. Wotherspoon: — This is CO_2 would be piped. Who pays for that pipeline?

Mr. Watson: — The offtaker will pay for the pipeline.

Mr. Wotherspoon: — So it'd be fair to say that good news would be to see a company signing an agreement closer to that $25 mark and them taking on the costs of course of pipeline and any sort of transport of that CO_2.

Mr. Watson: — That would be above our expectations.

Mr. Wotherspoon: — Thank you for those answers. There were some comments around the capacity of SaskPower, in fact the demand that exists right now and some of the growth in demand. Could the minister clarify what our current demand is and then what some of the peak examples would be over the past year.

Hon. Mr. Boyd: — Our average is around 3500 megawatts, and the peak has gone just over 3600 on occasion. And that would be a very, very cold winter day kind of thing.

Mr. Wotherspoon: — Just going back, sorry, again to the CO_2 model. I'm interested just in, under quantifying the total value of that contract on an annual basis for achieving, for example, if it was $25 for CO_2, what's that by way of a value on an annual basis for this project?

Mr. Watson: — The company that we're dealing with is a publicly traded company, and we have to respect their confidentiality of the contract, so we can't give that type of information right now.

Mr. Wotherspoon: — In essence we have that information almost before us here though with the pricing back into the economic model. So are you able at least provide a range from . . . of 15 to $25, the range that's been considered and what that might mean by way of a pool of dollars flowing to SaskPower on an annual basis?

Mr. Watson: — Yes. I don't have addition in front of me, a calculator, but if you assume $15 at 950,000 tonnes.

Mr. Wotherspoon: — Right.

Mr. Watson: — So it's, 25 million is the estimate per year, right? That would be 1 million tonnes, so take a variant from there.

Mr. Wotherspoon: — How many megawatts will this project produce at the end?

Mr. Watson: — About 115 megawatts.

Mr. Wotherspoon: — And what about some of the other . . . Are there some other revenue generation capacity out of this project, some fly ash, anything else that's . . . Is that substantial or what other revenue potential exists out of this project?

Mr. Watson: — The fly ash project that we have going is quite frankly independent from this project. It's of course mutually in there, but the fly ash program is that we've installed a new fly ash facility, loading facility, at Boundary dam where we have a contract now to start ramping up to sell as much as 80 per cent of the total fly ash from Boundary dam rather than have it stored. It seems that the chemical compound of fly ash out of that area is very good for the making of cement. So we have a contract there. That's for the entire . . . So that's an opportunity to increase our revenues from existing operations.

We also have employed an independent consultant and lawyer on learning intellectual property rights from putting . . . It's the first carbon capture facility in the world. And we've identified and registered the intellectual property rights we're going to learn from it. And we're going to market them to companies that want to learn how to put it together. Then again it's the technical model and the financial model. So we feel buoyant about getting business from that also.

Mr. Wotherspoon: — By way of the CO_2 contract, what sort of a time frame or duration length of a contract would, is SaskPower looking to sign?

Mr. Watson: — We're looking for a minimum 10-year contract.

Mr. Wotherspoon: — Do we have some analysis as it relates to the need for that CO_2 and enhanced oil recovery in that field? I guess it's the Bakken field. I would suspect that's it's going to be working within the demand for CO_2 and enhanced oil recovery in that field. Do we know what the lifespan of that demand will be?

Mr. Watson: — We have some estimations ourselves. We'll have to get them for you because I don't have them at the top of my head, but we're actually . . . And again, using a simple chemistry, once, as you know, once CO_2 hits heavy oil, it expands and it comes up, and then they can regenerate it.

As for the use of CO_2 in the general geographical area of the centre of Canada and centre of northern United States, we're hearing that the demand for liquid CO_2 or even gas CO_2 could be as high as 4 to 5 million tonnes per year of CO_2 demand.

Mr. Wotherspoon: — For the whole, for all of North America?

Mr. Watson: — No. The geology within the middle of the country now, it's where, it's where the big ocean used to be, as the geology . . . [inaudible] . . . and I'm being too general for you, but generally it's the centre of the country, of the continent really.

Mr. Wotherspoon: — And what would the demand for that CO_2 — and there's enhanced oil recovery we're looking to here — could the president describe some of the other industries that are driving that demand?

