



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair
Carrot River Valley

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Greg Brkich
Arm River-Watrous

Ms. June Draude
Kelvington-Wadena

Mr. Rob Norris
Saskatoon Greystone

Mr. Kevin Phillips
Melfort

Mr. Randy Weekes
Biggar

[The committee met at 19:01.]

The Chair: — Well good evening, everyone. Good evening, everybody, and welcome to the Crown and Central Agency meeting of April 21st. I would like to welcome the members. We have Cathy Sproule, Buckley Belanger. We have Paul Merriman filling in for Kevin Phillips, and Randy Weekes, and Greg Brkich.

We have 14 documents to table today. These documents are Crown corporation annual reports and financial statements. I provided a list to members of the documents that are to be tabled. Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda. Everybody's in agreement.

This evening the committee will be consisting of the estimates, lending and investing activities for the Saskatchewan Water Corporation, Saskatchewan Telecommunications Holding Corporation, SaskEnergy Inc., SaskPower Corporation.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140**

Subvote (SW01)

The Chair: — The committee will start with examining the estimates, lending and investing activities for the Saskatchewan Water Corporation. We'll begin the discussion with vote 140, Saskatchewan Water Corporation's loans, subvote (SW01). I'd like to welcome the minister and have him introduce his officials please, and if you have any opening remarks, Minister.

Hon. Mr. Moe: — Thank you very much, Mr. Chair. As we only have a short period of time here allotted for considerations of our SaskWater estimates this evening, I will keep my remarks extremely brief.

To my right here we have Eric Light who's the vice-president of operations and engineering in the SaskWater Corporation. To my left we have Jacquie Gibney, the vice-president of business development and corporate services with the Saskatchewan Water Corporation. Behind me to my left I have Danny Bollinger, the director of finance. And behind me to my right I have, from my office, my chief of staff, Megan Griffith. As I mentioned, I'll keep my remarks here very brief in light of time constraints this evening.

SaskWater is focused on providing excellent customer service and safe, reliable water for its customers. In 2014 SaskWater received its highest ever overall customer satisfaction rating of 86 per cent, a result that we are quite proud of. SaskWater has also been growing its business over the last number of years, and the volume of water services provided today is almost double what was provided just five years ago.

Just prior to wrapping up my remarks, as this will likely be my only opportunity to do this, I would like to just add that the Saskatchewan Water Corporation has worked through a challenging time in a recent number of months, following the

sudden passing of the corporation's board Chair, Mr. Glen Rittinger, who we lost just a few days prior to Christmas in 2014.

Glen had served as board Chair since 2008, and he had made a real impact on the corporation through his leadership in that period of time and through his experience. Glen took his role as Saskatchewan Water Corporation's board Chair very seriously, and he was genuinely interested in the success of this corporation. He was someone who always was willing to help in whatever way he could, and he was greatly respected because of it. He provided excellent counsel to both the board, to the staff of SaskWater, and to myself as minister, as well as I'm sure the previous minister would say the same. Glen Rittinger was someone who made a real contribution not just to Saskatchewan Water Corporation but to our government as a whole, as well as to his home community of Swift Current and the province of Saskatchewan. He is missed by many, I'm certain.

With that, Mr. Chair, I'd turn it back to you, and myself and our officials would be happy to take any questions.

The Chair: — Well thank you, Minister, and we are now open to questions. Mr. Belanger.

Mr. Belanger: — Thank you very much, Mr. Chair. And again, on behalf of the NDP [New Democratic Party] caucus, we would also share the sentiment on the passing of your board Chair and obviously offer our sympathy and condolences to the family and those impacted by his loss. With that being said, obviously governing must continue. And so we would share those thoughts at the outset and very quickly I think get right into the issue on SaskWater, since we do have a limited time here.

I noticed from the report that SaskWater posted a \$5.5 million profit. And in the opening comments you indicated that you've, correct me if I'm wrong, but you've doubled the volume of water that's being dealt with through SaskWater. And can you explain whether the doubling of the volume of water, how much of that is attributed to the potash industry versus agricultural industry versus consumption for people, and kind of break down where the doubling of water volume comes from, if you can. Thanks.

Hon. Mr. Moe: — The non-potable water supply in 2010 was 14 million litres. The projection is that it would increase to 37 million litres in 2015. The potable water was at 5.4 million litres in 2010 and the projected increase in 2015 to 7.3. I can figure out the percentages if you like. The non-potable in those five years is an increase of 165 per cent. The potable is 35 per cent.

Mr. Belanger: — The reason I ask the question is that . . . And I'm quoting from an article here where it indicates, and I quote:

SaskWater posted a net income of 5.5 million last year, but when it comes to increasing its customer service base it fell short of the 2014 targets. Matthies acknowledged that, but said the vague notion of increasing customers wasn't necessarily fitting with the goal of increasing

revenue.

So I guess I would . . . It's a bit confusing as to the correlation when it comes to the percentage because obviously you've increased revenues, having the non-potable water, which I'm assuming is for the potash industry, of 165 per cent versus 35 per cent for potable water, which I'm assuming is for the citizens. So the statement in the newspaper versus the percentages of where you've doubled your volume, and I'm assuming increased your profit, doesn't really connect for me. Could you explain that a bit, please?

Hon. Mr. Moe: — With regards to the signing up of new customers, in 2014 SaskWater did have a target of signing up three customers, but we did not sign any in that year. In the past four years, there's been 17 new contracts that have been signed and were included in this reporting. As we move forward, SaskWater is changing, I guess, the focus from signing up new customers that would be of all different revenue capabilities to looking at the revenue growth as they move forward, as well as a service to the industry and the investment related to not only existing customers but new customers as well. And they're going to measure those parameters as they move forward.

Mr. Belanger: — So those parameters that you've indicated in terms of the priorities, those are not the priorities overall when you look at the customer base that you've had because you obviously have industry ahead of the potable water customers, which I'm assuming are the everyday citizens. You're not really focusing all your energy on just meeting the industry's needs. Is that a fair statement to make? Because when you indicated your priorities, you indicated meeting industry's needs and then meeting potable water needs and so on and so forth. But I'm just trying to determine that that's not your sole focus, based on the priorities that you've listed.

Hon. Mr. Moe: — No, the priority wouldn't be one over the other. The priority would be to provide that safe and reliable water source that our customer requires in the appropriate volume that they require. That would be the priority of the Sask Water Corporation.

Mr. Belanger: — One of the parts of the reports . . . Again given the constraints of time here, I'll be very quick. SaskWater fell short of its own goals to increase its customer base. And what were some of the issues in reaching this goal? Like what were some of the challenges and obstacles, if you will?

Hon. Mr. Moe: — Yes, as it sits, I said we did not sign any agreements in 2014. These agreements take a number of years to come to fruition. There are new customers that we continue to work with on contractual agreements as we move forward. But we talked earlier about the volume of water that has been supplied and how that has increased on both sides of SaskWater's business. And the existing customers are becoming larger customers, if you will, and thus that's translating into the revenue growth that we see here with the SaskWater annual report.

Mr. Belanger: — The president and CEO [chief executive officer] of SaskWater outlined that it was aiming for a more targeted growth goal, and you explained a bit of that. Could you give me other information that would shed light on information

of some of these goals?

[19:15]

Hon. Mr. Moe: — Moving forward in the 2015 year, our identified targeted growth opportunities and our service offerings that Saskatchewan Water Corporation's looking at would be first of all the per cent investment in new growth, and we're looking for a 3.8 per cent increase projection in 2015 for that.

The per cent municipal revenue growth with potable waters, the target is a 6.7 per cent growth on potable water. The per cent municipal revenue growth with waste water, we're not looking for an increase on the waste water. And the per cent of industry served by SaskWater, looking for an increase of 36.4 per cent there.

Some of the infrastructure I guess requirements or initiatives that SaskWater is involved with to achieve some of these growth targets would be, a few examples would be the Zelma east water supply project in conjunction with BHP Billiton, the Echo regional waste water lagoon expansion, as well as the upgrades to White City. And there is one more, the SSEWSS, the improvements to the Saskatoon south east water supply system or the SSEWSS canal.

Mr. Belanger: — My final question is related to the North, the northern part of the province. Is SaskWater looking at any expansion of services or any potential partnerships? I know that La Ronge has had extensive discussion around water services. I'm not sure the extent that SaskWater may be involved, but could you elaborate on the La Ronge example if there is any participation, and as well, the other communities? I know there are a number of communities that have systems that are older systems. They're fairly old. And do you expect any anticipated increased activity with the northern municipalities? I use that phrase as it relates to services or partnerships or any kind of expenditure to deal with the growing infrastructure challenge in northern Saskatchewan.

Hon. Mr. Moe: — So with regards to the North, there are discussions with communities as you alluded and in the case of La Ronge, but with regards to other communities, I don't think there are any immediate plans in the near future to offer services to communities. In saying that, from our Prince Albert Saskatchewan Water Corporation offices, we provide ongoing technical advice to a number of different northern communities on an as-needed basis, quite frankly, as we have individuals in that office that are familiar with first of all the information that is required, and then the opportunities that may be available for northern communities through other organizations such as Government Relations or the federal government. And we continue to offer that out of our office in Prince Albert for not only information with regards to safe water supply but also waste water infrastructure requirements that may come into the future.

Also with regards to some of the training that is offered, SaskWater does some work on behalf of Aboriginal Affairs and Northern Development Canada to provide some operational training for operators in Saskatchewan First Nations across the province. I think just in 2014, SaskWater trained 70 water and

waste water operations that came from 29 First Nations across the province, and that continues. That's an active and continuing program with SaskWater as well. So although we're not looking at any communities in the immediate future, those discussions aren't present at the moment, there's a number of other things that SaskWater provides on the technical resource end to northern communities and any communities that may inquire.

Mr. Belanger: — Yes. I just again, I just want to clarify that if there's an opportunity for any northern Saskatchewan community, because I know many of them are looking at that particular challenge at this time, I just want to determine — not to put the words in your mouth, so to speak — but SaskWater services are available for technical, for advice, obviously for making the connect to the contractors and the designers or engineers that design the system. Would you consider them their one-stop shop in the event that they want to look at how they can improve their water services to their residents? And if so, there's obviously a charge for that.

I just want to clarify that that service is available right out of Prince Albert, and I want to make certain of that before I talk to a number of communities because a lot of them obviously seek advice of me on these fronts. And being a former mayor, they think, you know, there's a lot of history to some of the things we got done in our community, but a lot of times we just simply go see those that know what they're doing and, you know, they get 'er done, and it makes me look like I know what I'm doing half the time. So I always refer them to people that are in the know.

