



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

Mr. Kevin Phillips
Melfort

Mr. Randy Weekes
Biggar

Ms. Colleen Young
Lloydminster

[The committee met at 09:30.]

The Chair: — Well good morning, everybody. Happy New Year to everybody, and welcome to the Standing Committee on Crown and Central Agencies. We have along with us Mr. Brkich, Mr. Phillips, Mr. Weekes, and Ms. Young, and we also have Ms. Sproule today.

We have one document to table today. It is CCA 185/27, Minister Responsible for SaskTel, responses to questions raised at the September 15th, 2015 meeting of the committee re payment to Creative Saskatchewan, payments made to consultants, and the RFP [request for proposal] for provisions for SaskTel Max service, dated November the 16th, 2015.

Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda. That's agreed?

Some Hon. Members: — Agreed.

Saskatchewan Power Corporation

The Chair: — The first items on the agenda are the annual reports and the financial statements for Saskatchewan Power Corporation for the years 2012, 2013, and 2014. Minister Boyd, if you would please introduce your officials and make any opening comments.

Hon. Mr. Boyd: — Good morning, Mr. Chair and committee members, and Happy New Year to everyone. I'm joined here this morning by Mike Marsh, president and CEO [chief executive officer], sitting on my right; Sandeep Kalra, vice-president, finance, and chief financial officer; Guy Bruce over my shoulder to my right, vice-president, planning, environment and sustainable development. Sitting directly behind me, Mike Monea, president, carbon capture and storage initiatives. Sitting beside Mr. Monea is Rhonda Smysniuk, director, government relations. And on the far left there, on my left, Troy King, director, corporate planning and controller.

Mr. Chair, we are pleased to be here today to review SaskPower's annual reports from 2012 through 2014. This has been a time of exceptional growth, change, and innovation. I'd like to touch on a few of the highlights of that time.

In 2012 the province's growth continued to have a significant impact. A record of 980 million was invested to renew and maintain the electrical system. That year, SaskPower's finances showed a 7.9 per cent return on equity and a debt ratio of 67.4 per cent. SaskPower also paid a \$120 million dividend to CIC [Crown Investments Corporation of Saskatchewan]. Nearly \$150 million was spent on power station upgrades, including the completion of a \$44 million overhaul at the Shand power station. A record 226 million was spent to connect new customers to the electrical grid. Construction continued on the world's first and largest commercial-scale integrated carbon capture and storage facilities at Boundary dam power station, and an agreement for sale for carbon dioxide from the project was signed.

In 2013 demand for power increased by 6.4 per cent, the highest annual growth in 20 years. SaskPower invested \$2 billion in

Saskatchewan's electrical system, which included a record 1.3 billion on capital investment and a \$700 million finance lease agreement for the 260-megawatt North Battleford generating station in partnership with Northland Power. The expansion project at Queen Elizabeth power station got under way, which would add an additional 204 megawatts to the grid to support the province's growing demand for power. The company invested \$165 million on customer connections, which includes a record \$132 million to connect residential and small-business customers. An additional 485 million was spent on power station upgrades and 265 million went toward transmission and distribution upgrades. In 2013 return on equity was 8.2 per cent and the balance sheet showed a 69.8 per cent debt ratio. SaskPower also implemented a five-year rate increase on January 1st.

In 2014 SaskPower officially launched the carbon capture and storage project at Boundary dam power station, the world's first and largest project of its kind. It continues to attract worldwide interest. Construction also continued on the carbon capture test facility at Shand power station. SaskPower's debt ratio increased to 73.1 per cent as a result of the additional borrowings, and return on equity was reduced to 2 per cent as a result of the capital-related expenditures. Rates increased 5.5 per cent in 2014, with the approval of an additional 5 per cent increase for 2015.

SaskPower spent \$583 million on connecting customers to the system as well as on transmission and distribution capacity increases and sustainment. The company also invested \$409 million in power station upgrades to address demand, growth, and sustainment needs.

And the story of SaskPower's growth and investment continues. The province has seen a 20 per cent growth in demand for power over the past five years and is expected to grow by an additional 13 per cent over the next five years. SaskPower has increased its generating capacity by about 778 megawatts since 2007 and plans to add about another 1700 megawatts of new generation from 2016 to 2024.

SaskPower has invested about \$1 billion per year for the long term on the province's electrical system to ensure our customers have the power they need for today and for future generations. This will be done through careful planning and investment as SaskPower continues to deliver reliable and cost-effective and sustainable power to the people of our province.

Before I close, I want to note that we have received the latest statistics from the Boundary dam carbon capture and storage plant for December of 2015. More than 60 000 tonnes of CO₂ were captured in December, and the plant was online for 78 per cent of the days of the month. SaskPower brought the plant off-line for six days in December for a planned chemical cleaning. This means SaskPower is slightly below the operational target of 85 per cent for December, but they expect to catch that up in December with no maintenance planned for that month.

Mr. Chair, with those opening comments, we are prepared to take questions.

The Chair: — Well thank you, Minister. Are there any

comments or questions? Ms. Sproule.

Ms. Sproule: — Thank you very much. I too would like to extend a New Year's greeting to everyone, and here we are in early January. I'd also like to introduce my staff, Melissa Bendig, who's joined me as well today.

I'd like to start off, Mr. Chair, with just a concern or a question about a letter I wrote you in November. And I could table it, but I could also just share it with the committee. I'm not sure if everyone received it. I said:

I'm writing to request that the Crown and Central Agencies Committee be convened for additional time in January outside of the time scheduled for annual reports and audit reports so that the committee can question the Minister of the Economy and the SaskPower officials regarding the conflicting information that has been provided about the carbon capture facility at Boundary dam 3.

On November 19th, 2015, Minister Boyd stated in the Assembly that members of the official opposition will "... have the opportunity to ask any question you like about Boundary dam 3." He has indicated that the committee should be given time to thoroughly question the minister and his officials regarding the performance, both physical and financial, of the carbon capture and sequestration project at SaskPower's Boundary dam coal-fired power plant and the future of the technology, given its troubled start and the incredible sums of money that have been expended.

The Crown and Central Agencies committee has tentatively scheduled to meet in Regina on January 5th for the review of the annual reports for 2012, 2013, and 2014. The discussion on the carbon capture and sequestration project needs to be extensive, so I propose that eight hours of committee time be added for meetings on either January 4th or January 6th. I trust that you will find this request to be in order, and I look forward to your response.

And that was delivered to your office on November 25th.

And so my first question is for you, Mr. Chair, is that I haven't received a reply. So I'm just wondering whether that was considered and why I haven't received a reply?

The Chair: — Well thank you for that, Ms. Sproule. And we did talk about that in the House. You and I talked about that in the House. And basically I remembered the minister making that statement, and possibly that was to be possibly later on if we had ... but we just didn't have time and could not put everybody together to be able to do that in this time frame.

Ms. Sproule: — I think it's very important that these questions be asked, and of course the minister indicated that. So we're going to have to use the time we have available today to do that. But I'm just indicating that this is not enough time and that we do require more time and would urge or request the committee to convene as soon as possible to finish the work that the committee needs to do.

Also I guess I want to just highlight that Premier Wall also

indicated, this is a quote:

We have a Crown Corporations Committee that meets on a regular basis that deals specifically with Crown corporation annual reports. We have a question period. The NDP have a lot of documents, obviously from SaskPower, right now that they're making public. And fair enough, that's generating questions in the House, and we should be able to handle them. And there will be a Crown Corporation committee meeting.

So I'm just saying that there's not enough time today to complete all these questions. I'll do what I can but certainly the request ... I think it then is pretty clear that we will need more time as soon as possible.

The Chair: — Okay. Well we can take that into consideration with the ... Hopefully we could get some officials together to be able to do that. But we can take that into consideration.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you. And so I'll just start and see how far we get today then. Thank you very much. So I guess I'll start with some questions we have on some of the information that's been provided to date for Boundary dam, Mr. Minister. And on February 11th, 2015 your government said of Boundary dam, "The plant has the capacity to capture up to 1 million tonnes of CO₂ in 2015 and is on target to meet that goal."

Less than a week later, a briefing note to the minister said that since Boundary dam launched in October of 2014, "The BD3 capture plant has been operating at approximately 45 per cent capacity." How do you explain this discrepancy and the misinformation that was released to the public at that time?

Hon. Mr. Boyd: — The goal of the facility was always to produce 1 million tonnes. Unfortunately it missed that target by a substantial margin. It was always the goal of that facility to do that. There has been a number of operational start-up issues that weren't anticipated but nevertheless happened. And as a result of that, the goal obviously was not met. And so I think we have certainly indicated, the government has, that we were not happy about it. I think the SaskPower officials indicated as well that they were not happy that they weren't able to reach that goal, but I think the good news is that the facility is performing much better at this point.

Ms. Sproule: — I think the question here is you actually stated it was on target to meet that goal on February 11th, but it was clear in the briefing notes it wasn't. So why was it said that it is on target to meet that goal? That's the question.

Hon. Mr. Boyd: — Well, you know, I think the target obviously was 1 million tonnes; clearly that wasn't achievable. And as a result of that, it's unfortunate to say the least, that there was some operational start-up issues. I don't think it's unusual in these types of facilities but, you know, unanticipated but not unusual.

Ms. Sproule: — I think I would agree with you when you say it's unfortunate to say the least. But I think the question is you said it was on target to capture when you clearly knew it wasn't. It couldn't have been on target to capture 1 million tonnes on

February 11th. So why was that the position the government took at that time? That's unfortunate, but it's way more than unfortunate.

Hon. Mr. Boyd: — I guess it gets into a question of semantics. Can the plant perform to that level? It appears that it can. Was it on target at that point in time? I think the goal was still in front of us, but clearly that wasn't the case.