Mr. Watson: — The enhanced oil recovery is the biggest one, but there's enhanced oil recovery for liquefied form and there's also for a gas format. It seems that the Lloydminster area's better for gas format of CO_2 rather than liquefied. But yes, it's that, and that's the general thing. You might get some small amounts for other use of CO_2 in medical applications as the minister says, or something like that, but that would be small amounts.

Mr. Wotherspoon: — So there's potential capacity for four times what this plant itself will be producing, 4 million, and we're producing about 1 million tonnes on an annual basis. What's the assumption by way of to make this economic model work? That CO_2 contract, the purchase, how long has that been assumed that we'd be receiving revenues for CO_2 by way of through the lifespan of this project? Is that 30 years, 40 years, 50 years? How is this amortized out?

Mr. Watson: — I'm just verifying that we actually, as I said, we're wanting a minimum length of the contract for 10 years, but we estimate the CO_2 sales to be for the life of the project, which is a 30-year project, but we put it over.

Mr. Wotherspoon: — And the analysis that's been done supports a 30-year demand for CO_2 to make this project work from an economic perspective?

Mr. Watson: — Well we believe the project works for SaskPower in that we have . . . What we look at when we look at the total power production, you have to look at certainty of supply is paramount, and it's becoming more and more fundamental worldwide. Certainty of supply is literally standing on top of coal where you don't even have to transport it across provincial boundaries, is a real plus. The next certainty of supply in the province would be for hydro flows and stuff like that, which actually there's no big hydro flows opportunities left in the province, quite frankly.

So certainty of supply adds into that. So getting a plant built now and having the economics as good as a gas plant with CO_2 sales would be a different model 10 years from now if you had to go out and possibly build a new gas plant or find some more

of the certainty of supply. To answer your question, we've added the model as the range again to say what is it without CO_2 sales and what is it with CO_2 sales, and it's back to the range we talked about before.

Mr. Wotherspoon: — Because, no, that's good to know because CO_2 itself, if we're talking that there's capacity of 4.5 million tonnes, and this project takes a quarter of that, to have similar economics you'd really only be able to do four of these plants which would I believe, by using similar numbers, would only produce 450 or 500 megawatts of power, which is certainly a small component of what's required for our province. Is that correct?

Mr. Watson: — Well I guess I would say that that would be what would be estimated at this point in time. But as we have seen in the area in the southeast part of the province as far as oil production is concerned, we've seen actually exponential growth. That's the estimate at this point in time. If we continue to see the Bakken expand — and they're drilling on the outer regions of that regularly — as we do the in-field drilling activities, that number could expand from there. But that's the known estimate at this point in time.

Mr. Wotherspoon: — Well thank you for that. You know, I'd be remiss not to raise a significant concern. And I appreciate all these answers. We look at all the demand and pressure that's required within SaskPower, all the good work that's being done by many within that corporation. And I guess I just . . . We have a new minister that's sitting here than was sitting here last spring. How did we allow that late dividend of last year back in February of over $120 million to be taken from this Crown that truly requires capital at this point in time?

Hon. Mr. Boyd: — Well I would say that the 120 million came in as what we would consider excess revenue to SaskPower as a result of much stronger water flows, simply because there was that much water available. You know, in some places it was a significant problem obviously, and in agriculture, serious, serious flooding. But while it was a real challenge and a problem there, SaskPower on the other hand, it was a bit of a windfall. They had very, very high water flows, and as a result of that were able to use those excess water flows to generate power at a very, you know, very, very low cost to them which is kind of a normal thing. In years where there's high flows, SaskPower benefits from it. It may be, you know, a significant challenge in other areas. So it was felt that as a result of essentially above and beyond expectations for SaskPower, that some of those dollars could be used to mitigate the problems associated with flooding.

Mr. Wotherspoon: — So in essence the minister's suggesting that the water revenues, the hydro revenues offset the dividend.

Hon. Mr. Boyd: — Yes. To a certain extent, yes.

Mr. Wotherspoon: — See that's where I struggle with this because I've gone through these numbers a few times. It's my understanding — correct me if I'm wrong — that hydro revenues were boosted by a little over $40 million in that fiscal year. Could the minister clarify?