So I just want to make certain that before we send people out there that have questions of me as the MLA [Member of the Legislative Assembly] when it comes to waste water treatment or potable water supply or water and sewer expansion plans, that SaskWater is available in Prince Albert to provide them good services for a fee. And if that's so . . . I want you to correct me if I'm wrong and also to explain the fee structure, if you may.

Mr. Light: — Yes. In answer to your question, our office in Prince Albert provides project management services for northern Saskatchewan through funding that's provided by Government Relations. There is a water and waste water program in the North that they administer through funding from Government Relations, and so they work with Government Relations as well as the northern revenue-sharing trust account management board to provide support for the water and sewer program in the North. So our office is definitely involved with that, but it's done through that program.

Hon. Mr. Moe: — I will just mention to the member that if there are communities that do have questions, I will work with you on a case-by-case basis with whatever community it is.

Mr. Belanger: — Thank you.

The Chair: — Well due to our allotted time being up, we would like to adjourn the estimates for the Saskatchewan Water Corporation. Minister, do you have any closing comments?

Hon. Mr. Moe: — Just I'd like to thank yourself, Mr. Chair, as

well as committee members, for giving us the opportunity to provide some information here this evening.

The Chair: — Thank you. Mr. Belanger, do you have any closing comments?

Mr. Belanger: — No. I can appreciate that there was the coordination before and a lot of communities are taking advantage of that collaboration when it comes to the municipal service and northern revenue-sharing trust account managers. I think it's under a new title, NMTA or something of that sort.

But there are still communities out there that come along and ask basic questions of who would help them, and we would often refer them to New North or to SaskWater or to other mayors that know and keep in contact with some of these organizations and structures out there. So thanks for the information.

The Chair: — Well thank you, and we will have a very quick recess here to allow the officials to come in for our next meeting.

[The committee recessed for a period of time.]

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

Subvote (ST01)

The Chair: — Well good evening again. We will restart our committee. I'd like to welcome Rob Norris, a committee member who got here. This committee will start with examining the estimates, lending and investment activities for the Saskatchewan Telecommunications Holding Corporation. We'll begin the discussion with vote 153, Saskatchewan Telecommunications Holding Corporation, loans subvote (ST01).

I'd like to welcome the minister and ask for him to introduce his officials and any opening remarks.

Hon. Mr. Doherty: — Thank you, Mr. Chair, and thank you to committee members. Good evening. I'm joined here this evening on behalf of SaskTel with the president and CEO of SaskTel, Mr. Ron Styles, to my immediate left; the chief financial officer, Charlene Gavel, to my immediate right; Darcee MacFarlane, vice-president, corporate and government relations, seated behind me; along with my chief of staff, Tyler Lynch, seated behind me.

Mr. Chair, I know that through agreement, there's limited time this evening with respect to reviewing SaskTel, so I'm not going to spend any time on opening remarks. I think I'll just open it up for committee members to delve right into questions.

The Chair: — Well thank you, Minister. Ms. Sproule.

Ms. Sproule: — Well thank you very much, Mr. Minister. And I will delve right into questions.

Now we have a different way of doing the schedule of debt, but this year it looks like it's combined, and the plan for SaskPower . . . Let me find this year. Sorry. I'm doing SaskPower later tonight. Thank you. '15-16, here we are. I'm still having trouble locating the page I'm needing out of the Estimates. I believe what we're looking at this year is \$903 million of debt, public debt, is that correct?

Hon. Mr. Doherty: — Yes.

Ms. Sproule: — Okay. Maybe just to start off then, you could explain how that figure came to be, based on your, I guess your estimates for revenues, and how you intend to use that borrowing.

Mr. Styles: — 903 is actually the accumulated total of our debt over the past I guess probably 50 years. So it is what we've borrowed traditionally year by year by year. The actual borrowing for 2015-2016 is projected at \$82.8 million. That amount is there for a variety of different programs that we're going to have out there. In total our capital program will be somewhere over \$300 million.

[19:30]

Now as some examples of things that are in our capital program, we'll be doing \$45 million for fibre to the premise. So this is to bring fibre optics right up to people's homes and providing a lot more bandwidth, a lot more speed than we've been able to in the past. In addition we are putting a considerable amount of money into the wireless network, something in excess of \$40 million, and that will be largely to densify the network, modernize some of our core equipment. In addition, we are putting in a new wireless billing system this year. We're right in the midst of that in this particular month. That is going to cost us a bit of money as well in 2015 although most of it was capital out of 2014. We're also putting money into a data centre here in Regina in one of our buildings. We are rebuilding the first floor or part of the first floor at 1855 Lorne Street. And the new data centre has about 7,500 square feet of space and basically it's repurposing a building that in the past had been used for much larger equipment, larger switches, things like that.

We have some money going into our buildings, our assets, some money going into our fleet of vehicles. I believe this year we're purchasing, renewing I guess or repurchasing 60 new vehicles. Some of them are trucks, some are vans for our CSTs [customer service technician]. That's I think a fair breakdown of a number of the areas that we're putting money. But it is quite broad. There'd be some money going into some of our back end business and operating systems as well for upgrades, core capacity improvements, things like that. But it covers the majority of what we'll be doing in 2015-2016.

Ms. Sproule: — Thank you very much. So that's how the 303 million . . . Sorry I had the wrong figure before. Now 82 million of that is, it looks like, statutory appropriations. So where does the rest of the borrowing, if I understand correctly, where do you get the rest of the borrowing from?

Mr. Styles: — In the case of 2015-2016 really it's coming from two other sources. Our overall operations we do turn a profit

and we retain some of the cash in the corporation that is used. On top of it, we made a fairly large borrowing in late 2014 that we received from the Department of Finance in 2015, and we're still carrying a fair bit of cash from that particular borrowing as well. So there's really three sources. It'll be new borrowing. It'll be some of the borrowing we did in 2014-2015, and some of it is cash from our own operations.

Ms. Sproule: — Okay. Just on the fibre to the premise, I assume that's fibre to homes. That's what that means.

Mr. Styles: — That's right.

Ms. Sproule: — I know your copper system has aged and become replaced or is being replaced. What is the lifetime expectancy of the fibre system?

Mr. Styles: — Well if you were to look at it on the books, what we depreciate it, you know, depreciation life, it's set at 20 years. Our experience to date with fibre that we put in the ground back in the 1970s, for instance, is that it's still in good shape, still operates. You know, based on that, we would tell you we know for sure there's probably a 40-year life to it.

From a technology perspective, fibre really doesn't have a technological limit at this point in time. You can change out the electronics on both ends of the fibre and you can continue to increase speed. So the fibre that we're putting in now, the technology will get you up to about 260 megabits per second in an individual home, but we know that that same fibre can be used to get you up to 1 gigabyte per second and potentially further.

It's always a question of what our customers are demanding. Right now I think 260 megabits per second is probably as much as any residential customer is going to require, but its ability to be completely upgradable is part of why we're using fibre in this particular deployment. It is good for a very, very long time.

Ms. Sproule: — Okay. I think last year there was some discussion about the extending of the time period for the borrowing from 20 years to 45 years, and I think this was one of the examples, so I just wanted to understand what the life expectancy or whatever the correct word is for fibre. It sounds like that fits your extended borrowing plan or the extended time frame for your repayment, I guess.

In terms of the other technologies like wireless, I know you indicated you spent about 40 million on modernizing just the current system, which I think would be the 4G, if I'm correct, the 4G network, or maybe it's the LTE [long-term evolution]. I'm not sure which one you're working on right now. Do you see that kind of technology completely revolutionizing yet again? I mean that's turning over very quickly.

Mr. Styles: — If you're referring to our expenditures this year, most of it will probably be into LTE, although some will still go into 4G. Depending on where you are in the province, we still have not rolled out LTE into some of the rural areas or to the North, for instance. You need two carriers, and we're not in a position right now of having two different spectrum carriers to be able to manage some of that. So in some areas we're really reinforcing 4G. In other areas, the money is going into LTE.

In terms of turnover of technology, which is what I think you're referring to on the wireless side, we do continue to expect that you'll see new technologies brought to the market in the future. We're now working on something called voice over LTE or VoLTE. Rogers has recently introduced it in a very limited manner in parts of Ontario. It's something we're looking at and what it'll do is it'll move voice from being a true voice product to being a data product similar to what you do on Internet in, you know, today if you were using Skype. It's basically a set of data packets that you're moving. It's not true voice that you're moving.

So you know, there will be another type of technology introduced probably in 2017, is what we're expecting. There's another product for LTE called LTE Advanced as well, that is a faster product. It also allows for accumulation of different spectrum bands to be placed together and that is a development that'll make your spectrum a lot more efficient going forward. So we expect that to be a 2017 or 2018 product as well. And there's talks about something called 5G that will be many, many times faster as well.

So it is a technology that keeps changing. It doesn't seem to have reached a plateau at the present time. And I would expect in the next six, seven years, you'll continue to see new developments that'll make it more efficient, more effective. I don't believe it'll ever catch up really with fibre. You know, you're always going to need to have that kind of a base system in place to be able to pull your data from, you know, all over Saskatchewan, all over a major city, and bring it together to the core and move it across Canada.

Ms. Sproule: — You mentioned in late 2014 you had to do an additional appropriation through Finance, or I'm not sure of the terminology. Can you explain why that was needed at that time and why it's not all used up yet?

Mr. Styles: — In 2014 we knew we would need a certain amount of debt to be able to meet our capital needs. So that was well planned for. It was in the 2014-2015 year now for us. We operate on a calendar year basis. And so the borrowings, we worked through the Department of Finance to do the borrowings. And we borrow usually as part of a larger tranche of debts, so I think in that particular instance they went out for \$250 million. We took 70 million is my memory, Charlene, 70 million. We took \$70 million of the 250. The transaction was done in December but it wasn't passed by cabinet in terms of the portion of the debt coming over to SaskTel until January. So we ended up having the money in 2014, or pardon me, in 2015. No, 2014. I get my years . . . 2015 . . .

Hon. Mr. Doherty: — '14-15 fiscal.

Mr. Styles: — There we go. So we ended up having the money for that particular year. Now it was a bit more than we needed for the year, but the terms were very advantageous, you know, pretty close to 2.5 per cent, is my memory. And so we took advantage of the very low rates to make sure that we borrowed what we might need for a slightly longer period of time.