Ms. Sproule: — Was it your officials that told you that it was on target to meet that goal?

Hon. Mr. Boyd: — Well I think we always had conversations about how things were going with respect to it. I think the view was that there still is a target out there. There is performance issues at various times along the way, but there still was confidence that the facility would be able to meet that target at some point in the future.

[09:45]

Ms. Sproule: — Yes, I guess it is a question of semantics because you said it was on target to meet that goal, and now you're saying the target is the goal. But I guess the concern that the public and the members of the committee would have is when you say that you were going to meet that goal in February, when it was very clear from all the information that you had in front of you, and certainly that the company had, that there was no ability and there was no possible way that that goal would be met as was stated on February 11th.

So I'm not sure whose information it was that you were going to meet the goal. And I think the key word here, if you're talking about semantics, is the word meet. So again, was that something that the company or the corporation advised you, that you were going to meet the goal? Or was that something you extrapolated from the information you were given?

Hon. Mr. Boyd: — Well I would just say that the hope and the wish of the government and of SaskPower was that they would be able to meet the target. Unfortunately the target wasn't able to be met in that year.

Ms. Sproule: — I'm just looking at the operational experience of the plant since it opened in October of 2014, and clearly in December it was off-line for a large part of the time. In January it was off-line for many days, and even in February at the time that you were telling the public that you were on target to meet the goal, it was actually off-line for a number of days right in that period of time. And we know there's been subsequent problems.

So I'm not sure what it was that the corporation was advising you outside of the information that we've received, that you got a briefing note just at that time saying it was going to be 45 per cent. So there's a disconnect here, Mr. Minister. And perhaps that's something . . . You know, we're trying to find out where that information was not provided or whether you were misled by the corporation. Or is it just, as you say, a semantical disagreement?

Hon. Mr. Boyd: — I don't think that there is any kind of attempt by SaskPower officials to mislead or by the government

to mislead in any way. I think it was certainly perhaps an unfortunate choice of words, but I would say that the goal was always before us. I think the people of SaskPower felt that it was still achievable, but there was going to be definitely some challenges to reach that. As I've said, the good news is that the facility is performing much better now, and we remain optimistic that they'll be able to reach the target.

Ms. Sproule: — I think we'll leave this for now. Characterizing this as an unfortunate choice of words is a bit of a stretch, but I think that's what you keep referring to. So we'll leave that for the moment.

Now on November 17th, 2015 in a scrum, you indicated that it would be a good idea to write to all of those who may have been misled about the actual performance at Boundary dam to ensure that they had accurate information. Has that been done?

Hon. Mr. Boyd: — Yes. It's my understanding that there has been information sent out to a wide range of interests.

Ms. Sproule: — Would the company or would the ministry share what's been sent to those folks with the committee?

Mr. Marsh: — Yes. The letters went out under my signature and they went to many different organizations, including a couple senators in the US [United States] that had been making comments. We also issued information through an industry newsletter which cleared the air on what's been happening with Boundary dam, but we can provide you that copy.

Ms. Sproule: — All right. I would appreciate that if you could table a copy of the letter that went out under Mr. Marsh's signature. Now would that include, would the letter have been sent to about the two hundred and . . . There's approximately 260 groups who actually came to Saskatchewan to visit the plant. Would it have gone out to all of those folks?

Mr. Marsh: — No. I don't think it went to all of those folks. It went out to people that we are in regular contact with in the industry.

Ms. Sproule: — Okay. I know that there was also a video that the corporation put out claiming that BD3 [Boundary dam 3] is capturing 1 million tonnes. Would there be any intent to sort of publicize if that's not the case through an additional video so people have that online?

Mr. Marsh: — Ms. Sproule, the video in question that you talk about did have that particular clip when that video was made earlier in 2015. It did have that comment. That comment's been removed from the video.

We are targeting 800,000 tonnes of production out of Boundary dam 3 carbon capture for the year 2016, and we will continue to move the performance of that plant up. And as I've stated on many occasions, really trying to make sure that we can operate in a stable, high-performing part of the curve for a long period of time. That's our goal and that's what our engineering teams are working on.

Ms. Sproule: — Thank you very much. On November 16th in a scrum, Mr. Minister, you told me that you had decided to

change all promotional materials to reflect the reality of the problems and the flagging performance at Boundary dam, and had directed SaskPower to do so. So Mr. Marsh has indicated that they've changed that video. Could you provide us with a description of any other changes to promotional materials that have been made, and what the cost was to the corporation to do that?

Hon. Mr. Boyd: — Yes, we can.

Ms. Sproule: — Okay, thank you. Now the Premier himself has repeatedly stated that Boundary dam 3 is “fully operational,” as he did in a tweet on October 1st, 2014. Yet on October 27th, 2015, the minister, you, said that the plan is not considered to be commercially operational according to its own definition. Can you or your officials explain the discrepancy between what the Premier's saying and perhaps give us a definition of what your definition is of fully or commercially operational, commercially operational?

Mr. Marsh: — Okay, certainly. The term fully operational in an engineering and operations world means that the plant is able to produce. When we look at other generating facilities that we have in our fleet, for example, we can operate those facilities at full load. We can operate them at half load. We can operate them at part load. They're still fully operational. We have full operational control of that facility, and we can adjust the capacity or the output where we need to.

When that unit came online in the fall of 2014, it was fully operational. It was producing CO₂. And indeed on November 15th, 2014, we achieved 80 per cent capture rate, and we were really feeling like the plant was operating in a very, very good place.

The ability of the plant to capture over a period of time is what's referred to as its capacity. A capture rate of 90 per cent is capturing 90 per cent of the CO₂ coming out of the exhaust gas that leaves that plant, but the capacity of the plant over the course of the year against the design value of 1 million tonnes, of course, works out to about 45 per cent in 2015.

So you know, the issue and the way we stated it and the information that we gave the minister and government was that the plant was fully operational. That was the term that we use inside our company. That's the term we use from an operational perspective.

Ms. Sproule: — So perhaps you could explain then the difference between fully operational and operational. What would operational mean? Because that would also imply to me to be able to produce, which is your definition of fully operational. So surely the addition of that word fully means something more than operational.

Mr. Marsh: — This plant has many, many different components and subsystems within it. We can isolate some of those so that we can clean equipment; we can do some testing, performance testing. But the ability of that plant to produce at any time is considered in our world fully operational.

Ms. Sproule: — So what would operational mean to you?

Mr. Marsh: — Same thing. It's operational. It's now, you're able to produce; you're able to do what the plant was designed to produce.

Ms. Sproule: — So in your view there's no difference between the phrase fully operational and operational.

Mr. Marsh: — No.

Ms. Sproule: — I'm resisting a sarcastic comment but I won't, I won't say it. I'm sorry.

Mr. Marsh: — It's the world we live in, in the operations world. And we, you know, we have many different facilities — coal-fired, gas-fired, our wind facilities. We operate them through their full operating regime and the plant is, in our words, fully operational when it's, when it can do that.

Ms. Sproule: — And it has been that every day since it started?

Mr. Marsh: — It has . . . The days that we've had to bring it down for maintenance, of course it's not operational. But when it's running, it's able to produce. And when you can, when you can maximize that production, when you can move the production capability from 40 per cent, 50 per cent, up to 80, 90 per cent, then you have much better control because more and more of the systems inside that plant are operating.

Ms. Sproule: — I guess what I'm understanding is that the language for engineers is quite a bit different than it would be for the layperson. And we have a number of government MLAs [Member of the Legislative Assembly] who were saying it is removing the equivalent of 250,000 cars per day. That was what their understanding of fully operational was. I think that was the understanding the Premier had. I certainly think it's the understanding of the general public. When someone says fully operational, it means it's operating at full production capacity. That would be a logical interpretation by laypeople.

I think what you're saying is there's a distinction for engineers, that that means something a little bit different. Can you, I guess, appreciate that the minister and MLAs, that the Premier would interpret that differently and assume that it is actually removing the equivalent of 250,000 cars per day?

Mr. Marsh: — Absolutely. No, we fully recognize that. And we indicated that through the fall session that the choice of words could have been a lot clearer to help the public understand, to help others understand. Operating at full performance is not the same thing as fully operational.

Ms. Sproule: — Thank you. Could you provide the committee with the amount of money that you spent on marketing for the last three years, so 2012, 2013, 2014, and how much of that marketing has been used for Boundary dam carbon capture?

Mr. Marsh: — We don't have those numbers at our fingertips, but we will endeavour to get them before the end of the meeting here today.

Ms. Sproule: — Okay. Would you have an estimate of your total marketing budget, how much has been spent on Boundary dam?

Mr. Marsh: — I will just check.

Ms. Sproule: — Just for the record, Mr. Chair is just correcting me. I meant to say 250,000 cars per year, not per day. So thank you, Mr. Chair.

Mr. Marsh: — We don't have the numbers on the marketing for the Boundary dam carbon capture available. We'll have to do some digging to dig those out. They're embedded in our overall communications budget.

Ms. Sproule: — All right. I understand that would be some work to take. So thank you for agreeing to do that.

In terms of travel expenses for the president of carbon capture and storage initiatives, could you provide the committee with his expenses for the last couple of months and the out-of-province locations for those last few months of 2015?

Mr. Marsh: — Yes, we can do that.

Ms. Sproule: — Thank you. I know a question that often comes up — and this is definitely from a layperson's perspective — I understand that SaskPower and the province of Saskatchewan doesn't own any of the technology or the patents included in the carbon capture sequestration technology. So when we say we are selling something, can you explain to the committee what exactly is being sold when you are travelling around the world promoting this project?