Mr. Watson: — Yes. The hydro revenues per budget were approximately that range. Our total budget for last year was to have a net income of $120 million. And you've got to step back and not look at the year in itself in the encapsulation. You've got to look at the 10-year projected, going forward. With the $120 million going forward and our capital expenditures we had planned on year upon year, that's the way we built the budget and therefore the borrowings required and everything. With last year, with the hydro and there's other factors — training was a factor; OM&A underspent was a factor — all that lumped together did give us in fact a $240 million benefit to SaskPower which was fully not within our 10-year plan. So therefore that was something . . . We were expecting 120 million, and we came in at 240 million.

[19:30]

Mr. Wotherspoon: — Sure. That being said, the water, the hydro revenues itself certainly weren't the offsetting factor of the $120 million. There's now some other descriptions of those factors that drove that $120 million. So it's not fair to suggest that the hydro itself was offsetting it.

By way of some of the projects that were deferred because of the high-water year that existed — I believe there was capital requirements that weren't required because of some of the challenges for infrastructure that year that were deferred on to next year — to what extent were projects deferred last year out of SaskPower?

Mr. Watson: — Last year we had a capital budget of just over $1 billion, and we actually spent $716 million of the budget. A lot of it was for flooding reasons; we weren't able to get projects done. Some of it was for customers who were delaying their projects. But all the projects still remain within the 10-year plan to be done over the 10 years.

Mr. Wotherspoon: — So for reason of the weather, SaskPower wasn't able to fulfill some of its building plans, its infrastructure plans that were required. Those infrastructure requirements still exist. They just move forward into a different fiscal period, which highlights again, you know, the point that I have great concern with, the $120 million that was taken at a time where I believe this corporation could have utilized those dollars. And I believe we see it by way of what we see now in borrowing and an additional $149 million being required here today on top of the, I believe, now over $700 million that'll be borrowed this year and of course an impact back to ratepayers that's occurring here very soon with a rate increase.

So I mean I just simply don't buy that it was in the best interests of this corporation to take those dollars. I know the hydro dollars themself didn't offset that project. And I know that a lot of the building that was deferred last year because of high water certainly does need to be addressed in the coming year. So I see that move as one that was short-sighted and not in the best interests of this corporation.

And I know the president doesn't play a role in calling government to say, hey, you guys need a special dividend. I know the role of government here. So I'm certainly not suggesting that the president has been negligent in his responsibility on this front.

Hon. Mr. Boyd: — I would be happy to get into a discussion about dividends. This is nothing unusual whatsoever. There has been a long history of dividends being paid to the Government of Saskatchewan from SaskPower. And if you have concerns about it today, I wonder whether you shared those same concerns back in year 2003 or '04 or '05 or '06 or '07 because in all of those years under the previous administration, there were substantial dividends paid to the Government of Saskatchewan: in 2003, $169 million; in 2004, $59 million; in 2005, $85 million; in 2006, $61 million; in 2007, $39 million. After that there has been, on two occasions only, dividends paid: 2008, $46 million; and then this dividend in 2012 of $120 million.

So while the argument could be made that this is a substantial dividend — and it is; nobody's dismissing that — this is not unusual. The previous administration on each and every year going back to that time frame paid dividends to the people of Saskatchewan, at a time I would add that there was a much smaller capital spend than there is today and much less activity in terms of growth in our economy than there is today, much less infrastructure that was being added than there is today. So I understand your concern but let's not leave anyone with the impression that this is never done, there has never been a dividend paid to the people of Saskatchewan, the Government of Saskatchewan, from SaskPower before because there most certainly has.

Mr. Wotherspoon: — As it relates to those years that were referenced, '03, '04, '05, '06, '07, could the minister just provide the debt to equity ratio for each of those years.

The Chair: — I believe today we're just on supplementary estimates. That's a little more narrow focused. SaskPower has annual reports which will be coming before this committee either this year or next year. I think that could be a more appropriate discussion then to carry into that. I would just ask the committee to focus on what we're doing here today which is supplementary estimates at SaskPower.

Mr. Wotherspoon: — So just focusing, this is borrowing requirements, an additional 149 million that the Crown is coming forward with here. So certainly looking at what that borrowing requirements and debt to equity ratios I believe within that range, so I'd look to I guess the Chair and certainly the minister to provide the numbers for '03 through to '07.

Hon. Mr. Boyd: — We'd be happy to provide that information. I don't have it available with me this evening, but we'd be happy to send it off to you.