Last year for us, the 2014 fiscal year, was also a very positive year for us in that our capital expenditures were quite a bit under what we were originally projecting. The cost of buying

spectrum for us was quite a bit less than we had expected plus we were able to bring in some of our programs a little under budget plus we had a much better year from a net profitability perspective and an income perspective. All of that produced additional cash for us as well. So it's allowed us to be a little bit more flush with cash going into 2015 than maybe we'd expected, and therefore we're pushing off any borrowing really probably to the first quarter of 2016.

Ms. Sproule: — Sounds good. I'm just looking at your financial statement. And on your financial summary on page 43, there's an indication that other income has dropped quite a lot compared to 2013. I don't know what other years it would compare as, but what was the reason for such a significant drop in other income?

Ms. Gavel: — On page 43. I'm just going to see if I have the same number.

Ms. Sproule: — This is before, on the bottom of the page: "Other income decreased due to substantial completion of government-funded projects in 2013." If you could explain that.

Mr. Styles: — And so the sharp reduction was actually as a result of a federal program that we'd entered into I believe in 2012 — it goes back a few years — that was bringing fibre optics to First Nations reserves around Saskatchewan, and the federal government had contributed a fair bit of money to it. We actually completed the program essentially last year. I think there was a couple of reserves that carried it over to this year. And so you see the sharp drop in federal contributions.

Ms. Sproule: — Oh, okay. I think it's further referred to on page 80, deferred income. I guess note 17 in the financial statements.

Mr. Styles: — That's exactly it.

Ms. Sproule: — Oh, okay. So that ties in together. So does that mean that you still have that money to complete those programs, or are those basically, like it's not going to be finished? Or how does that work?

Mr. Styles: — There's two different sets of revenue that accrue to us. There is revenue that comes from the federal government that we take into income in the year it's received. And then there has been contributions from the province of Saskatchewan for specific projects and that is brought in and amortized over the period, over the life of the project. So there's two different streams and they're treated in two different ways according to IFRS [international financial reporting standards].

Ms. Sproule: — IFRS is?

Mr. Styles: — International financial reporting standards.

Ms. Sproule: — Okay. Thank you.

Mr. Styles: — The new standards that came into place in 2013 I believe.

Ms. Sproule: — Yes, I remember SaskPower officials speaking about that last year. Okay, thank you. Just another question on

the long-term debt. Most of the unsecured advances from the government are at a fairly low rate, but there's one that jumps out at 10 per cent due December 2020. Are you able to pay those off earlier and sort of keep the ones with the low interest rate for later?

Mr. Styles: — No, you can't.

Ms. Sproule: — They're scheduled?

Mr. Styles: — Yes. You can't early pay on a tranche of debt that's been obtained in the market. There are options to at times resell the debt into the market, but the Department of Finance figures out whether or not it is appropriate to turn it back and try to resell it to somebody else in the market. And I would take it that at this point they don't find that to be advantageous.

Ms. Sproule: — I think the Minister of Finance is shaking his head back there so . . .

Mr. Styles: — Does that mean he's agreeing?

Ms. Sproule: — I think he's agreeing with what you're saying, definitely. Yes. They say the advances are . . . This says they're unsecured advances from the province of Saskatchewan, but you referred to the market. What's the connection there if you're borrowing from the government?

Mr. Styles: — The government acts as a single entity when it comes to going to the market. It's a single credit rating that we operate on. So while SaskTel itself does have a credit rating, we operate underneath the provincial credit rating. And so the Government of Saskatchewan, through the Department of Finance, approaches the market to borrow and then the money is distributed to the various entities. So on a tranche of say \$250 million, we might get a portion of it. A portion might go to SaskPower, a portion to SaskWater. It would be cut up into several different pieces. They set up their borrowings based upon the needs of the various entities as well, so terms become a bit of an issue there. We have been looking for the longer term debt, as you pointed out, to try to match it up better with the life of our assets.

Ms. Sproule: — Okay. Just maybe a couple of comments on the debt ratio. I note that in 2013 it was 49.1. In 2014 it was 52.8. What do you anticipate it will be for 2015? And maybe you don't have those figures yet. And I guess that's a healthy debt ratio by all accounts. So do you feel it going it up? What's your sort of long-term plans for the debt ratio?

Mr. Styles: — I believe it will grow another percentage point or two, but we're hoping to keep it in around that 52 to 54 per cent. You know, now is a very good time to borrow, given the very low interest rates, and we're in a situation where we're really having to rebuild a lot of our infrastructure.

As you pointed out earlier, our copper system, some of it dates back to the 1950s. Our copper system is old, antiquated. It's had a lot of cuts over time which makes its reliability a little suspect from time to time. Our wireless network is again two brand new technologies in the last five years, and we're changing over a lot of other things as well at the same point in time. So those, you know, those are really the considerations in terms of our

long-term debt. And on a market perspective, you look at our competitors, it's about the same as a lot of our competitors. There's a couple of them that are much higher than we are, actually. If you were to look at Rogers, they're 70's someplace.

[19:45]

Ms. Sproule: — Okay. In terms of the copper, I'm just curious. How much of that . . . Like it's quite valuable in terms of a commodity, so are you able to recycle it and resell it? Are you pulling it out?

Mr. Styles: — So there's different sizes of copper. The copper lines that would serve your house in your local neighbourhood are much too small to make it of any value to try to pull it back out and sell it into the market. But we do have large copper lines that feed from our central distribution hubs out into various subdivisions or other locations in the province. Our intent will be, after we have shut down a lot more of the network — it's got a ways to go yet — we would start to pull those out. And we would sell those back into the market because, as you say, they have a certain value associated with them. So that is something that's in the back of our mind. It's probably a number of years out.

So even in areas where we've taken and put fibre into them, the copper lines that serve individuals not taking Internet or Max from us, they still serve to provide telephone service. And we have not moved people off of those at this point in time and don't intend to for a period of time as well. We think the natural turnover or transition of people in homes will take care of that over a period of time itself, and then we'll turn our attention to actually pulling out the lines and selling some of them.

Ms. Sproule: — All right. I guess we still have a few more minutes here. I'm just wondering about the current trend on land lines. Do you find . . . I know I got rid of my land line, but what are the anticipations or the trends that you see? Will land lines continue long into the future, or is that something that's going to disappear altogether?

Mr. Styles: — So we continue to lose land lines at quite a fast rate. Saskatchewan generally is behind most other areas in the country, so we've been a little slower to adopt some of the same trends. Last year, we lost about 26,000 land lines; so that's in the calendar year 2014. We expect we'll lose about the same in 2015 or maybe a little more; I think the number is 27,000. And that trend we think will continue for a number of years. We don't expect that land lines will continue to erode endlessly. We think at some point there is a bit of a plateau.

The technologies are changing in such a way that with something like fibre moving into people's homes, telephones, rather than being so much of a device as we think of them, will become an application. And so we even have technology today where your telephone number can be answered on your cell phone. It could be answered on your computer. It could be answered on your iPad, almost any device that you may have.

And so the definition of a telephone really is starting to change but, you know, I think you'll see some form of land lines still continue to exist in a lot of homes. There are a lot of advantages to it. Geolocation is a lot easier with a land-line site. I think

that's one of the advantages. Coverage can be a bit of a challenge in some areas, deep rural areas, as well. So I don't expect them to completely be replaced, but they're going to continue to decline, and it has a significant impact on our revenue over time as well. So it's one of those challenges we face and have faced for a number of years.

Ms. Sproule: — Yes. When you say 26,000 in 2014, what percentage of land lines does that reflect? Or at the time?

Mr. Styles: — That would be, just off the top of my head, I think around 6 per cent.

Ms. Sproule: — Okay.

Mr. Styles: — Okay. So it's, you know, it's a high enough rate from our perspective, but again we still are behind other parts of the country. We're nowhere near in terms of the number of land lines that have been cut. Or some of the households are cord nevers. They've never really had a land line. Some of the young people today just use their, essentially use their wireless phone for that purpose — never had a land line.

Ms. Sproule: — I guess then on to Internet. Could you share with the committee what percentage of homes in Saskatchewan have high-speed Internet and maybe break that down according to urban and rural, if you have those figures.

Mr. Styles: — So for the province in total, our number of Internet connections, these are land line Internet connections, is 120,643 as of the end of 2014. I don't have the breakdown between urban and rural, so my apologies. And that is just what SaskTel supplies. We do have competitors in the province, and I simply don't know their competitive numbers.

Ms. Sproule: — Okay, I know there was . . . I don't know the name of the program, but I think there was an effort to push high-speed out to smaller communities and rural communities. Is that still ongoing?

Mr. Styles: — It was a two-year program. Our minister of the day announced it, I believe it was in 2013 if I remember correctly, early 2013. It lasted for 2013 and 2014. We took DSL [digital subscriber line], a type of high-speed Internet out to another 54 communities. And I believe that we increased the speed to another . . . Sorry, I was wrong: 55 communities we took DSL out to, and 252 communities received increases in their speed from 5 megabytes per second as being their only choice to having the choice of 5 or 10 megabytes per second for download speeds.

Ms. Sproule: — Just one more question; I keep watching the clock here. Your statutory loans are 82 million. And I just wondered, how does your statute determine how much you get in terms of statutory loans? And how does that differ from your other borrowing? Is there a different interest rate? Like I think you said over 300 million is what you're borrowing this year.

Mr. Styles: — Capital program.

Ms. Sproule: — Capital program is the 303 million?

Mr. Styles: — That's right.

Ms. Sproule: — And the statutory borrowing, is that part of that 303 or is that over and above?

Mr. Styles: — No, it's part of. So the 303 reflects the types of projects or the value of the projects that we're going to undertake. They're all capital projects; they're all amortized over an extended period of time.

The 80 million is the amount of money that we need to borrow in the market or have the Department of Finance borrow in the market and extend to us to be able to fund those programs. Now there is in there a little bit of cash float as well, so you need to have enough cash to extend yourself from year to year. So the numbers don't match precisely, but rather it's a series of flows that you make sure match as close as possible. And you're also trying to consider market conditions, so you borrow more when markets are lower and you try not to borrow when markets go a little higher on you.

Ms. Sproule: — Okay, so as you explained earlier then, that 303 represents your capital investment?

Mr. Styles: — That's right.

Ms. Sproule: — But you use your profit. This statutory loan, as well as I guess you had some left over from the financing from last year.

Mr. Styles: — Absolutely, what your carry forward is and your cash from operations.