Mr. Marsh: — At the present time we are engaged with other groups, institutions, around the world to increase the awareness and understanding of carbon capture and sequestration, especially at a coal-fired generating station, which is the first of its kind in the world. This is information that countries, governments, educational institutions, and organizations are very, very interested in because it is leading-edge technology.

At the present time we are certainly working hard to share that information in a way that allows people who want to become engaged with us in understanding the various technical aspects of Boundary dam carbon capture and pursue research activities that would apply to their particular case. That is where a lot of energy has been spent: so educating, first of all, these organizations and interested parties who have a common interest in carbon capture and storage, getting a community of interest together to help raise that understanding and that technical competence in carbon capture and storage, and taking this to the next level. This is early days of carbon capture and storage technology, and being the first in the world obviously is an example of that.

[10:00]

Without that community of interest getting that next breakthrough, improving the performance and the technology for the next generation of carbon capture applied to coal-fired stations is difficult. So that is why, now that we have the knowledge, we are sharing that. We are inviting people to come to Saskatchewan to learn from us. We are inviting people to come and see the facility and talk to our engineering teams, to talk to us about what we've learned along the way. And as we do that, that community of interest, that community of

knowledge grows.

Where we have an opportunity, either in the short term or in the longer term, to make some value or create some value out of the investment that we've made, we will undertake to do that. But that means staying engaged with that community of interest around the world where people or organizations want to use this technology in their environment. Whether it's for carbon capture on a coal unit or whether it's in an industrial facility, everybody has their own unique application. And we're here to help, we're here to help, you know, share the information that we've learned, that we've gained over the last few years, and to share that with others.

Ms. Sproule: — I get the point about creating this world of people engaged in that, and in terms of the technology itself I think that makes eminent sense. What we're asking about though is the business case for this particular project, and I'll have a number of questions on that subsequently.

But I think in terms of . . . I think we've been told that your travels and the community of interest engagement, which has cost us upwards of \$1 million, hasn't seen any financial return whatsoever. And I guess the question is, even if you do create — and I believe you have created — what you're calling a community of interest, and you're increasing awareness of this leading-edge technology and all those things, where is the payback for the taxpayers who footed the bill for \$1.5 billion in that community awareness?

Mr. Marsh: — Well I would suggest that because it is early days you're not going to see that benefit in the same year that you actually make that investment or incur that expense. The expenses for Mr. Monea's travels over the last three, four years have been incurred and they've been audited. They're on the books for SaskPower. The benefits or the realization of value may occur next year or the year after. I cannot say exactly when.

I do know that we are working very, very hard with organizations around the world today and most recently have signed an MOU [memorandum of understanding] with BHP [BHP Billiton] to create a knowledge centre which will advance the work of carbon capture technology. It will advance the awareness of carbon capture technology. It will create a forum or a place where people can come and work with us as we explore technical solutions to issues that we've uncovered as we've developed this project for the last few years.

So that value creation stream is something that we continue to work on and we will continue to work on for some time. But I would suggest it will take probably a few years to realize any value from the investment we made today.

Ms. Sproule: — Could you describe to the committee . . . Let's say we're 10 years down the road and this has come to be where you're going to undertake to actually generate some payback for the technology itself. How do you envision that might look? Like what sort of revenues will you be able to generate down the road once there is, let's say, a considerable uptake on this type of technology? What are you selling? I guess in 10 years from now, once everybody's aware of this and is impressed and wants to use it or whatever, what is it that you will be selling

that will generate revenues for Saskatchewan taxpayers and ratepayers?

Mr. Marsh: — We have the opportunity to help the world understand what it takes to integrate a carbon capture facility with a coal-fired generation station; specifically, a brownfield station or an existing one. There are hundreds if not thousands of those stations in the world. The demand for energy continues to increase around the world and those stations will be in place for many, many decades.

There will be an opportunity as regulations emerge in other jurisdictions in other countries and as the understanding and awareness of what it's going to take to put a carbon capture facility into those environments is understood more clearly.

Ms. Sproule: — What you will be selling then is the understanding? So you will be, for example, sending engineers to other places and charging a fee to share that understanding? Is that where the money will come in?

Mr. Marsh: — The potential is there for looking at project management work that would allow us to utilize that experience and that knowledge that we have gained. Remember . . . And you're quite right; the technology is something that we don't own. The actual technology, the amine technology is owned by another company. Most of the engineering work was designed by engineers that work for contractors and consultants that we hired through this process.

Our engineering team is quite small at SaskPower. And you know, 10 to 20 people worked on this project during the construction phase. We had more working through the commissioning phase, but our engineering bench strength is quite small. But we do have and we will continue to be looked at as the experts in making this technology work for a generating station. Where there's an opportunity that we can explore and we can develop further, that's our intention.

Ms. Sproule: — I'm still unable to understand how this will actually generate revenues for our ratepayers. I know there's folks like Mr. Zeleny who actually retired from SaskPower in April and was rehired as a consultant. So the person that's making the money here is Mr. Zeleny and not the taxpayer. If you only have 10 to 20 engineers with sophisticated knowledge of this type of technology on your staff, I assume they're needed for work here at the plant. And how could they be shipped out as project managers? I'm assuming they'll retire and do that in their retirement happily as well.

So I'm sorry, the link isn't there for me. I'm not sure it is for other committee members or the public, but when you're saying Mr. Monea's travels is to sell the technology, we're doing it for other people. We're not doing it for the Saskatchewan taxpayer. That's what I understand. Is that correct?

Mr. Marsh: — We're not selling the technology for other people. We are looking at this, you know, from our perspective, from a utility perspective where we've been able to add a carbon capture plant to a generating station. That's the integration piece that we feel very comfortable that we are leading the world in.

The technology, we have never said we are trying to sell technology that's owned by others. There's different amine technologies that can be used in coal-fired carbon capture processes. The amine technology that was chosen for this one is working and working well, but as the education and awareness on amine technology improves, it's going to become more efficient over time. But it's the integration of this work in these early days that is something that we're proud of and that we're going to continue to try to create some value.

Ms. Sproule: — When you indicate there are hundreds or maybe thousands of brownfield stations in the world that could use this technology, can you indicate to the committee how many of those happen to have an oilfield nearby, like the Weyburn field, and that there would be an opportunity on a business case to sell the carbon? What percentage of those brownfield stations that you're referring to would have the similar situation here in Saskatchewan where there's an oilfield nearby that they could actually commercially market the carbon dioxide?

Mr. Marsh: — I don't know what that number is. If you just give me a moment, I will see if I can get an estimate for you.

The short answer to your question is, we don't know exactly. You know, I think as you look around different jurisdictions, and you look at Saskatchewan for example, the proximity of oilfields within 50 kilometres or 100 kilometres or 150 kilometres of a generating station will vary from region to region, country to country. So we don't exactly know what that looks like. It would be, I would suggest, on the smaller side, like a lower percentage than a larger percentage, just based on where coal stations are located today.

The other area that other countries are looking at is using deep underground storage, similar to what we're using with Aquistore. They're looking at that both on land and offshore. So a lot of work has been done to look at offshore reservoirs where CO₂ can be injected and stored safely deep, deep underground.

Ms. Sproule: — Thank you. Just one more question around the marketing of this. We have studied the filings in the lobbyist registry in the United States which reveals that the American lobbyist Nelson Mullins has been given around \$1 million, or over \$1 million, just to tell American politicians about Boundary dam. Sadly we don't have our own lobbyist registry, so we can't get that information here. But we did find it through the American registry. And the question is, how much was SaskPower involved with directing of the lobbying effort, or was that a project that was run by Executive Council?

Hon. Mr. Boyd: — That is an effort that is largely directed by Executive Council.

Ms. Sproule: — Thank you. In regards to that specific effort in Washington and throughout the United States, what was the stated goal of the government at that point, and what specifically was the Government of Saskatchewan lobbying these American politicians to do? What was the stated goal of this lobbyist?

Hon. Mr. Boyd: — First of all I want to make it clear that the contract with Nelson Mullins involved much, much more than

just simply carbon capture and storage. There's other efforts that they were involved in, and they have made various estimates as to what that cost may have been.

However I would just say that certainly there is a very large coal industry in the United States. A very large amount of coal is used in generating electricity in the United States. They are a key trade player between Saskatchewan and the United States. And so as a result of that, it was felt that efforts should be made to inform people with respect to the experiences that we were having with the facility.

Ms. Sproule: — Okay, and just to be clear, the filings that we studied that specifically mentioned carbon capture was about \$1 million dollars. So I don't know what your total contract is with Nelson Mullins, but in terms of what they put in their own lobbyist registry, it was around \$1 million for carbon capture alone. I just want to make that clear.

Hon. Mr. Boyd: — We will certainly endeavour to get further information from Nelson Mullins with respect to that because . . . you know, to ensure that that number is accurate.

Ms. Sproule: — Just going back a little bit to some of the marketing and the creating increasing awareness, I guess, of this. Some of the criticism that we've seen from folks like Gail Reitenbach, who's the editor of the . . . I forget the name of the . . . *Power* magazine, sorry, which is a highly respected magazine.

Also we have a University of Regina environmental economist who told a news station . . . This was in November. I'll give you the exact date — November 5th. So it was the Tuesday before that, he said that it would be difficult to sell the world on the expertise being gained at Boundary dam because other countries and power utilities would simply "learn from our failures."

He says, "You wouldn't consider . . ." This is a quote:

"You wouldn't consider this technology because it's profitable," he said. "If by accident or by luck, we make profit, that's good." "The consideration is an environmental requirement."

So what is your reaction to that kind of criticism from, you know, experts in the field? Is that what they're going to learn from us on this community of awareness, is what not to do?