Mr. Wotherspoon: — Sure. Thank you. Thank you very much. And the point would be, I certainly know that they're a lot less, the debt to equity ratio, than where we're at here right now. And I recognize the challenges that SaskPower's facing to meet the demands of growing communities and infrastructure demands that are in place and environmental demands that we must step up to. But I will stay solidly on the record that the dividend that was taken last year was not in the best interest of this corporation at this point in time.

I do have one item here that is important. When we're talking about service to communities in this province, one community that has really struggled with sustainable power — and it's coming at a major, major cost to that community — is Wollaston Lake or the Hatchet Lake First Nation. And I understand that they're dealing with some . . . They don't have a backup power system in place. They're dealing with power surges, and they're dealing with massive losses of food but, as well, of damage. In fact I guess it's ruining appliances that are in place. I believe they've corresponded with the minister and the president. I'm just wondering at this point in time if we have a plan or any peace of mind that's being able to be offered to that community.

Mr. Watson: — Yes. We have been . . . Thank you for the question. We have been meeting with the officials of Wollaston Lake. There are several issues they have, and the main issue is in fact the whole northern grid needs upgrading. It needs seriously upgrading. The I2P line that goes up there now, although is servicing it properly, it's not enough reliability. We do have on the books to build a new line parallel to the I2P — it's called I1K — which will go from Sandy Bay up to Key Lake and will substantially increase the reliability of that whole northern grid.

We also have plans in place . . . We're negotiating with run-of-the-river hydro facilities in the Far North. Several areas on the Churchill are possible, plus up near the Athabasca system, in order to feed power from the north coming south to increase the reliability even more for the communities up there.

Mr. Wotherspoon: — I appreciate hearing the investment that's going to be required. It's important to those communities. I know it's important to economic activity throughout the North. But I've been in there, and I've witnessed first-hand some of the realities of those power surges that are occurring and certainly heard from individuals about the harsh reality that it has within their life. And this is a detached community, and they're flying in food. And it's a massive loss of food for a community that I would say in many ways, for many, that can certainly not afford to replace that food.

Is there some sort of interim plans while these upgrades are occurring to make sure there's some backup power, and that no longer the surges and the damage and the blackouts for extended periods of time that have been occurring? There must be some solutions we can bring to bear for a community in the North.

Mr. Watson: — We have supplied, and we will supply more surge protectors, but we have supplied them in the past. We will continue to supply the surge protectors in order to protect their appliances, you know, and hopefully we can, you know, convince people to start using them, quite frankly. However the actual outages going up there, the outages are right now beyond our control. They are outages caused by lightning, quite frankly. And then the only way to get that fixed is to continue on pushing forward the I1K line in order to get the reliability up for that community and all the other communities up north, while working with all of them in order to make sure we can help them through this issue. And the reliability, the surge, is the biggest one.

Mr. Wotherspoon: — Yes. I don't think it's too much for them to expect a reliability in their power. They're in a northern

community, very, very vulnerable circumstances. And it would certainly be our full expectation that certainly a long-term plan is in place, but also some interim planning.

Was there a circumstance where there was a planned blackout where some of the mining interests to the North were notified but the community itself wasn't notified? Is the minister aware of that error?

Mr. Watson: — I'm sorry, Minister. Not that I'm aware of that error. But I'd be happy to look into it. No.

Mr. Wotherspoon: — Just anything that this minister and the Crown can do to make sure that that community is protected. It's a major loss whether you're losing a fridge or a stove or a freezer. And certainly when you're losing a freezer and the blackout occurs for an extended period of days, it's a full loss of all frozen goods. And it's a community without a road. It's a community that's detached. It's a community that many as well are struggling to make ends meet.

Hon. Mr. Boyd: — I would just be prepared to respond to that a little bit. I think there is, in remote locations, there has always been very significant challenges to providing power, particularly when you have one line servicing, you know, a vast, vast area. And the moment that, of course, there's been a lightning strike or something, everybody down line is affected by that. And so it presents some challenges.

But it's not just a matter of, you know, stringing out an extension cord, to speak. We're talking about very, very expensive upgrades that would be needed to bring in an additional line capacity that are very real. Now that's not to say that that isn't something that's certainly on our minds and how we can accomplish that in the future, certainly within the plans of SaskPower to provide the most reliable and cost-efficient power that we can. But this isn't something that is necessarily new. This has been a challenge in remote and northern communities for a long time.