Ms. Sproule: — Your previous financial year, but this fiscal year for the government. All right, so that 82.8 million isn't fixed in the statute anywhere. It's just an amount your corporation determines you need, and then you apply to the government saying that's what we want to borrow at this interest rate for this year.

Mr. Styles: — That's exactly it. So we put forward a business plan to CIC [Crown Investments Corporation of Saskatchewan] that is approved by the CIC board. My minister is a member of that board. They will approve our business plan. It has a certain requirement for us to borrow, they approve the borrowing. We then advance that to the Department of Finance so they're aware of it. They come up with a borrowing strategy that, it's for the entire province, but that we're part and parcel of that.

Ms. Sproule: — All right. Well, I think at this point I would just like to say thank you to the officials, particularly Ms. Gavel. I think that's your first year sitting in this chair, so welcome. And thanks to the minister and his officials for their helpful answers and forthright answers tonight.

The Chair: — Mr. Belanger, do you have any questions?

Mr. Belanger: — Not even a Montreal Canadiens question.

Hon. Mr. Doherty: — Well, Mr. Chair, thank you to Ms. Sproule for the thoughtful questions, committee members, and particularly to Mr. Styles, Ms. Gavel, and Ms. MacFarlane, the officials for helping us out this evening.

The Chair: — Thank you, Minister. We will now take a short

recess while we change officials for the next meeting.

[The committee recessed for a period of time.]

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

Subvote (SE01)

The Chair: — Next the committee will examine the estimates for lending and investing activities for SaskEnergy Incorporated. I'd like to welcome Danielle Chartier to the meeting here tonight. We will begin the discussion with vote 150, SaskEnergy Incorporated, loans, subvote (SE01). I'd like to welcome the minister and ask him for any opening remarks and to introduce his officials please.

[20:00]

Hon. Mr. Reiter: — Thank you, Mr. Chair. I will introduce the officials with me. Then I have just some very brief opening remarks and we can get right to the questions. With me tonight: president and CEO of SaskEnergy, Doug Kelln; Christine Short who is the vice-president of finance and the chief financial officer. And also behind us I have my chief of staff, Angela Currie.

As I mentioned, I have some very brief opening remarks, and we can get right to it. SaskEnergy funds are capital projects through a combination of cash from operations and short- and long-term borrowings through the province. SaskEnergy's vote 150 represents the forecasted net borrowing required by the corporation during the year. This debt is to fund capital expenditures and incremental working capital requirements as well as for the repayment of \$50 million in maturing long-term debt. The balance will be funded through short-term borrowing.

SaskEnergy's capital spending budget for 2015 is \$257 million. These expenditures provide for customer connections, system improvements and expansions, as well as safety and system integrity projects. With that, Mr. Chair, we'd be happy to answer any questions.

The Chair: — Thank you. Ms. Chartier.

Ms. Chartier: — Thank you, Mr. Chair. And, Mr. Minister, and to your officials today, welcome. I just want to start with some questions here tied to borrowing, coming from expenditures that would have happened last year. I understand that there were some service lines in Saskatoon that had been installed and had leaked, and I'm wondering how many in total last year were installed and how many leaks were found.

Hon. Mr. Reiter: — There would have been several hundred connections in the subdivision you're referring to, and the officials tell me that there was 13 that were an issue they found and were rectified.

Ms. Chartier: — Thank you. So 13 leaks. Do you have like a total number? I had heard 183 connections. Is that correct? Does that sound . . .

Hon. Mr. Reiter: — You know, without being that specific, it sounds like that's in the ballpark.

Ms. Chartier: — Okay. There were 13 leaks. How many of these 183, roughly how many of those had to be replaced?

Hon. Mr. Reiter: — That would be the 13 leaks that were found and rectified.

Ms. Chartier: — The 13 leaks were found and rectified, but I'm under the understanding that there were some issues with the installs. Of those 183, I've been told that those were all replaced because there were concerns about not just the 13 leaks.

Hon. Mr. Reiter: — We're under the impression it was the 13 that we had referenced first, but officials aren't 100 per cent sure right now. So if we could, we'll get them to check, and we'll do a follow-up with you.

Ms. Chartier: — I've seen a letter actually that states, that went to homeowners that said there were no problems with your install or no problems found with your install, but there was work being redone. Those would be on homes where there weren't in fact leaks, but some of that work was redone, if you could get that number back to the committee.

Hon. Mr. Reiter: — We will look into that, get our officials, and then we'll certainly notify you.

Ms. Chartier: — Okay so just to clarify the question of those 183 or whatever the total was, how many of those 183 had to be redone? Do you know the total cost that was incurred for redoing these?

Hon. Mr. Reiter: — I'll get our president and CEO, Mr. Doug Kelln, to answer that, please.

Mr. Kelln: — The work was done with a contractor. With the provisions of the contract, we required the contractor to redo that work, and that work was done under the inspection of SaskEnergy.

Ms. Chartier: — So the contractor went . . . So there was no cost to SaskEnergy — just to clarify — to have that work redone?

Mr. Kelln: — We provided inspection services during the redoing, but we inspect whenever there's activity around our infrastructure, so there was not specific costs related to the actual redoing of the work.

Ms. Chartier: — Okay. But there would have been a first inspection, and then when the work was redone, SaskEnergy employees would have done a second inspection, and so a marginal cost but a cost nonetheless to send out an inspector a second time.

Mr. Kelln: — We actually do inspections of existing infrastructure when any third party's working around our infrastructure. So it fits within the policy that when infrastructure's being worked on, we will observe the work and inspect it.

Ms. Chartier: — Okay. Thank you. In terms of . . . I've been led to believe that it wasn't the same contractor that redid the work, that it was in fact another contractor. Is that the case?

Mr. Kelln: — My understanding was that it was the same contractor that redid the work.

Ms. Chartier: — Okay. In terms of . . . I'm receiving some conflicting information here, so it would be great if you could respond to the committee with some of those other details. Can you tell me how many installs on average your own employees do in a day?

Mr. Kelln: — Well I can tell you that last year we did 7,332 new service connections across the province. A portion of those are done with SaskEnergy employees, and a portion is done by contractors.

Ms. Chartier: — Okay. In terms of your own employees though, do you track how many in a day that your own employees can do on average?

Mr. Kelln: — I don't have that number in front of me. We do track, from a productivity point of view, the work that our employees do versus what we can access on a contract basis.

Ms. Chartier: — Okay. So you do have those numbers. Would it be possible to provide those numbers to the committee as well?

Mr. Kelln: — Certainly we can provide those to the committee.

Ms. Chartier: — Okay. So in terms of the contractor who did the installs where there were the 13 leaks, does that contractor still have work with SaskEnergy?

Mr. Kelln: — Well there's an annual procurement process that's gone through. Whenever there is an issue, and there are at times issues with SaskEnergy employees putting in infrastructure, we look for a root cause. In this case it was a piece of machinery that wasn't functioning properly.

Ms. Chartier: — Can you tell me when the issue was first brought to light around the 13 leaks, sort of the timeline when you first discovered that some of these 183 installs were in fact leaking?

Mr. Kelln: — I don't know the exact period of time. That's something we can provide to you.

Ms. Chartier: — Okay. And in terms of an investigation, can you tell me what you embarked upon in terms of the investigation? Who did the investigation? How long did it take? Those kind of details.

Mr. Kelln: — It follows a quality of assurance that we will do. If we find that there's a potential issue, we will excavate different locations to look. And it's really, in this case, around the fusing of the pipe. This is polyethylene pipe that is connected together by really melting the pipe together, and that piece of equipment was not working properly.

Ms. Chartier: — So you said quality assurance. Who did the

investigation in SaskEnergy? Inspectors? I just want to make sure I understand the investigation process a little bit better.

Mr. Kelln: — It'll depend on the situation. Again we can provide you very detailed specifics of this particular spot. We will investigate it ourselves but, if need be, if there's a need of a third party, we will access third parties to provide us that opinion as well.

Ms. Chartier: — And with this particular contractor and with these particular installs, who did the investigation?

Mr. Kelln: — I know SaskEnergy directly was involved. I would again, in the details, see if we had a third party assist us.

Ms. Chartier: — If you could get that to the committee too, that would be great. So you're not quite sure of the timeline when this was first brought to light?

Mr. Kelln: — It was in a short period from where the install occurred till we identified there was an issue and then had it resolved.

Ms. Chartier: — Was it customers who brought the issue forward, or was it SaskEnergy employees? How did the issue . . . So I know you'll get us the timeline. But in terms of how the issue came to light, was it through inspection or was it through people reporting natural gas smells?

Mr. Kelln: — Well my understanding is, the first situation that started this review was a leak was identified. It was a small leak because again the fusing that occurs did not completely connect the one pipe to the other. That became an identified issue. We would flag that because it's a new installation. There would not be a logic reason for that and either could it be a material situation: do we have the pipe material, actually having an issue with it? Are the fittings that the pipe connects to, is there an issue there, or is there an issue with the fusion?

So my understanding was, we maybe have found another leak. We then went, and went looking with very sensitive equipment to see if there was any other potential very, very small issues with these fittings or with the fusion.

You know, the instruments that we can read, just so you have a feel, is that instruments will pick up a very, very small leak in 50 parts per million. The leak does not become an issue until it's at 10,000 parts per million. So it's just a very, very small situation, but it's something you want to deal with because we want that infrastructure around for a long, long time.

From time to time, this kind of equipment, although rare, SaskEnergy uses similar kind of equipment. SaskEnergy employees, if we identify an issue, we will rectify it related to work that we've done as well.

Ms. Chartier: — So obviously you want the infrastructure around for a long time, but it's also about safety and well-being of and preventing gas leaks and subsequent explosions.

Did SaskEnergy employees flag any of these concerns with this particular contractor? Do you have a record of any of those concerns that had been flagged, not just up to you but along

the way?

[20:15]

Mr. Kelln: — We do conduct performance assessments of contractors that do work for us just as we do with SaskEnergy employee crews that do work as well. So you know, my understanding is that contractor . . . This was a particular piece of equipment that had a functioning problem with it that was found. We do have dates that may help your earlier questions, that the faulty equipment occurred between the installation that occurred between August 1st and 26th of 2015. And there were 119 services replaced with the cost borne by the contractor.

Ms. Chartier: — And just to clarify then, it was the same contractor who reinstalled?

Mr. Kelln: — That's correct.