[10:15]

Hon. Mr. Boyd: — Well I think that there's always going to be various views when it comes to generating electricity here and perhaps anywhere in the world. There are some folks that feel that the coal industry should be shut down entirely, and the sooner the better. There are others that feel that there's great opportunity to continue to utilize a resource that's quite plentiful in many locations around the world if you are able to deal with the emissions that it creates and so . . . and a wide range of views all the way in between, I guess I would say.

So I'm not surprised that there are people that would say, you know, shut it down; don't use coal. And I'm not surprised that

on the other hand that there's people that say there's great opportunity here to use coal if we can deal with the emissions. There's a wide range of opinion on it.

Ms. Sproule: — Yes. I'm just referring to specifically expert opinion but . . .

Hon. Mr. Boyd: — Well we can provide expert opinion in a number of areas around the potential of carbon capture and storage that are very positive. I suspect, you know, that there would be a wide range of opinions.

Ms. Sproule: — Thank you, Mr. Minister. I'll move on to some operational questions now. First of all, one of the concerns that we've heard is that initially when the amine was being used that it was getting basically gummed up by the fly ash and that it had to be replaced. So the question is, has the original purchase of amine been replaced ever? And if so, what was the cost of doing that?

Mr. Marsh: — Okay. On the amine question, yes, subsequent to start-up and operation for several months — actually in the spring of 2015 — we began to experience some degradation of the amine because some of the heat exchangers, the components that we've spoken about that weren't operating properly, were creating an issue. That amine has been cleaned up. A good percentage of it was cleaned up and there was some new amine added and replaced. The total cost for amine cleanup in 2015 is estimated at about just under \$17 million.

Ms. Sproule: — Does that include the cost of the replacement amine? So for the total cost for cleanup . . .

Mr. Marsh: — Yes, that's total cost for cleanup and any replacement that was needed.

Ms. Sproule: — Okay. And where does the amine come from? I know they told us at the tour, but where do you purchase it from? Is it Canada?

Mr. Marsh: — Yes. The amine technology is owned by Cansolv. The actual product, the amine product is purchased from Dow Chemical out of the United States.

Ms. Sproule: — Okay. Can you provide the committee with an explanation of why the carbon capture process over the first 15 months performed below expectations and what's happened in the recent months? I know in November, for example, the minister indicated it was making more progress. What was it that occurred that it allowed for the project to demonstrate that progress?

Mr. Marsh: — Okay. Going back to the start-up of the plant in October of 2014, we had very good performance in the first few weeks. The plant, as I've indicated, was moving forward. We achieved an 80 per cent capture rate. We were achieving good production on some of the days, most of the days actually in the month of November. December, we gradually began to experience issues and had to take the plant down from time to time to replace components, and repair, isolate different systems.

I would characterize the bulk of the issues as related to steam

and temperature control issues. Steam issues would be related to heat exchangers, to pressure vessels, to some of the piping, and steam control issues on some of the control systems that were implemented in that facility during the construction phase.

As time went on, we began to experience, because of the inability to maintain temperature control in some areas, that we managed to cause issues with the amine. But it was something you can't simply shut down in an afternoon and fix. It required a technical solution. It required an engineering solution. It required weeks and months of preparation and identification. And many of the components that were identified early on, over that first year, were identified to be replaced in the overhaul that occurred in September and October of 2015.

So we planned for this overhaul to correct and remedy all the issues that we identified in the first nine months of operation, and we have done that successfully through that overhaul in September and October. We brought the plant up to full nameplate capacity within two weeks of operating of that facility after the overhaul, and the plant continues to run very, very well.

The plant, like any other facility, will come down from time to time. If you have a component that fails, you might have to bring it down, change something out, bring it back up. And that will continue, you know, for the life of that plant.

But improving the fundamental performance of that plant and bringing it up to be able to achieve its design and operating performance is what we worked on all through 2015, and our engineering teams continue to work on that today. So that's really a summary of what caused some of the issues and what we've done to correct them.

Ms. Sproule: — Okay. Again I guess it brings to mind the commentary in February that everything was running well, when it was pretty clear that it wasn't. So there's a real disconnect there with the commentary that was provided to the public. That's not a question but if you want to comment, that's fine.

Can you provide the committee with the cost, the annual operating costs, in 2015 for — or let's say '13-14 — what was the operating costs of Boundary dam? It would have to be the latter part of the most recent fiscal year anyway. You guys are operating . . . Your fiscal year is January to December. Is that correct?

Mr. Marsh: — Currently it is.

Ms. Sproule: — Yes. So in the first year of operation, which would be your fiscal year of 2014, what were the operating costs for Boundary dam 3?

Mr. Marsh: — We have an OM & A [operating, maintenance, and administration] expense listed here for Boundary of just under \$13 million. Now associated with OM & A, of course, now that the plant is running, it's starting to accumulate depreciation and finance charges against that particular facility. Also we're looking at booking revenue CO₂ sales against that facility as well. But the OM & A costs are just under 13 million for 2015.

Ms. Sproule: — And that's just for the carbon capture plant, or does that include Boundary dam?

Mr. Marsh: — Just the carbon capture plant.

Ms. Sproule: — I'll be asking more details on this as we go on. What would the monthly operating costs of the carbon capture unit be at this moment? Like if it's fully operational and not shut down, what is the O and M? Or do you call it OM & A?

Mr. Marsh: — The operation, maintenance, and administration cost, that's what we refer to it as. I'm looking forward . . . You know that OM & A cost is going to increase slightly as per all our OM & A costs due to inflationary adjustments, wage increases, increase in chemicals and spare parts. So going forward we're looking at it moving into the thirteen six for 2016 and just a normal rate of increase as with other OM & A expenses. We believe that the, you know, that first year operational, the additional operational costs that we incurred in 2015, we're not going to see those in 2016 and beyond.

Ms. Sproule: — And that when it is off-line, what would the OM & A costs be when it's off-line?

Mr. Marsh: — We continue to pay for everything that's needed so we're paying salaries, wages; salaries, benefits; materials; and supplies. You're just not generating revenues during those times.

Ms. Sproule: — Okay. Mr. Marsh, on December 1st you gave a presentation that indicated that the capture plant, "experienced a number of typical mechanical issues which are largely resolved." Other than what you've already explained in terms of the steam pressure valves, or pressure vessels and heat exchangers and the overhauls, is there any other of typical mechanical issues that you could provide to the committee that have been resolved?

Mr. Marsh: — No, I think that characterizes the bulk of it. You know, there is . . . Several hundred different components were replaced during that overhaul. Many of the processes are completely cleaned up, and our engineering teams went in and inspected many of the vessels and the components after almost a year of operation. So it gave us a very good insight as to how the plant has been performing and what's needed to be done to maintain that facility going forward. It provided good operational understanding for identifying our maintenance programs and making sure we have the right maintenance programs going forward.

Ms. Sproule: — And I think you told us that your OM & A were 13 million in 2015 year, sorry, 2015. How does that 17 million of the cleanup of the amine figure into that 13 million?

Mr. Marsh: — That's a separate cost. That's in addition to.

Ms. Sproule: — In addition to, thank you. Just a quick question on the parasitic load for the carbon capture and compression. You have stated that it's 25 per cent. But I understand that in a presentation that you made in the UK [United Kingdom], you said that 40 megawatts was used for carbon capture and 10 megawatts were used for compression and transportation. That would be more like 33 per cent if your total capacity is 150

megawatts. So is it 25 per cent or is it 33 per cent for the parasitic load?

Mr. Marsh: — Okay. First of all, I've never made a presentation in the United Kingdom. That might have been Mr. Monea, by me.

But I can tell you that the plant was designed to operate at full carbon capture capacity and still produce 110 megawatts — that was the design condition. When we are producing at or near design capacity today, we're achieving up to 119 megawatts depending on the day. So our ability to generate is higher. Our parasitic load is lower than we thought it would be from the design. When the plant is not operational, we can generate up to 150, slightly over 150 megawatts continuously from that plant.

Ms. Sproule: — From Boundary dam 3.

Mr. Marsh: — From Boundary dam 3.

Ms. Sproule: — So then you're saying the parasitic load is about 30 megawatts?

[10:30]

Mr. Marsh: — About 30 megawatts, yes.

Ms. Sproule: — And that's total, like for carbon capture and compression and transportation?

Mr. Marsh: — I'm not sure if that includes compression. Just a moment.

The 119 megawatts that we refer to, I believe, excludes compression. That's the way that we are currently looking at ratings. Federal regulations allow the calculation of CO₂ reduction and efficiency using ratings excluding compression. We'll confirm that number with you though.

Ms. Sproule: — Okay. I think in terms of the plant itself though, regardless of what the regulations are requiring, the interesting question is, what is the total parasitic load? So that would include compression as well and transportation. So if you could provide that complete answer, that would be appreciated.

Do you have any idea of the breakdown for the difference . . . or how much energy or megawatts are used to compress CO₂, and then how many megawatts are used to transport the CO₂? And perhaps explain that process a little bit.

Mr. Marsh: — When the carbon capture plant is operating, it extracts carbon dioxide from the exhaust gas and, through the process, it's converted into a liquid. The liquid is compressed to a high pressure. When it's operating, it's typically using about 15 to 16 megawatts of energy to compress that liquid to put it into the pipeline. That pressure is necessary to be able to inject it into the Aquistore deep underground as well as to push it through the pipeline to where the offtaker will take that CO₂ into his own pipeline, into their own pipeline.

Ms. Sproule: — So that pressure that you're creating, does that create enough pressure to deliver it to the end goal, which is the injection site . . . or the enhanced oil recovery site? Or is it just

to where your pipeline meets Cenovus's pipeline?