Mr. Wotherspoon: — They pay a lot for power. I've seen their power bills. They're very vulnerable. They're detached up there, and so I understand there's some long-term planning that's required. But I also look forward to some more urgent planning as it relates to some interim support to make sure that that community's interests are protected.

I don't have a whole lot of other questions. Maybe I . . . I don't know if . . . Maybe one other area I would be interested in, just hearing what the, I guess what the experience for SaskPower was through the WCIT [World Congress on Information Technology] conference that they attended — what sort of learning was brought back or what sort of value for money we achieved through the public expenditure that SaskPower placed in that conference.

Mr. Watson: — Thanks for asking that question because I am a firm believer that the future of a power company and the success of keeping the costs of a power company — and not only the costs but the reliability of the power company — in the future will be through the IT [information technology] sector, the modernization of the grid. There was one aspect of upgrading the maintenance of the grid through physical assets and stuff like that. But the modernization of the grid and the actual aspect of running the grid as intelligent as a telecommunications grid is the future of it.

So therefore I felt that playing part of the WCIT and meeting companies from around the world who were supplying intelligence for grids was important for us to be there, as well as participating in the youth fair there and stuff like that. So I felt that the lessons learned was quite important and meeting with that. So meeting with companies like IBM [International Business Machines Corporation], CGI, and their international parties, I thought was very important for us to understand what's going on around the world. And it was a perfect place to be at it all in one place rather than travel around the world.

Mr. Wotherspoon: — Thank you. I wouldn't dismiss the importance of IT and providing smart grids in dealing with the challenges of a power company. Certainly I haven't been convinced yet. I haven't seen any tangible benefits of spending, was it $50,000 from SaskPower? There was much more from other . . .

Mr. Watson: — At SaskPower . . . I'll get that answer. I thought we were 25.

Mr. Wotherspoon: — Okay.

Mr. Watson: — Yes.

Mr. Wotherspoon: — Yes. I don't see the, I didn't see the tangible benefit of being sort of a title sponsor. There was potentially a role that could have been described in certainly sending some technical experts to go out and gain that knowledge or to build those relationships. But I haven't yet seen the evidence of this returning a benefit based on the expenditure that was provided. But feel free to put forward any sort of value for dollar analysis that the minister may have on what was gained out of that experience.

I guess what I would just simply close with is saying to all your workers all across the province, thank you so much for the work they do. Thank you for the work you do, president, in managing this important Crown corporation. And there's lots of challenges. There's some opportunities as well. And certainly wishing all within SaskPower the best.

Hon. Mr. Boyd: — Mr. Chair, if I could echo those comments a little bit, I would just simply say on behalf of the Government of Saskatchewan, we would want to extend a sincere thanks to the president and CEO [chief executive officer] of SaskPower and all of the people under your employ.

They do a remarkable job. I think we all take for granted a lot of the times when we turn the switch on and there's power there and we really don't spend much time actually thinking about it until you're without power for a little bit, which happens on fewer and fewer occasions, thankfully. But these folks of course go well beyond the call of duty. We see them out there kind of almost on a moment's notice.

I live in a rural area and, you know, there's a power outage and you think, well I wonder how long this is going to last. And perhaps within an hour or less, there's been already trucks

dispatched and work being undertaken under the most adverse conditions that you can possibly imagine. Most of these outages in a lot of cases are storm-related of some sort — blizzards, ice storms, you know, tornadoes, and all of those kinds of things.

So on behalf of the Government of Saskatchewan, we would certainly want you to pass on our sincere thank you to the people who provide these services to us that we take, you know, in a lot of cases for granted. But I think we're all thankful when we look out the window and see a storm brewing that the power's still on.

The Chair: — Thank you, Minister. And I want to thank the member for the questions. As we're seeing no other questions, we will move to vote 152, Saskatchewan Power Corporation, statutory loan, subvote (PW01) in the amount of 149,300,000. There's no vote as this is a statutory.

Committee members, you have before you a draft of the second report of the Standing Committee on Crown and Central Agencies. I will require a member to move the following motion:

> That the second report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

Mr. Bjornerud has so moved that motion. All in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Seeing no other business before this committee. I would ask a member to move a motion of adjournment. Mr. Moe has moved adjournment. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. This committee now stands adjourned until the call of the Chair. Thank you.

[The committee adjourned at 19:49.]