Ms. Chartier: — Okay, back to that question though just of a minute ago. Did SaskEnergy employees, again not just to you but up the chain, flag any concerns either about the number of installs being done in a day or the depth at which the installs were happening?

Mr. Kelln: — I can tell you that I rely on the construction superintendents that manage the work, both from a SaskEnergy employee point of view and contractors, around our quality assurance of what's being installed. And that's an ongoing process.

Ms. Chartier: — But back to the question. Did anybody flag for you those concerns particularly around depth of install or the number of installs that were happening in that period of time?

Hon. Mr. Reiter: — You know, you have some sort of very specific and detailed questions and I think, you know, we had committed to we'll provide as much detail as possible as we can to you in the answer. But as far as some of those, I think we're going to have to give officials a little bit of time to review it and we'll get back to you.

Ms. Chartier: — Thank you, Mr. Minister. Although really I don't even need . . . I mean details are good, and it is, but it is actually a very general question, well a very . . . yes or no, if SaskEnergy employees had flagged early on that there were problems with either depth of install or number of installs. So it would be good to have the details around when that happened and how many times people were flagging this as a concern, but I think the simple question is, was that a yes or a no?

Hon. Mr. Reiter: — Our officials will check, and we'll provide you with an answer to that.

Ms. Chartier: — Okay, thank you. Just in terms of numbers, talking to both, to people who work in this business, I've been told that you can safely install about five to six or do five to six installs in a day. Does that sound about right?

Mr. Kelln: — It's very dependent on the crew configuration and that type of thing. It can be more or, depending on if you have just a very low-resource crew, it can be less.

Ms. Chartier: — This number was coming from a few different sources actually that had maintained that five to six installs. Can you tell me what an average crew would look like? How many people would be on an average crew then?

Mr. Kelln: — Depending on the configuration, we run with three-, four-, or five-person crews depending on again the quickness of what you want to get done, whether you have steel mains or polyethylene mains. Depending on . . . If you think of some new subdivisions, the service is much shorter than other subdivisions. So it's really dependent on a number of factors.

Ms. Chartier: — In terms of getting those numbers though of SaskEnergy employees, the number of installs versus how many this particular contractor . . . I've been told that this particular contractor was averaging 183 services in three weeks at about 8.7 a day. So just when you report to the committee again, I'm interested in the average number of installs SaskEnergy employees do versus this particular contractor.

In terms of procurement, you'd just said . . . I'd asked you the question about whether or not this company has current contracts. Are you in the process of awarding contracts right now?

Mr. Kelln: — When we go into the peak season of work we always will ramp up with some contractor capacity, so we're in that process right now.

Ms. Chartier: — Okay. So but right now, no contracts? This particular company, does it still have . . .

Mr. Kelln: — Again we have . . . This contractor has provided us with work in the past and we had an equipment issue related to this, but we viewed that it was an equipment issue that was the problem.

Ms. Chartier: — Okay. And again just to reiterate that around the investigation would be great . . . I would really appreciate having details of the . . . some detail around what, who did the investigation, how long it took, and who was involved.

In terms, just as a layperson who doesn't know a whole lot about installations, I've been told legally installed have to be 18 inches deep. Is that correct?

Mr. Kelln: — That would be correct, in that range.

Ms. Chartier: — In that range? I was told by law that it has to be 18 inches.

Mr. Kelln: — Well again, 18 inches to what grade? It has to be 18 inches to final grade so you . . . When the installations are going in, you may have a little less depth but you . . . to final grade is what you're looking for.

Ms. Chartier: — Would it be then a problem if an install was only much less than that, 5 or 6 inches deep? Would you consider 6 inches deep a problem? Like would that be something that SaskEnergy employees or others would flag for you?

Mr. Kelln: — Yes it would, and we've had cases where . . .

Again, it's usually where you have things not at grade where that occurs. If we identify it, we get it put down to the level that it should be.

Ms. Chartier: — Was that flagged for you with respect to this particular contractor?

Mr. Kelln: — Again, we'll provide you the details.

Ms. Chartier: — Okay. Okay. I just, I know this committee sits tomorrow again, but I'm wondering what your timeline is in terms of thinking that you'll be able to gather that information.

Hon. Mr. Reiter: — I'm not sure about this committee's schedule, but we're not appearing in front of the committee tomorrow anyway. So we'll endeavour to get it to you in writing as soon as possible, but we need the officials to be able to talk to other officials at SaskEnergy. We'll do it as timely as we can, but I can't give you a timeline right now.

Ms. Chartier: — A ballpark?

Hon. Mr. Reiter: — As soon as we possibly can.

Ms. Chartier: — Okay. I'm just looking at . . . I know that you have all this information pulled together as I've got an FOI [freedom of information] here that's mostly redacted. So I'd be interested . . . I know much of this information is already pulled together, so I'd be very appreciative if it could be in as timely a fashion as possible.

Hon. Mr. Reiter: — As I mentioned, it will be as timely as possible.

Ms. Chartier: — Okay. Well thank you for that. I will pass this off to my colleague. Thank you for your time.

Mr. Belanger: — Yes, thank you very much. And thank you to my colleague for the questions around the matter as it relates to SaskEnergy and some of the challenges that you've had at the Regina Beach area.

I noticed that the capital costs that, indicated from the last go-round, that were about approximately \$4 million as was indicated here. That \$4 million, did you have a cost breakdown as to the particulars of that project? And when I say particulars I'm talking about, again in laymen's terms, how many kilometres of line, gas line are we speaking about? Was there extra costs incurred because of contractor issues? The home connections, what did that cost? What did the homeowner have to pay? That kind of information, because the \$4 million price tag hasn't been broken down. If you can break that down for us, I'd appreciate that information.

Hon. Mr. Reiter: — Sorry, can I just clarify? So you're talking about in what areas specifically?

Mr. Belanger: — The Regina Beach area.

Hon. Mr. Reiter: — Just Regina Beach?

Mr. Belanger: — Yes.

Mr. Kelln: — The \$4 million relates to Regina Beach, Saskatchewan Beach, and Last Mountain Lake communities. So it was inclusive of doing geotechnical work for all the communities along Last Mountain Lake that potentially had ground movement issues. So it includes all three.

The majority of the work did occur at Regina Beach and involved creating the ability for our pipeline system to be able to move to a certain extent. So what we did was we targeted 35 different locations where we had interconnecting mains. So we had the main pipelines in the streets interconnecting and we needed to make them so that they could adjust to ground movement. So we created slack loops, which if you think of it, we put in flexible pipe that has the ability to move up to about 12 inches and in either direction so you needed to create it. A lot of them needed to be buried because they're under the street, so we put a bentonite clay layer around these loops so that they can move freely. The second step we did was we added measurement on these pipes so we could tell if, on a daily basis, if the movement was occurring. That's something that is a bit of an industry leading practice but we implemented that as well.

So we went through the 35 locations and did that. We inspected, in addition to that, about 350 services. So those are the small lines that go from the main to the homes, and if they needed some upgrading because some movement had already occurred, we then upgraded those as well.

Within Saskatchewan Beach, we had 17 locations that we did the similar thing.

Mr. Belanger: — And your experience, it has obviously been with SaskEnergy for a long time. Just a question in terms of what type of soil or sand is best suited for the least movement for your natural gas pipelines for homeowners, for business as well. So as you look and determine the cost factor for providing natural gas service to any location, you would obviously do a study on the type of soil. So is sand better? Is clay better? Is rock more stable? I guess that's the basic information I'd like from you as to what is the best source of stability when it comes to putting in our lines.

Mr. Kelln: — Well we really found it's around the valley areas, and in the case of Regina Beach and Saskatchewan Beach, it was really the significant amount of moisture that occurred in the August time frame where they got approximately eight inches of rain in 10 days and that created, probably would create . . . The soil does have a clay sort of sand mixture but it created that movement that's occurring. Again there was movement that occurred in Regina Beach in the early '80s but really hasn't done a lot since then, and it's really more dependent not on soil type but really the moisture content.

Mr. Belanger: — Thank you.

The Chair: — Our allotted time now being up, I would like to thank everybody. Mr. Minister, do you have any closing remarks?

Hon. Mr. Reiter: — Yes, Mr. Chair. Thank you. I'd like to thank you and committee members and the opposition for their questions and I'd also like to thank the SaskEnergy officials for being here tonight. Thank you very much.

The Chair: — Thank you. Mr. Belanger, do you have any closing comments?

Mr. Belanger: — No, I just know that some of the information requested by my colleague from Saskatoon would be very much appreciated in a timely fashion. We need that information as quick as we can. Thank you.

[20:30]

The Chair: — Well thank you. And we will have a short recess while the next committee sets up.

[The committee recessed for a period of time.]

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

Subvote (PW01)

The Chair: — Well as we continue on our committee meeting, this will be the last one for this evening. We'll examine the estimates, the lending and investing activities for Saskatchewan Power Corporation. We'll begin the discussion with vote 152, Saskatchewan Power Corporation's loan, subvote (PW01). I'd like to welcome the minister and ask him for opening remarks and to introduce his officials.

Hon. Mr. Boyd: — Yes. Good evening, Mr. Chair, committee members. This evening I'm joined by Mike Marsh, on my right, SaskPower president and CEO; Sandeep Kalra, chief financial officer, on my left; and over my right shoulder, Troy King, senior director of corporate planning and controller.

On behalf of SaskPower I'm happy to discuss the corporation's financial highlights today. More people than ever call Saskatchewan home. With this increase in population comes the need for more power. There were 11,000 new SaskPower customers in 2014, and demand has risen nearly 10 per cent in only two years.

SaskPower's need to rebuild aging infrastructure continues, and at the same time investments must be made to accommodate growth. Our province is focusing on investing in infrastructure to keep the province strong. That includes our electrical grid.

Those necessary and fundamental investments do have an impact on SaskPower's annual income. In 2014 SaskPower had an operating income of \$43 million, compared to 167 million in 2013. The lower income is primarily due to finance charges, depreciation, and capital-related expenses, which will continue to make up a significant portion of SaskPower's costs well into the future.

These investments in 2014 included \$409 million to upgrade power stations; 353 million to upgrade poles, lines, and other transmission and distribution facilities; and \$230 million to connect customers to the grid. In 2014 SaskPower spent nearly 1.3 billion on capital investment, and plans to spend about \$1 billion annually for the long term.

In 2015 SaskPower expects to make \$1.2 billion in capital investment. This will include \$655 million to improve and expand transmission and distribution infrastructure, which includes a I1K transmission line in the North and connecting new customers to the grid. Nearly \$270 million will be used to maintain and expand the generational fleet.