Mr. Marsh: — The pressure in the pipeline is in excess of 2,400 psi [pounds per square inch] It's enough to transport the CO₂ through the pipeline to the end of the pipeline. It's also enough to allow the CO₂ to be injected in the Aquistore facility 10,000 feet underground into the rock formation.

Ms. Sproule: — In terms of the contract with Cenovus, do they pay for that pressurization, or is that something that's covered by SaskPower?

Mr. Marsh: — No, that's part of our contract to be able to deliver that product through the pipeline.

Ms. Sproule: — Thank you. I just want to talk a little bit about the arrangement with Cenovus and the penalties that were assessed. We understand that the penalties are assessed by calendar year, which is your fiscal year. So the question is, what is the total amount of CO₂ that was delivered to Cenovus in 2015 — I think it's slightly over 400 000 tonnes — and what was your commitment amount for that calendar year to Cenovus?

Mr. Marsh: — Okay, first of all we have to be mindful of the confidentiality agreement we have with Cenovus to not reveal specific contracted amounts, volumes for CO₂. I will tell you that in terms of, you know, production capacity for the facility, your numbers are close. But not all of that went to Cenovus. A good part of that went to Aquistore. For the year in question, the revenues for CO₂ to Cenovus were approximately 9 million. The penalties for the shortfall in volumes were just around 7 million, which have resulted in a net of \$2 million for SaskPower for 2015.

Ms. Sproule: — In terms of the original business case, if I understand it correctly, the deal with Cenovus was 1 million tonnes per year, and that SaskPower could actually provide more if the plant was producing more and Cenovus was required to take it. So that original business case would have meant \$50 million in revenue if we assume . . . or sorry, \$25 million in revenue if you assume the purchase price, and we're just assuming this because we know it's confidential, but around \$25 per tonne. Maybe lower than that; some people are suggesting as low as 23 million. So we have lost revenues if we've only earned 2 million this year. We should have been earning at least 25 million on the business case as it was originally planned. So are there any plans to get that back up to 25 million a year?

Mr. Marsh: — Yes, absolutely. The first year of operation was substantially less than what the design of the plant was. We have targeted and we have said publicly that we're targeting 800 000 tonnes for 2016. That's not the full 1 million tonnes capacity, but we believe that by the end of 2016 we will be in a position to be able to operate at that higher level much more stably.

Part of the issue now is the contractual arrangement with Cenovus. As part of that contract, they have the ability to nominate a certain amount that they are wishing to offtake or wishing to take from us. And I won't get into those details, but it's not the maximum capacity of the plant. You are correct; the

ability to earn the revenues today are not where we would like them to be. So we have some work to do to make sure that we can extract the maximum value that we can as production levels come up in that facility.

Ms. Sproule: — I believe that there was a briefing note prepared in July of 2012 by Mr. Monea indicating the advantages of signing the contract with Cenovus over CNRL [Canadian Natural Resources Ltd.] who was the other possibility at the time. And in that contract, Cenovus committed to 100 per cent of the output from BD3 as opposed to CNRL that had only committed to between 20 and 60 per cent, and that was a variable agreement that they were proposing. So the indication at that time in July of 2012 was that it gave SaskPower . . . that Cenovus was preferred because it meets the economic justification for Boundary dam 3.

Now if you fast forward to October of 2014, which is two years later, two and a bit, there were a number of difficulties, as you well know, in getting the plant operational on the originally planned date and the contracted date with Cenovus. We know there were several million dollars in penalties that accrued as a result of that. But it also appears that you had to basically throw your business case out the door in order to avoid the \$91 million break fee with Cenovus because it was clear that you were not going to be able to meet the start-up date and that they could have actually cancelled the contract entirely.

So it looks like at sometime in 2014 when it became very clear that April 1st was not going to happen, that July 1st was not going to happen, and of course the penalties were already accruing and we weren't even open yet, it looks like you decided to amend the agreement on terms that were much more favourable for Cenovus than they were for the taxpayers of Saskatchewan.

So what appears to have happened is that that original business plan where Cenovus committed to 100 per cent of the output from Boundary dam 3 is now in Cenovus's hands, and with the downfall in the oil industry as we've seen, obviously they're not producing as much as they could be because they're not making as much money.

I know that you're attempting to recover some of that from one of your contractors, but in terms of the business case, what is the go-forward from this point forward in terms of making this viable and that Saskatchewan taxpayers are going to get some of their return on the one and a half billion dollars? I understand that you got an extension to an avoidance of the break fee; that was the number one consideration, I would assume, for SaskPower. But then you have agreed to allow Cenovus to temporarily decrease the base daily commitment from 2192 tonnes per day to 1750 tonnes per day anytime prior to July 1st, 2015. So my first question in terms of this long rant is, how many days has Cenovus requested the decrease from the base daily commitment? That would be a question.

Mr. Marsh: — I don't have the number of days with me. I do know that that occurred for a period of time in the spring and summer prior to the overhaul. Since the overhaul they have been at or above the base daily commitment when we've been able to produce.

I think in answer to your question though, I think it's important that we go back to comments that I have made, as we've explained the operating performance of the unit and what we're attempting to do through 2016. Bringing the plant up to speed is our first priority. Bringing it up to be able to achieve its designed capacity has been where all the effort's been placed in 2015.

As we look forward, certainly with the change in oil and gas prices around the world and certainly in North America, it has affected the marketplace. But we believe that by getting the plant operational, making sure that we have the ability to produce CO₂ first of all, and then tackling the commercial issues with that plant so that we can achieve the maximum value that we can as soon as we can is where we're placing our efforts.

So you are correct. There's certainly been a change since the business case was produced back in 2010. And our objective is to make sure that we can extract that CO₂ and to be able to sell it and realize a revenue stream from that revenue, from that CO₂.

Ms. Sproule: — Another item that was adjusted in 2014 with Cenovus is that you gave up your unilateral right to increase the base daily commitment from 2192 tonnes per day to a maximum of 3014 tonnes per day. Is that a commitment that is for the life of the contract or is that a temporary commitment?

Mr. Marsh: — The particular arrangement that we have with Cenovus at this time is certainly embedded in the contract, but as with any contract, you know, is subject to review and renegotiation at certain points. And obviously we're looking at this internally because if we can extract the CO₂ from that facility, we want to be in a position to earn as much revenue as we can from it. And we'll be looking at every opportunity we can to do that over the course of 2016.

Ms. Sproule: — So I'll ask that again. In terms of the unilateral right to increase the base daily commitment from around 2000 tonnes a day to 3000 tonnes a day, is that foregone in the contract at this point in time for the length of the contract?

[10:45]

Mr. Marsh: — As I indicated previously, that nomination amount by Cenovus is embedded in the contract, and unless and until we renegotiate with Cenovus, then that clause does apply.

Ms. Sproule: — In terms of the original business case where this was a critical piece of the business case in making the case to, I assume, Executive Council as well as, you know, adequately representing the people of Saskatchewan, what was the consideration for giving up that right? Like why did SaskPower ever give that up?

Mr. Marsh: — Well as you've pointed out, there was in the original contract documents, there was a late penalty that was embedded in the original agreement with Cenovus, and I can't get into specifics on what that will be. But as the construction delays occurred through 2014, we attempted to make sure that we were able to protect our position and keep us as whole as possible as we looked at longer and longer delays.

The starting date for the volume payments I think was triggered in April of 2014 and we needed to . . . There was no possible way, with the plants starting at the end of September, beginning of October that we could make up that shortfall in 2014. But to avoid a very costly penalty that was embedded in the original contract that was signed in 2012, certain concessions were made as they are through any negotiation process, and that's the position we're in today.

But as I've said, we recognize that our first objective was to bring the plant up to speed, and we will be working on our commercial objectives and contractual issues with our offtaker through 2016.

Ms. Sproule: — Was there any consideration at the time when the break fee was in play to actually incurring the break fee and finding another purchaser like CNRL?

Mr. Marsh: — That's always an option. And we're going to continue to explore that, certainly, as we look forward. With the ability of the plant to produce a million, I think it's incumbent on us to make sure that we have the ability to sell as much CO₂ as we can.

Ms. Sproule: — If I understand the original concept, it was either Cenovus or CNRL, that they couldn't contemplate both at the same time. You had to choose one or the other. Are you suggesting that that dynamic has changed somewhat?

Mr. Marsh: — Everything is subject to change, and certainly negotiations will determine, you know, where the best possible path forward lies for us.

Ms. Sproule: — Okay. I just want to go back to a couple of other points. Let me find my notes.

Mr. Marsh: — Excuse me, may I just ask, the document you're referring to, can I just ask what that document was again? Was it . . .

Ms. Sproule: — That was a briefing note from July, yes, July 18, 2012, or July 19th, 2012, from Mr. Monea to the minister.

Mr. Marsh: — Thank you.

Ms. Sproule: — Oh, here we are. So in terms of the parasitic load, I just want to go back for one question on that. Obviously when we're using power to operate the carbon capture plant, that is not power that is available to sell to the consumers. So I guess you would consider that a lost opportunity cost in terms of what it would actually be worth on the market. So have you considered what that cost is and who's responsible for paying that cost?

Mr. Marsh: — That would have been factored into the original business case. And remember, the whole intention of putting the carbon capture plant on there was to achieve lower emissions of carbon dioxide. So moving it from 1100 tonnes a gigawatt hour to 420 tonnes a gigawatt hour was the objective. This plant achieves about 120 tonnes per gigawatt hour when it is actually operating at full capacity.

So the objective here was not just to build a plant and reduce

the output to the system, but to provide a cleaner way to generate from coal and reduce our emissions accordingly. So you know, there's the . . . That's what you give up to clean it up. When you go to gas generation for example, natural gas generation emits about between, you know, 450 and 550 tonnes per gigawatt hour today. The regulations were designed to be as clean as gas and currently that's where the regulations sit. But we have a plant that can achieve far greater emissions reductions than that, and I think that's the other side of the coin that we have to be mindful of.

Ms. Sproule: — So in terms of the business case itself, was that parasitic load the cost of the loss of sale, I guess, of that power? What amount was that calculated at in terms of the business case? Because you could be selling 140 megawatts right now but for . . .

Mr. Marsh: — In the business case, again we had designed the plant for 110 megawatts of output when the plant was running at full capacity. Now we're currently able to produce more than that, between 115 and up to 119 megawatts today under current operation.

Ms. Sproule: — So in terms of the actual . . . Let's say you just didn't build the carbon capture plant; you just redid Boundary dam 3, and you're getting 119 megawatts per day, let's say. Given that fact, you're building a business case now for Boundary dam 3. The cost of not selling that power has to be factored in somehow, and I'm just wondering what figure you used for the value of that parasitic load. Was it the actual sales value or was it another figure?

Mr. Marsh: — I'd have to go back to the original business case to look at those figures. I don't have them in front of me. I do know that if we hadn't have gone ahead with carbon capture, we'd be shutting Boundary dam 3 down in three years, and with this technology, now we can operate it for another 30 years.

Ms. Sproule: — I certainly understand that, and I understand the requirements of the federal regulations. If you could go back and investigate what that figure was in the business case, I would appreciate that.

Mr. Marsh: — Ms. Sproule, I'm going to have my CFO [chief financial officer], Sandeep Kalra, just speak to that point.

Mr. Kalra: — Well maybe I can address the issue of the opportunity cost. When the business case was put together you have taken all the costs of building and running the plant — both power plant and carbon capture. So it's the construction costs; it's the running costs, and then you see what the output of that plant is. Output of that plant is reduced from 150 to 110. That was done in the business case. So on a levelized cost basis we said, what's the cost of production per megawatt hour? And then, you know, that's how the business case was done. It wasn't lost revenues that were looked at but reduced production that was factored in the business case.

Ms. Sproule: — And I guess the question is, why would you choose to factor it in that way and not the lost opportunity cost?

Mr. Kalra: — Because without carbon capture there would be no power plant, no coal plant. So this was part and parcel of that

whole plant, so both of them together made it possible for us to produce power and in this case the power was 110 in the business case and not 150.

Ms. Sproule: — In December the plant was off-line for a number of days, I understand. Why did that happen after everything was fixed and back up and running in November?

Mr. Marsh: — There were a couple of reasons. There was again a problem with one of the components in the plant. And we can get you the actual information but again we're going to have outages in January. We're going to have outages in February. I'll get you the information on what caused that specific outage. I don't have it with me today.

Ms. Sproule: — Thank you very much. I think it was in December where you indicated you anticipated the penalties to Cenovus would be in the range of \$5 million for 2015. You've now indicated that it was \$7 million. What changed between then and now?

Mr. Marsh: — I think the biggest thing is the overhaul that we had anticipated to be in September and October. That moved into November. It was November 4th, I believe, by the time the plant came up so we lost a few days. Then we had to bring it down a couple of weeks later, and with the outages that occurred through November, December, just not making that few extra thousand tonnes a day — pardon me, few extra thousand tonnes over that period of time — just resulted in that shortfall.

Ms. Sproule: — So are you willing to make an estimate on what the penalties may be in 2016 based on these regular shutdowns?

Mr. Marsh: — You know at the present time we're targeting 800 000 tonnes. We are working hard to make sure that happens. If we achieve that goal, there will be no penalties paid to Cenovus.

Ms. Sproule: — How much carbon do you plan to deliver to the Aquistore project? How much did you deliver in 2015 and what's the goal for 2016?

Mr. Marsh: — I'm sorry I don't have the actual numbers. We're just actually reconciling the year-end figures over the next week or two here. I will have more definitive numbers here shortly. I do know that, you know, prior to the overhaul we had achieved, I think, slightly less than 10 000 tonnes to Aquistore. We've been able to produce, you know, a few hundred tonnes a day to Aquistore since November. So I would, you know, just guesstimate it's in the 15 to 20 000 tonnes for the year.

Ms. Sproule: — Would there ever be — if you're producing 800 000 tonnes for Cenovus, you are able to produce a million tonnes plus — will you ever deliver that extra 200 000 tonnes to Aquistore and remove that carbon from the atmosphere?

Mr. Marsh: — You know the Aquistore is a vital component of that whole integrated facility. The intention and the ability for us to move CO₂ over to Aquistore if Cenovus elects to not take the volumes per day is there. We want to be able to make sure that we can run that facility, the Aquistore facility, for a

period of time at reasonable injection rates. Because there's again a good part of the technology around deep underground aquifer storage is, you know . . . The learnings from that are important for us. They're important for the rest of the world. But it requires a steady tonnage that can become measurable and certainly is the interest of the scientific community.

Our first objective however is to, as I've said before, make the plant operate, continue to keep that plant operating at high performance levels, and to be able to earn as much revenue as we can. And so to the extent that we can serve our customer, Cenovus, any other potential customer down the road, that's our first priority. And the amounts that we will flow through to Aquistore will be dependent on, you know, our weekly and daily amounts that we deliver to our customer.

If we send it to Aquistore, of course there's no revenue. That's the thing that has to be recognized. So it's there as part of the integrated system, but the first priority is to serve the customer.

[11:00]

Ms. Sproule: — Perhaps I could ask this question then of the minister. Is there any willingness on the part of the Government of Saskatchewan, not SaskPower, to take that additional capacity and inject it in the deep storage, in Aquistore, just to simply remove that carbon from the atmosphere?

Hon. Mr. Boyd: — Well some of this is a little bit technical for me, but I guess I would say that the government's interest would be to capture, if possible, and to store safely. And if the technical team from SaskPower believes that that can be done in that fashion, that's what would take place.

Ms. Sproule: — I think what I understand Mr. Marsh to be saying is that on a business case, SaskPower will not be increasing the production over and above what is being delivered to Cenovus in the near future because it's expensive to do so. What I understand is the plant can deliver more than what Cenovus is willing to take, and now that we've sort of given away our opportunity to require them to take it, we still have a lot of carbon being emitted. And certainly we know the pressures around the world to reduce our carbon, so is there any plan on the part of the government to find funds to inject that extra carbon in the deep earth storage?

Hon. Mr. Boyd: — Well I think that's, you know, a bridge that we'll have to cross if that becomes the case. I'm not sure that has become the case at this point in time. But I think the government's wish and hope would be to safely store as much CO₂ as possible if that's the options that are presented.

Ms. Sproule: — I think Mr. Marsh has indicated that is definitely an option that's there. So the question is whether there's funds available to make that happen because it won't happen under SaskPower's watch because it doesn't meet their business requirements.

Hon. Mr. Boyd: — Well again I would just say that we would rely on the expertise and judgment of the SaskPower officials with respect to what they feel is optimal.

Ms. Sproule: — I think he's already indicated that. Like I think

he said 800 000 is what they intend to produce next year because that's what the contract requires. So we know the plant can produce 1 million tonnes plus, so those 200 000 tonnes are now available to be injected into the deeper storage. From Aquistore, as far as I understand, they are prepared to receive it. So when will the government make that determination?

Hon. Mr. Boyd: — That's assuming that you can reach 1 million tonnes. The goal for 2016 is 800 000 tonnes. So maybe we'll be able to exceed that. I don't know. I think it's too early to tell.

Ms. Sproule: — Maybe for Mr. Marsh then, when you say the goal is 800 000 tonnes, I understand that's based on the requirements under the regulations, the federal regulations, that determination, as well as the requirements from your supplier, the company Cenovus that you're supplying it to. So it could reach 1 million tonnes though is what you're saying, but you're choosing not to.

Mr. Marsh: — At the present time, we're serving the requirements for Cenovus and we are injecting anywhere between 3 to 500 tonnes a day into the Aquistore facility today. So we're running that facility, you know, between 25 and 2800 tonnes per day right now. So it's backed off a little bit from full capacity. To the extent that we can increase production, sell more to Cenovus and inject more, we will do that, but right now we've throttled back to meet our commitments and to maintain the appropriate amount into Aquistore, according to what that well can handle right now.

Ms. Sproule: — So for example though, if the Minister of the Environment came to you and said, look, we know you can produce up to 3000 tonnes a day — you're currently delivering around 2700 — we will buy those 300 additional tonnes from you for injection into Aquistore, would that be something SaskPower would consider?

Mr. Marsh: — Well from SaskPower's perspective, if somebody is willing to offer us money for that CO₂, absolutely we'd consider it. Yes.

Ms. Sproule: — I think that's the point I was trying to make, is that it's available to be saved and injected, so now it becomes a question of environmental consideration for value.

Hon. Mr. Boyd: — I think it's more than that. I think it is, given the operational difficulties that there has been, is it achievable realistically to go beyond the 800 000? Perhaps. We're in the first few days of January here and as the year proceeds, we may have a better understanding of that.

Ms. Sproule: — For sure I think you'll get more and more information all the time, but we know the nameplate capacity is 3000 tonnes a day. And so the question is, once the plant is prepared to do that, is the government prepared to pull that carbon from the atmosphere? That's the question.

Hon. Mr. Boyd: — And it's difficult to answer because we're not at 3000 tonnes per day.

Ms. Sproule: — But I think Mr. Marsh has indicated that's by choice. 2700 tonnes is a chosen limit because of the contractual

agreement.