Major projects under way in 2015 include the following. Construction of the carbon capture test facility at Shand power station will be completed. This facility, expected to launch this spring, will provide technology developers worldwide the chance to test new and emerging carbon capture systems. Work continues on the 205-megawatt expansion at the Queen Elizabeth power station near Saskatoon, which will add needed capacity to the grid and support growth in that area. The transmission line project known as I1K continues. This line will run from Island Falls to Key Lake to serve industry and improve reliability in our province's North.

SaskPower will continue to invest in the strength of our province in order to provide a reliable, affordable, and sustainable product to the people of Saskatchewan. Mr. Chair, with these comments, we'll be happy to take committee members' questions. Thank you.

The Chair: — Thank you, Minister. Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. And thank you, Mr. Minister, for that fairly detailed introduction. I guess to start off, just looking at overall debt totals for the corporation, just took a look back to the 2011 report up to this year's anticipated debt totals, and we were looking at I think 3.4 billion back in 2011 was the total debt, and now it's looking more like 5.5 billion.

What are your anticipation . . . I mean that's a significant amount of debt within five years of total debt. Do you anticipate this debt will continue to go up in the next few years, or when is it going to level off? And sort of where do you expect it to start dropping, and what the trend looks like?

Hon. Mr. Boyd: — Well in a general sense, I would certainly say that SaskPower has a very, very significant job ahead of it in terms of continuing to replace infrastructure, very needed infrastructure in Saskatchewan. Many of the facilities are old. We have a very, very old electrical grid throughout our province that hasn't had much investment at least prior to our administration. And as a result of that, we will continue to see a significant need on behalf of SaskPower to continue to replace infrastructure going forward. So I would say that in general terms the level of investment will continue for a number of years going forward and that will of course impact upon the debt of the corporation.

This is a self-sustaining debt. This is debt, of course, that the corporation would be recovering through rates that they charge customers throughout Saskatchewan. So it's I think necessary in terms of continuing to build out the infrastructure that has been neglected over the last number of years, significant areas that have been neglected with respect to that.

And also SaskPower is challenged by the fact that there is significant growth in Saskatchewan as well, and we see more

and more demand coming on, more and more power being used in Saskatchewan, more people, more connects, all of those kinds of things here in our province, which results in increased demand on the utility.

Ms. Sproule: — Thank you for that explanation, Mr. Minister. I'm just wondering if you could share with the committee what you anticipate the projection for debt will be in the next few years, whether 5.5 billion is the peak of the debt, or where do you anticipate it will increase to. And when will that trend start declining?

Mr. Kalra: — Ms. Sproule, what we have is the projection of debt in absolute dollar terms. The debt would grow to about \$10 billion at the end of 10 years, but what we need to kind of keep in mind, it's not the absolute dollar debt which is important; it's the debt ratio. Because as we invest in the business, as the size of the balance sheet grows, our debt ratio, our limit right now is 60 to 75 per cent. And we would be close to that 75 per cent ratio over the next few years. And by 2023-2024 that ratio is expected to come down to the low 70's, around 72 per cent.

So we would be able to make this investment and, as the minister said, it will be self-sustaining. We would be paying off that debt through the revenues collected from our . . . [inaudible] . . . customers over time.

Ms. Sproule: — In terms of the assets where you establish that ratio, certainly they would be depreciating at the same time though as well, would they not?

Mr. Kalra: — That's right. So the assets would be depreciating. We would be adding more assets. So this is the net, net ratio which takes into account paying down of the debt but at the same time assets are also depreciating.

Ms. Sproule: — I'm just looking back to one of your comments in 2012 when we had the same committee and there you were suggesting . . . I'm just going to look at . . . Oh yes, it's on page 88 of April 26, 2012. At that time your 10-year projection, you were looking at your ratio being between 60 to 75 per cent. I think this year you're projecting it to be at 73 per cent so it's . . .

Mr. Kalra: — That's right. So it would be 73 right now and I think in the next couple of years it will be close to that 75 per cent number, 75, 76. And by 2023-24 we expect that ratio to be once again within our long-term target, which is 60 to 75 per cent.

Ms. Sproule: — Okay. In terms of financing this debt, what sort of needs do you see in terms of rate increases in this fiscal year or in this calendar year? And do you have any sort of plans for rate increases to deal with managing the debt as well over the 10-year period?

[20:45]

Hon. Mr. Boyd: — Well any additional rates of course, any would have to go before the rate review panel, as you would know. At this point in time, there is no application before the rate review panel. We are working with the officials around discussions about potential rate increases in the future, but

there's been no decisions taken with respect to that at this time.

Ms. Sproule: — In terms of the 10-year projection that you referred to earlier, is there rate increases worked, calculated as part of that 10-year projection?

Hon. Mr. Boyd: — Well there is always rate increases in . . . I mean all of those things are a part of taking a look at those debt ratios and things of that nature, so there would be the potential for rate increases. But of course any kind of rate increases would have to go before the review panel. And a decision would be made by them, a recommendation to the government, and the government would make the final decisions around that.

Ms. Sproule: — Yes, I certainly understand that all of these rates are subject to review by the panel. But certainly in terms of the projections that SaskPower is making right now, what sort of rate increases will be required to sustain that debt ratio?

Hon. Mr. Boyd: — Well some of that is conjecture, frankly. We would always have to have that adjudicated through the rate review panel to make any kind of decisions about that.

Ms. Sproule: — I understand it's conjecture because it's a ten-year projection, but you have conjectured the type of debt ratio that you'll be anticipating, so certainly rate increases are part of that. You indicated that in your opening comments. I'm just wondering what your 10-year projection would be in relation to rate reviews, what kind of increase in rates you would need to sustain that debt ratio.

Hon. Mr. Boyd: — It would range approximately from 2.2 per cent perhaps to as high as 5.

Ms. Sproule: — And is that annual or total over the 10-year?

Hon. Mr. Boyd: — Those would be annual projections.

Ms. Sproule: — Okay. Thank you very much. Further on in 2012 we talked a little bit about large industrial users, and I know they also have long-term plans and they have plans for consumption of power. I'm just sort of wondering how that fits into your 10-year projections. So who are these large industrial users, maybe by industry but also maybe by, even by name? How many would there be that would fit into the category of large industrial users? And then I have a couple more questions after that.

Mr. Marsh: — The large industrial users for SaskPower include the major pipeline companies: Enbridge, TransCanada; the potash mines: Mosaic, PCS [Potash Corporation of Saskatchewan], soon to be K+S. Some of the larger oil fields as well are included in our industrial load as well.

I don't have the actual number of power customers with me today. That varies slightly. But the gigawatt hours from our power customers is . . . It probably amounts to about, in 2015, probably about 40 per cent of our energy produced in the province goes towards our industrial customers.

Ms. Sproule: — So I think you said there was 11,000 new connects in the past year. I'd just like to get a sense in terms of what the new residential connects are, what portion of that is in

relation to the large industrial users. Would there be . . . I guess you could do residential vis-à-vis large industrial.

Mr. Marsh: — Yes, the large industrials are measured in the 10s. We have 460,000 residential, farm, rural customers. So that 11,000 includes customers connected on our distribution system, and that would be residential, farm, rural, and possibly some oil field.

Ms. Sproule: — So in terms of the increase in actual power usage, those 11,000 connects, what sort of gigawatts would that reflect? How many more gigawatts would they require?

Mr. Marsh: — We don't have that number with us today, but it would be kind of an average number that would be consumed by a residential customer.

Ms. Sproule: — What's the total residential customers you have right now? I think you just gave me that.

Mr. Marsh: — Yes. Out of a total of 511,941 customers at the end of 2014, 373,109 are listed as residential. We have 102 listed as the power-class or industrial-class customers.

Ms. Sproule: — 102 customers.

Mr. Marsh: — Yes.

Ms. Sproule: — Not 102,000.

Mr. Marsh: — No, 102.

Ms. Sproule: — So where's the other . . . like if you have 373,000 residential and 511,000 total . . .

Mr. Marsh: — We have farm, commercial, and oil field accounts. So farm is 59,792.

Ms. Sproule: — I guess . . . Sorry, I know all those numbers are probably in your financial statement. I'm just wondering in terms of the . . . I think the minister indicated there was a 10 per cent increase in the use of power in the last year and . . .

Hon. Mr. Boyd: — That's in the last two years.

Ms. Sproule: — In the last two years? Two years. So let's say it averages out to five last year. Those 11,000 new hookups, residential hookups, what percentage of that 5 per cent increase would they reflect?

Mr. Marsh: — We had an increase on the residential farm, commercial side. I'm just ballparking some numbers here. We had an increase of 40, 50, about 40 . . . We don't have it broken out this way. We've got five different categories. We can calculate that number for you and get it back to you.

Ms. Sproule: — Thank you very much. And by the way I should say welcome to Mr. Marsh for the new job that you're occupying. We had a different CEO last year, so thank you for being here today.

Of those 102 large users, how many gigawatts did they use last year? You said gigawatt hours about . . .

Mr. Marsh: — In 2014 the power class customers consumed 8179 gigawatt hours of energy.

Ms. Sproule: — Gigawatt hours. Okay, thank you. Another discussion we had a few years ago was about demand-side management. And the projection, I think that was given by Mr. Watson in 2012 for demand-side management, was that the target was 100 million megawatts, and at that time I think was around 27 megawatts that you had achieved. I'm just wondering, the minister said that the goal was to hit 100 megawatts by 2017. I'm just wondering where you're at on that target?

Mr. Marsh: — As of today, we're at 90 megawatts of that amount.

Ms. Sproule: — So you're definitely on target to meet it by 2017.

Mr. Marsh: — By 2017, two more years, yes.

Ms. Sproule: — And do you have any further plans for that or are you going to revisit it in 2017?

Mr. Marsh: — We're always revisiting our programs each and every year. If there's an opportunity to move that forward, we'll certainly have a very close look at that.

Ms. Sproule: — And can you tell the committee how you've achieved those 90 megawatts?

Mr. Marsh: — Most of the energy that has been saved through the DSM [demand-side management] program has been a result of various programs that we've had. We've distributed lights, for example, to residential customers in the province. We've had a fridge-return program which takes energy-consuming fridges out of the system. We have provided energy conservation consulting services to some of our customers. And through a combination of those, we've been able to achieve this over time.

Ms. Sproule: — Are any of those programs wound up? And which ones are still operating?