Hon. Mr. Boyd: — And also operational challenges have resulted in where we're at today. But you know, that would be a decision that the government will have to make at some point in time I guess as we continue to evaluate the performance of the facility.

Ms. Sproule: — Thank you. Here's a fairly long question, but of the one and a half billion dollars total capital cost for the retrofit and the carbon capture plant, about half a billion was invested in the coal plant, if I understand correctly, and about 1 billion in the carbon capture facility. So that's just an estimate. We know that even if the carbon capture facility works perfectly, it will generate about \$25 million from the sale of carbon dioxide to Cenovus. Now that's at 1 million tonnes. And we'll get a minimal amount of just under \$1 million from the sale of sulfuric acid.

Now this is a question perhaps for Mr. Kalra. We know that SaskPower's weighted average cost of capital is at least 5 per cent, which means that just the interest charges for the \$1 billion unit for CCS [carbon capture and storage] will be \$50 million annually. In other words, the gross annual revenue from the sale of CO₂ at 1 million tonnes a year and sulfuric acid doesn't even cover the interest charges for the plant.

If you add in the parasitic load cost, you could say it's about \$18 million of lost sales — I don't know why, but that's a number that is real — and the \$10 million cost of O & M. I forget which figures you actually gave us for O & M; I think it was about 11. It's clear that the carbon capture unit will return an operating loss to electricity consumers of Saskatchewan of at least \$1 billion over 30 years and a net loss of 2 billion after deduction of interest charges. So the question is, why did SaskPower even proceed with the project, given these economics?

Mr. Kalra: — We looked at the project somewhat differently. We did not isolate power production from capture. Without capture of CO₂, the project could not have gone ahead. It was important for us to capture it to be able to use coal in the future.

So if you look at losses in the capture side, the offset to that is, you know, great profits in the sale of power from a conventional coal plant. So you always have to net off the each other. That's what we did. And we compared the net cost with the next-best alternative when the business case was made in 2010, and the next-best alternative at that time was a combined-cycle natural gas plant.

The net cost of producing power through a carbon capture plant and the combined-cycle gas plant were very close to each other. And that's why it was decided to go ahead with this one because it had two additional, you know, attributes which combined-cycle natural gas does not have.

One is, it captures CO₂ at a much higher rate as compared to natural gas, so 90 per cent versus roughly 50 per cent reduction in CO₂ capture. And the other one is, it provides us hedge against the volatility in the natural gas prices 30 years out.

So we cannot take one piece of the puzzle and say you have

losses over there. You have to look at the whole picture together and say it didn't make sense and, you know, we absolutely cannot stand behind that decision. The business case was sound and it was based on taking both the pictures, you know, both the pieces of the puzzle together.

Ms. Sproule: — When you indicate that this technology saves 90 or withdraws 90 per cent of the carbon from the atmosphere, carbon dioxide, and natural gas combined-cycle plants, you can only remove 50 per cent, was there any consideration or technology to get the natural gas combined-cycle plants up to 90 per cent rather than using this coal technology?

Mr. Marsh: — No. At the present time, no. And as the regulations were emerging federally, obviously they were targeting coal-fired stations across the country. Regulations are in development for gas generation stations; you're probably aware of that. But you know, I think the fact that the regulations moved a higher CO₂-producing generating source, coal, to as good as gas is the first step. Now that they're there, moving the gas regs to a lower emissions target is probably something that's being considered. We don't know what that might look like.

We're in the fortunate position of having built this plant to achieve 90 per cent reduction of emissions of CO₂, which puts us in a very good position. It's highly unlikely that the regulations will be that far in the near term. So we're in a very, very good position to be able to run that plant, regardless of what regulations emerge for both coal and gas over the next few years, and that will serve us well, as Sandeep has said, for the next 30 years of operation of this facility.

The other thing I would like to point out is that as a utility we're looking at a range of options to reduce our emissions. It's not just about carbon capture. And our recent announcement in the fall to reduce our emissions by 40 per cent from our 2005 levels by the year 2030 through an increase in the percentage of renewables in our fleet is an important way to do this. The carbon capture is certainly one, what we call one tool in our tool box as we look at our overall fleet. Going to lower emitting, higher efficient combined-cycle gas facilities as we build new gas facilities, increasing the amount of wind, solar technology, geothermal and potentially some biomass in the province will allow us to achieve this target in the next 15 years.

Ms. Sproule: — Would you consider adding running the plant at an incomplete capacity of 3000 tonnes a day as part of that commitment?

Mr. Marsh: — If we can achieve 3000 tonnes a day on a steady-state basis and we can do something with the CO₂ . . . We wouldn't want to capture it and then have to emit it because that would mean that we'd just have to turn the plant off. So we have to have a place to put that CO₂. That's why it's important that we continue to work with our offtaker, to continue to work with Aquistore, to continue to look at other options as we go forward here to make the best use of that CO₂.

Ms. Sproule: — How much can Aquistore take right now?

Mr. Marsh: — Right now it's taking as much as it can. We have pushed that plant up to about 800 tonnes for a short

duration, but we're trying to feed the CO₂ slowly. My understanding from the technical people is that you have to be careful with this deep well formation until you understand the way the CO₂ is actually moving into that formation. And to be able to monitor it carefully and to do it slowly over the first few months is what the technical team is trying to do today.

[11:15]

Ms. Sproule: — So if you're giving 2700 tonnes a day to Cenovus and there's an additional 3 or 400 tonnes, can Aquistore take 400 tonnes a day now? Or is it . . .

Mr. Marsh: — Yes. We're achieving again between 3 and 500 tonnes a day to Aquistore right now.

Ms. Sproule: — So you are delivering, or capturing 3000 tonnes a day? Or does that 2700 include what's been . . .

Mr. Marsh: — That includes approximately what's going . . . That's the whole plant capacity right now.

Ms. Sproule: — Okay, thank you. Let's go on then to Boundary dam 4 and 5. So we're hearing you say that capital cost estimates may be as much as 30 per cent less for Boundary dam 4 and 5 for construction of a carbon capture facility for those units. Obviously that still won't cover the parasitic load and operational maintenance, and obviously won't cover all the interest charges and depreciation and all those things.

So even if the capital cost is reduced to zero — let's say it was nothing — the unit will still lose money because of O & M [operating and maintenance] and parasitic load. So why is SaskPower waiting until 2017 before making a final decision on 4 and 5? What additional information are you looking for?

Mr. Marsh: — Well the importance of having the first plant of its kind in the world achieve steady-state operation for a year, and understanding in detail what the operating costs and the operating performance of that plant is, is extremely important to inform that next business decision.

When we made the case in 2010 for BD3, of course we had to make certain assumptions as to what the ongoing operational cost was going to be for this facility because there wasn't one that existed today. And we've done a very good job in staying fairly close to what our original budget projections have been. The first year of operation had its hurdles as we talked about.

But as we look forward and look at the rest of the fleet in SaskPower, we still have over 1,500 megawatts of coal that is conventional coal. And to make decisions to retrofit those facilities with carbon capture technology will require significant investment. We want to make sure that we have the best information that we can and we have that information right here at SaskPower.

So getting a full year of operation under our belt, understanding the operating characteristics, understanding the operating costs very, very carefully will help us make a much more informed decision for the next unit. And that's why we are going to take our time in 2016, continue to improve the performance of that plant, understand what it takes to operate, understand what our

costs are, make an informed decision when it comes time to make a decision on the next carbon capture facility.

In the spring when I was here I indicated that that would be 2016, possibly moving into 2017. I reiterated that in the fall time, that we're moving into probably 2017, given the delays that we've had in getting the plant up to speed in 2014 and the first year of operation. And we'll continue to do that as we move through 2016.

Ms. Sproule: — 2019 is the sort of the drop-dead time for the federal regulations.

Mr. Marsh: — That's correct.

Ms. Sproule: — By taking this much time on Boundary dam 3, aren't you concerned about the effect if you choose not to go forward? If the business case, for whatever reason, is not there, the operating costs are too high, and you can't possibly go forward with 4 and 5, there will need to be a lot of consideration given to other forms of energy and electrical generation. So are you looking that as well at the same time? Are you looking at what your options would be if you choose not to go forward with 4 and 5?

Mr. Marsh: — Ms. Sproule, we are looking at all options all the time and we are constantly comparing each technology option that's available to this province and to SaskPower against the next or the cheapest option that's out there.

Currently with the gas prices the way they are, simple cycle gas technology would be the cheapest option. But simple cycle gas technology doesn't provide the emissions reductions that we will need to continue in the future. Combined cycle gas is a more efficient way to produce. It provides the lower emissions and it's, over the life of that facility today, that's really become the standard in North America, just given the way gas prices have gone in the North American market.

We continue to evaluate all our facilities against the next best alternative and any decision we would make or bring back for approval through SaskPower, through our board, through our government would compare that option, and all of those numbers would be presented in full.

Ms. Sproule: — Thank you. I want to talk about smart meters for a few minutes. You gave Sensus \$5 million for research and development. Can you please give us an update on what they've developed that will benefit Saskatchewan families to the tune of 5 million of their taxpayers' dollars?

Mr. Marsh: — Well we haven't given them \$5 million. That was part of the settlement agreement with Sensus. The first part was recovering the full cost for all the meters that were installed in the province and that were sitting in our warehouses. All those meters have gone back, and we have received 100 per cent reimbursement for all those meters that were taken out of service.

We also achieved . . . There were two other points to that settlement. One was a \$5 million credit or investment on their part, if you will, in research and development to develop a meter that would meet our specifications here in the province.