Mr. Marsh: — To my knowledge, they're all still operating. Each and every year we undertake a certain amount of work in each of those areas.

Ms. Sproule: — So okay. I thought some of them had wound up. That could be energy Canada's programs.

In terms of the distributing of lights, I know . . . And, Mr. Minister, I sent a letter to your office recently about commercial lights and an incentive there. And I confess I don't have the details of the issue in front of me, but there was a company in Saskatoon who had energy-efficient lights, but they somehow didn't meet the requirements. Will there be another look taken at those types of lights? Because they were energy efficient, but they didn't quite fit within the program. So I'm just wondering if you have any thoughts about revisiting the requirements in that particular program.

Mr. Marsh: — With respect to lighting and lighting products,

there's a number of manufacturers that produce those type of fixtures, mostly LED [light-emitting diode] now, and various types of LED fixtures. We look at those. We look at how they can be applied into the electric system, not only for residential use but also for street light use, for example. We can move to more energy-efficient products as the years go by.

Ms. Sproule: — Yes, this was in a commercial context. They grow greens, microgreens, I think it is.

Mr. Marsh: — Okay.

Ms. Sproule: — And whatever LED lights they used hadn't yet been approved by your incentive program.

Mr. Marsh: — Okay. I'm not familiar with that but we can certainly look into that and . . . [inaudible].

Ms. Sproule: — Yes, it was just last week that we sent the letter. So we can definitely follow up with you by letter; I just wondered if you'd seen it yet.

Okay. There was a discussion back in 2012 as well about the cost per kilowatt hour on the CCS [carbon capture and storage] project, the Boundary dam 3. And at that time I think the anticipation was that the cost per kilowatt on that project was 12 cents a kilowatt hour. Does that ring any bells and, if so, is it still at that rate? I think Mr. Watson said it would be anywhere between 12 to 15 cents a kilowatt. So how is that turning out here three years later?

Mr. Marsh: — The information I have in 2010, about 12 cents a kilowatt hour. Currently we're at about 13 cents a kilowatt hour. But we are, you know, as we ramp up production on this facility, we'll have more operating data over the next few months. Right now we've got about six months of operating data.

Ms. Sproule: — Okay. Thank you. Moving on just to some of the previous *Hansards*, in 2013 there was a discussion there about expected earnings. I guess that's two years ago now, but I know your expected earnings dropped quite a bit this year because of the gas prices?

Mr. Kalra: — Most of that was because of our capital program. And now the gas price increase had some impact on it, but the single biggest impact was because of our additional expenses due to capital programs and those . . . a depreciation in finance.

Ms. Sproule: — Is there any impact on your operations in relation to the drop in the price of oil?

Mr. Kalra: — We are continuously updating our load forecast and it shows that there will be some short-term shortfall as compared to the regular service that we had on the oil and gas electricity revenues. But there are other sectors which are picking up the slack so overall we don't see our revenues falling off. Pipeline revenue is expected to, you know, fill the gap and also, as you saw, our revenues increased by 10 per cent over the last couple of years. That was quite broad based. So residential, commercial, that growth is still there. All in all, we still see and expect growth in '15-16.

[21:00]

Ms. Sproule: — Okay. Perhaps you could just provide a little more detail for the committee in terms of the shortfall in the oil and gas sector. Is that because there are less hookups or less demand, less number of oil wells?

Mr. Kalra: — I think it's a lower use of electricity, our product, and it could be driven by, you know, low production, or it could be by lower net new hookup as well.

Ms. Sproule: — So then on pipelines, how would it be that there'd be an increased use of electricity in relation to pipelines?

Mr. Kalra: — Well we have a few significant customers who expect to transfer oil across Saskatchewan, and they need to run their compressors. In their system, they use electricity. That volume hasn't gone down. Actually it's expected to increase over the next couple of years.

Ms. Sproule: — So despite the drop in the price per barrel, there's still an expected increase in the transportation of oil and the compression of oil, I guess.

Mr. Kalra: — That's right.

Ms. Sproule: — Okay. Is this including Energy East? Are you anticipating that will be up and running this calendar year?

Mr. Kalra: — I think that's been delayed by a year, so that's been kind of taken into account, yes.

Ms. Sproule: — So where is the increase in piping oil going to happen mostly?

Mr. Kalra: — Most of that is because of Enbridge.

Ms. Sproule: — Enbridge.

Mr. Kalra: — Yes, on their system.

Ms. Sproule: — All right. Thank you. In terms of the other sectors, pipelines going up in terms of use of power, could you . . . I know you said it all, but I wonder if you could just sort of repeat it.

Mr. Kalra: — Sure. I don't have . . . Do you have the information, the load forecast information? We don't have it right now, but residential, commercial, most of the other sectors are going up as compared to last year. The only drop-off was in oil and gas, and oil pipeline, as I said, is going up. I don't have the exact numbers with me right now . . . [inaudible].

Ms. Sproule: — I guess in terms of the demand-side management and increase in residential use of power, what is your approach? Like what would be . . . Your preference is to continue to produce more power? Or I know you're trying to reduce use through demand-side management. Is there a balance there or, you know, do you need to drive up residential revenues as well to sustain I guess your capital expenditures, for example? Would you look at that through rate increases instead?

Mr. Marsh: — When it comes to demand-side management programs, our preference would be to try to increase those as much as we can as opposed to doing anything on the rate side. If we can get a benefit from reduced megawatt consumption, then that's our best alternative.

Ms. Sproule: — Okay. I guess one of the reasons that I'm curious is last night I spoke to some officials from Sask Research Council, and there was a program introduced by them a number of years ago called Factor 9, and it's a house, a sustainable home here in Regina. And they said that the science was very significant and the project was very successful, but the capital costs for building a house with those kinds of specs was slightly higher than the commercial cost that currently exists. So there was no uptake on the part of developers. And what the Research Council said, they very much would like to increase that kind of construction incentives, but they don't, certainly don't have any way to do that. So has your corporation ever discussed perhaps one of those types of programs for demand-side management?

Mr. Marsh: — We haven't looked at the insulation for homes simply because the heating for homes in this province is predominantly gas, natural gas, not electrical consumption. But we do certainly offer programs where we look at energy conservation, and that is one of the areas that we target. And you know, we would help a community or we would help a First Nations community, for example, undertake work in this area and identify where the opportunity for savings are.

Ms. Sproule: — Just going back again, there was a discussion in 2013 about a cogeneration project with Prince Albert pulp. It was supposed to be on stream in May of 2013 and we were asking then. Mr. Watson said they were in discussions with the pulp mill and there was an agreement, but they haven't given them a schedule. Is that going anywhere at this point in time?

Mr. Marsh: — That particular generating facility at Prince Albert, owned by Paper Excellence, did come online for a period of time in late 2013, 2014, but at the current time it's not operating.

Ms. Sproule: — Any ideas whether that will come to . . . I guess it depends on Paper Excellence. You would know that, Mr. Minister.

Hon. Mr. Boyd: — Yes, I think it's very much dependent on Paper Excellence's plan. I think they find themselves in a unfortunate circumstance that they had hoped to get up and running with the entire pulp mill and producing dissolving pulp. However their primary market, and I think maybe their only market, was going to be China. The government of China implemented a tariff I believe it is of some sort, which makes it prohibitive. I think it was a 50 per cent, or somewhere in that neighbourhood, tariff. And as a result of that it's uneconomic to produce dissolving pulp. They have a non-compete agreement with Domtar that doesn't allow them to produce any other type of pulp, so I think they're sitting in limbo until that situation is sorted out either with the Chinese government removing the tariff or reaching some sort of an agreement on the non-compete with Domtar.

Ms. Sproule: — In terms of your agreement with Paper

Excellence, was there any penalties for them not being able to provide the power that you had agreed to, or was it just an agreement in principle?

Mr. Marsh: — No. Under terms of the agreement, if they don't supply energy we simply don't have a bill to pay. So there's no . . . I don't believe there was a penalty on that particular contract.

Ms. Sproule: — Thank you. Do you have any other cogeneration projects or proposals that you're entering into or have entered into in the last year?

Mr. Marsh: — No, there has been no other cogeneration proposal that we've entered into in the last year.

Ms. Sproule: — And I know that Sask Research Council is doing some work with a gasifier with biomass. Are you looking at any sort of generation with those types of . . . They're smaller definitely but would definitely be interesting to feed in.

Mr. Marsh: — From time to time proponents do approach us with a proposal to undertake generation from biomass sources. We look at every one of those and evaluate them.

Ms. Sproule: — Have any been approved in the last year?

Mr. Marsh: — No.

Ms. Sproule: — What would be the, I don't want to say hindrance but the barriers to having more of those come on stream, as far as you know?

Mr. Marsh: — In terms of electricity demand, there would not be an issue. I think the issue by and large rests with the amount of wood product that's available for these facilities, and that's of course outside our domain.

Ms. Sproule: — So does that mean they don't have access to enough wood product to meet your requirements?

Mr. Marsh: — The requirement for any particular biomass would be dependent on the location where it is in the province. So they could be different sizes depending on the location. We would look at a proposal that a proponent would bring forward to us. So if it was 20 megawatts in a certain location, that's okay. If it's 40 megawatts in a different location, that would be okay. But for their input, their feedstock on the input side for their fuel is the issue in most cases.

Ms. Sproule: — I'm just thinking about other forms of power generation. I'm just wondering about if people start using solar personally and starting, you know, the net metering issue. I read an article recently in Arizona, I think in California they are having significant problems with having people tap into the grid. So is there any plans in terms of SaskPower . . . If people start using net metering and producing their own, as much as they can, solar power, will there be fees for use of the grid implemented in order to ensure that the grid remains stable?

Mr. Marsh: — Well that's certainly an area that we're looking at very closely. As small-scale solar is applied on residences and rural dwellings, you know, we're seeing a gradual rise in

the amount of solar that's being used. And we have to be very careful about how it's integrated into the grid because of issues you're talking about and also safety concerns.

Ms. Sproule: — So there's nothing that you can provide the committee today in terms of recommendations or plans?

Mr. Marsh: — No, we're looking at this. There will be a point in time when the number of installations in any given local community would cause a problem. Right now we haven't reached that critical mass yet. But we're certainly looking at what we need to do on the operational side of the distribution system in order to make it safe and to allow that electricity to be integrated properly.

Ms. Sproule: — Okay. Are there any other new power purchase agreements that are in place in your last fiscal year, the last calendar year?

Mr. Marsh: — I don't believe so, no.

Ms. Sproule: — Are there any coming on stream in 2015?

Mr. Marsh: — No, there's not. We are bringing on our own power station at Queen Elizabeth, the expansion at Queen Elizabeth. There is no other PPAs [power purchase agreement] other than I guess Morse Creek would be the other one, the small wind project, yes.

Ms. Sproule: — Morse Creek, that's now up and running just recently?

Mr. Marsh: — Recently, yes.

Ms. Sproule: — How many . . .

Mr. Marsh: — 23 megawatts.

Ms. Sproule: — 23 megawatts?

Mr. Marsh: — Yes.

Ms. Sproule: — And the expansion at QE [Queen Elizabeth], how many megawatts is that?

Mr. Marsh: — That's 205.

Ms. Sproule: — And when do you anticipate that to be up?

Mr. Marsh: — This fall.

Ms. Sproule: — QE2. Thank you. We had some questions today tabled in the House for SaskPower, and there's just one I wanted to follow up with the minister and Mr. Marsh. And that was a question about failures in the smart meters, the previous or the first round of smart meters . . . Or sorry, the second round of smart meters that were, or the meters that were used to replace the smart meters. And I understand at one point, Mr. Marsh, you had indicated I think at the technical briefing that there were two of the new meters that failed. In the answer we got today it was 45, so I'm just wondering what the discrepancy is there.

Mr. Marsh: — I was referring to two meters where I was aware there was an issue with the socket, not necessarily all the meter issues that occurred with the replacement meters. Forty-five is the right number, and of those, one of them involved a hot socket.

Ms. Sproule: — Okay. So there was overheating in one of them.

Mr. Marsh: — No, not overheating in the meter. It was overheating in the socket. There's never been an issue with the overheating of the meter by itself.

Ms. Sproule: — And only one hot socket.

Mr. Marsh: — And only one hot socket on the meters that were used to replace the smart meters.

Ms. Sproule: — Okay. Thank you. I just want to check my notes. Okay. CCS, BD3 [Boundary dam 3] is up and running. What are your plans for 4 to 6, BD 4 to 6 in terms of CCS?

Mr. Marsh: — At the present time, we have not made a decision on units 4 and 5. They would be the next logical units, as they are scheduled for retirement in 2019. We intend to get BD3 up to full operating capacity in the next few months and to run that facility for the next year, again to look at the technical and operating performance of that unit before any decision is made on the next two.

Ms. Sproule: — What capacity is it running at right now?

Mr. Marsh: — We are achieving over 80 per cent carbon capture at the present time. We aren't up at full volume of carbon capture, and we expect to be there by June of this year.

Ms. Sproule: — When you say full volume, you mean 100 per cent?

Mr. Marsh: — Tonnes. I'm talking about tonnes. So the unit has been designed for 3200 tonnes of carbon capture a day, and currently we've exceeded 2600 tonnes. But there is replacement equipment that is happening right now, so we'll be changing some components and increasing capacity.

Ms. Sproule: — That replacement of components, was that part of the original plan, or are these components that have had to be redesigned?

Mr. Marsh: — Some of this has been redesigned. This is part of the first-year operation in any new facility. And as we work through the operating challenges, we are gradually correcting all the things that are keeping us from full production.

Ms. Sproule: — Thank you. So the decision for 4 and 5 then won't be made for at least another year, based on . . .

Mr. Marsh: — I don't suspect we'll be in a position to make a decision until the end of 2016, early 2017.

Ms. Sproule: — And in terms of . . . I know you're selling a large amount of the captured carbon to Cenovus. How much is being stored in the underground facilities right now? Any? Is

there any of it going to underground?

[21:15]

Mr. Marsh: — At the present time, no. We're in the process of getting the Aquistore facility charged with the carbon dioxide plume. But all the CO₂ that we're capturing from the facility is being sold to Cenovus at the present time.

Ms. Sproule: — When you say charged and plume, can you explain that a little bit?

Mr. Marsh: — As they inject the carbon dioxide into that well — it's 10,000 feet underground — it goes into the formation at that level and it's called a plume. So what that carbon dioxide plume . . . It goes down as a liquid essentially and into that rock formation. We're monitoring that well very closely, and we want to understand the geology and the movement of that CO₂ through the aquifer at that level.

Ms. Sproule: — That would be very interesting science, I would think. So is it stored in the well first and then pumped to Cenovus?

Mr. Marsh: — No. Once it leaves our facility, it's in a pipeline and the pipeline essentially splits. One part goes to Cenovus and the other part goes to the Aquistore. So most of the CO₂ will be shipped to the offtaker, Cenovus.

Ms. Sproule: — How much is going to Cenovus right now then?

Mr. Marsh: — At the present time, about 1800 tonnes a day currently.

Ms. Sproule: — Of the 3000 you're producing?

Mr. Marsh: — 3000 we'll be able to produce at full load.

Ms. Sproule: — Oh, so you're at 2600, right. So in terms of the Aquistore well, how long will it be before it's full at this rate of production?

Mr. Marsh: — I don't believe there's any indication that it will ever be full. Because it's going into a rock formation, our understanding is that it can accept many, many years of CO₂ injection.

Ms. Sproule: — I guess that's what I was wondering, is once the Cenovus field is complete and the enhanced oil recovery is complete and it's not producing any more, how many years will it be for the Aquistore? Like, what's the storing capacity? You're saying many, many years, but do you have a projection at all?

Mr. Marsh: — Well we certainly anticipate that the offtaker, at the present time Cenovus, is going to be using all the CO₂ from our BD3 facility. And indications are Cenovus, as well as other companies, are certainly interested in any CO₂ from, potentially, unit 4 and 5 for well into the future.

I'm not aware of those numbers, what the total capacity might be.

Ms. Sproule: — Thank you. I think just one more question on CCS and that is the cost projections. Have you any revised cost projections for the entire project since, I think, the last number we heard was 1.4-something billion?

Mr. Marsh: — Yes. The numbers at the end of 2014 is \$1.467 billion. Yes, and that includes the 240 million from the federal government. As we work through the, you know, final adjustments on BD3, there will be some adjustments. They're going to be very, very small compared to that number, and those will accrue in 2015.

Ms. Sproule: — Just one question on the consolidated financial statements and that was on page 107. February 5th, 2015, the corporation borrowed \$200 million in long-term debt at a premium of 48.3 million. Why did that happen on February 5th and not part of the original plan?

Mr. Kalra: — This was normal course borrowing. This shows up in our financial statements as a subsequent event note because this was done after the books were closed on 31st December but before the balance sheet was, you know, signed, approved by the board of directors. So it just shows up as an event which happened in between those two days, but it's our normal course borrowing. There's nothing unusual about this date or this borrowing.

Ms. Sproule: — It's normal course borrowing.

Mr. Kalra: — Yes. So every year we generally go to the market and borrow two or three times and roughly in the increments of 200 million each time. Yes.

Ms. Sproule: — Seems like a lot of money to me but I know 200 million is kind of just daily work for you guys. Just in terms of the CCS and the final adjustments, what kinds of adjustments are you talking about there?

Mr. Marsh: — We're dealing with our major equipment vendors and contractors, and as we get the final pieces of equipment into place, you know, those adjustments will be made. You know, right now I'm expecting them to be in the tens of millions, not anything more than that.

Ms. Sproule: — Okay, thank you. And in terms of some of the operational issues, can you share with the committee what types of operational issues that you're experiencing at this point in time?

Mr. Marsh: — Yes. At a high level, they concern really the steam system, our ability to get proper heat transfer out of the steam. Steam is used in the process. So there's different vessels. We're making changes to some of the vessels in order to get the design capacity out of that facility. Again this is kind of normal and especially on a first-of-its-kind plant of this size. We expected some of this to happen for sure.

Ms. Sproule: — And if I understand correctly, the power used to generate the heat, would it be the parasitic load? Is that . . .

Mr. Marsh: — That's correct. Well not to generate the heat, actually to run all the pumps and the fans in the carbon capture facility. And that is called parasitic load, yes.

Ms. Sproule: — Okay. In terms of, I know SaskPower and certainly the other partners are looking forward to other jurisdictions adopting this technology. Are you aware of any jurisdictions that have yet signed on to do this kind of project?

Mr. Marsh: — I do know that there's a lot of interest around the world. Certainly in the United States, there's a tremendous amount of interest in this technology being a first of its kind production-scale facility. There is interest on the part of many states and certainly departments in the US [United States]. Other countries around the world have expressed a very keen interest in this technology, and I think the whole world is watching to see how this facility performs.

Ms. Sproule: — I know in the news recently there was a reference to a project in the United States, a CCS project, where they pulled the plug. How is that different than your project?

Mr. Marsh: — Our project uses a post-combustion technology. I believe one of the projects in the United States, not sure if it's the one that had the plug pulled but . . . uses a gasification process, so a totally different process than what we're using. You know, ours is really the first that uses post-combustion technology on a coal-fired power station.

Ms. Sproule: — And just when you say gasification, I was earlier referring to something that the Research Council is working on and it is a gasification using biomass. This is changing back to what we were talking about earlier, and I think you had talked about biomass and the volume needed to produce that power. When you were talking about biomass, you were meaning gasification projects, right?

Mr. Marsh: — We were. In the traditional sense, biomass, we're talking typically wood waste products. So they would burn the wood waste. They would create steam and it would run it through a turbine.

Ms. Sproule: — Okay. Well I think, Mr. Chair, that's the extent of my questions at this point in time for this committee.

The Chair: — Well thank you. Mr. Minister, would you like to make any closing remarks?

Hon. Mr. Boyd: — Well, committee members, thank you very much. Thank you for your very thoughtful questions this evening, and I would want to thank officials from SaskPower for their very thoughtful answers to the questions that have been posed. And we also want to congratulate publicly Mr. Marsh on his appointment as president and CEO, and I think he's doing a great job in the early stages here and we expect that that will continue, and we look forward to the continued good fortunes of SaskPower.

The Chair: — Ms. Sproule?

Ms. Sproule: — Likewise, thanks very much to the minister and his officials, and congratulations, Mr. Marsh. Nice to see Mr. Kalra here again, and Troy, it's always good to see familiar faces as well. But carry on the good work. Thank you.

The Chair: — Thank you. I would now ask a member to move a motion of adjournment.

Mr. Merriman: — I so move.

The Chair: — Mr. Merriman moves a motion of adjournment. Is everybody agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. This meeting is adjourned to the call of the Chair.

[The committee adjourned at 21:25.]