To date we have been working over the last year, year and a bit actually. Our technical people, our engineering staff have been working with ratings agencies, other Canadian utilities in developing a much more firmer standard, if you will, around smart meters and developing a standard that will be, I think, raising the bar for smart meters in the industry across North America in time. And that's moving through the system now. That takes some time.

In addition to that, we have also undertaken some testing, and we're testing meters through this winter. We'll be testing meters through the summer and through next winter. We do not intend to be putting any meters into place over the next few months. We're probably looking at near the end of 2016 to start deploying commercial and industrial smart meters, so that's oil fields and commercial meter products that are on three-phase applications. Residential meters will follow in 2017-2018. That's kind of the timeline we're looking at.

And when we get into redeployment of the meters, we also have negotiated a credit on the future price of meters, which would allow us to realize savings that we would not ordinarily see in the marketplace at the time we will purchase these, and those savings amount to the \$47 million that was agreed upon back in 2014.

It was a good deal I think for SaskPower, and we continue to work with Sensus. The company has continued to respond with development and new meter technology, and we continue to work with them today. We'll continue to work with them over the next few months and see where the testing ends up, and we'll be making a decision going forward after the results of the testing is complete.

Ms. Sproule: — Okay, I need to understand something you just said. I believe it was an \$18 million credit that Sensus was given for . . .

Mr. Marsh: — No, Sensus gave us a credit.

Ms. Sproule: — Sorry.

Mr. Marsh: — Sensus is giving us a credit on the future purchase of new meters.

Ms. Sproule: — Under the settlement agreement that you reached?

Mr. Marsh: — Yes.

Ms. Sproule: — And you're saying that will turn into 47 million?

Mr. Marsh: — If the additional . . . The original refund of the meters I think was in the \$24 million, 18 million in credit on a future purchase, and 5 million in R & D [research and development] fees. That amounts to 47 million. That was the nature of the settlement in 2014.

Ms. Sproule: — Right, 24 million in a refund, 18 million . . .

Mr. Marsh: — Credit.

Ms. Sproule: — Credit, and five . . .

Mr. Marsh: — 5 million in R & D investment, yes.

Ms. Sproule: — R & D. So there's no additional savings. This is the original investment.

Mr. Marsh: — That was the impact of having to remove the meters and replace them. The intention was that we would find a way to make sure that our customers were kept whole and there was no additional cost for the company as we worked our way through this issue with the smart meters, and that was the nature of the settlement that we came to with Sensus.

Ms. Sproule: — Okay. I thought you said you were going to realize savings on some of this but there isn't really any savings. It's a net . . .

Mr. Marsh: — At the end everybody is kept whole. We're kept whole and we can proceed with a smart meter program although it's going to be a few years down the road from what we originally intended.

Ms. Sproule: — Okay. And when you say Sensus is giving us 18 million, that's our 18 million to begin with, right? Like they're not giving it to us. It's just our money that they have.

Mr. Marsh: — We had paid for the meters. They have given us a credit. There was additional costs that we incurred. They are providing a credit on a future meter purchase. So they're covering our costs.

Ms. Sproule: — So really they're not giving us 18 million. Yes. They're not giving us 18 million. Okay. I just want to be clear on that. Is there any legal action that the government or SaskPower has entered into to recover any of the money that was lost during that in terms of lost staff time and installation and all those?

Mr. Marsh: — To the AMI [advanced metering infrastructure] program?

Ms. Sproule: — Yes.

Mr. Marsh: — No, no. There has not been. This was a negotiated settlement which is I think a far better alternative than to a legal claim and a legal process and a dispute that could take months, if not years.

Ms. Sproule: — Does Grid One Solutions continue to operate in Saskatchewan on behalf of the government or any of the Crowns or ministries?

Mr. Marsh: — I can answer that. Currently we continued to employ Grid One through 2015 as part of the AMI replacement and also as part of the regular ongoing replacement efforts of meters for SaskPower. Their staff is less than 10 people in the province. The employees that are actually doing the work are Saskatchewan people who have been employed by Grid One for doing this work and trained by Grid One. I'm also aware that SaskEnergy also has Grid One employees under contract with them.

Ms. Sproule: — Yes, I've seen their truck on my street actually. In terms of the smart meters, they've been pulled, and I understand that the failure rate for the ones that have been replaced is pretty much the same level as the smart meter failure rate. Is that correct?

Mr. Marsh: — That wouldn't surprise me. Meter failure rates in the industry are statistically very, very similar. Again going back to what happened in 2014, it was the nature of the failure that concerned us and obviously the safety of our customers and our employees was paramount. And we elected to, you know, work with Sensus to find a resolution to this.

But any meter is going to have an issue. It's the nature of the failure that is important. And if the meter can fail in a way that is safe, simply shuts off, and it gets replaced and repaired, then all is good. If things happen that result in overheating or potential for higher risk activity, then that is not good.

Ms. Sproule: — Have there been any fires with the conventional meters in the last year?

Mr. Marsh: — No, there's been no fires that I am aware of in the last year. There may have been socket issues, which again is something that we explained is a normal occurrence in the industry, and when sockets fail you can get hot spots and arcing and, you know, potential for fires in that location.

Ms. Sproule: — And do you know if there are any fires because of socket issues? Or how's this . . .

Mr. Marsh: — I'm not aware, no. I'm sorry.

Ms. Sproule: — Thank you. How much is SaskPower paying Grid One to do this work, say in 2015 or 2014?

Mr. Marsh: — We don't have the costs for that available today. I think we've tabled that at the last session, or in 2014, but we can get those numbers for what we paid Grid One.

Ms. Sproule: — Thank you. I would appreciate that. Thanks very much. I just want to talk a little bit now about emissions intensity. Mr. Marsh, you will remember I wrote a letter to you back in October, October 7th, with some questions about the emissions intensity performance measures in your 2013 and 2014 annual reports.

In your 2013 annual report, your projection for emissions intensity in 2015 was 665. But sadly, in your 2014 annual report that went up to 678. In 2016 your emissions intensity projection . . . Sorry, in your 2013 annual report, you projected for 2016, 646. And unfortunately, that's gone up to 667, slightly down from your 2014, but then it goes back up again in 2017. In your reply to me, which you wrote back kindly on October 19th, you looked back and sort of justified this as a contextual short-term fluctuation. But I'm just wondering, it is a big jump, especially when these emissions should be going down. So I'm going to ask you here today what's the reason behind the significant increase in emission targets between 2013 and 2014?

[11:30]

Mr. Marsh: — Well first of all I'm going to attempt to answer

this, and then I may have my vice-president of planning, Guy Bruce, speak to this issue as well.

The 2013 annual report had 665 tonnes per gigawatt hour as the emissions intensity listed; 2014, 678. The methodology for calculating CO₂ emissions changed in April of 2014. So the change resulted in the 678 tonnes per gigawatt hour measured for, being reported for 2015. The old methodology would have resulted in a projection of 691.

Now what the 2014 annual report didn't include, and what I discussed, was the energy from wind and other renewables wasn't factored into the 2014 number. So using the old methodology, including wind would have resulted in a number . . . The combined effects of the improved methodology and inclusion of energy data for wind and other renewables results in a 2015 projected measure of 649 tonnes per gigawatt hour. The number that was reported in our annual report is in fact not the correct number. It should be 649 tonnes per gigawatt hour.

As we look at the 2016 emissions intensity, the corrected figure for 2016 is 633 tonnes per gigawatt hour. So the statement that emissions intensity continues to fall is correct, and it will continue to fall more aggressively over time as we enter a phase of increased renewables.

The numbers unfortunately were not exactly correct in both the, well in the 2014 annual report for 2015 and for 2016. So I'm attempting to tell you that the number should have been 649 for 2015 and 633 for 2016, taking into account the inclusion of energy for wind renewables and the methodology for calculating. So while it appeared that it was going up, in actual fact we had missed something in the calculation, and when we went back and looked at it, these are the numbers that should have been put in there. So on behalf of SaskPower we apologize for that error, but we're letting you know today, and we can provide you the background information on all of this.

Ms. Sproule: — Thank you. That isn't what you said in your letter of October 19th, so is this something that's come to light since then?

Mr. Marsh: — Yes, it's . . . We did a lot of homework over the last couple of months because the numbers just simply weren't adding up, based on, you know, what we felt they needed to be, because there was something missing. And I think in my letter back to you, I think I stated the emissions intensity was falling over time?

Ms. Sproule: — Yes.

Mr. Marsh: — And we're still saying that. It's just the short-term anomaly was argued because some things got missed; like in 2016 for example, wind facilities weren't coming on stream. They were expected to be, but they weren't. We thought that might have been part of the calculation, but when the technical people went back and reviewed the numbers, this is what they found.

Ms. Sproule: — And does that anticipate that the Chaplin facility will be on stream in 2016?

Mr. Marsh: — No, the Chaplin facility will not be on in 2016.

I think that's being pushed out now until the 2018 completion date. That project is being undertaken by an independent power producer, and of course they're working through their environmental assessment process right now.

Ms. Sproule: — Yes. Were there any adjustments taken into account because of the lower than expected delivery of CO₂ to Cenovus? Has that affected this number as well?

Mr. Marsh: — I don't believe that had any impact on the numbers for 2015 and 2016. No, not at all.

Ms. Sproule: — We know that the official Government of Saskatchewan target is to reduce emissions 20 per cent below 2006 levels by 2020. Where is SaskPower in terms of their goal to meet that official target of the Government of Saskatchewan?

Mr. Marsh: — Ms. Sproule, I'm going to have my vice-president of planning, Guy Bruce, just step to the table and answer the question.

Mr. Bruce: — Okay, I'll just start by giving an overview of the trend for total generation for the period. This is looking out from 2016 to 2030. Total production is expected to increase from in the order of about 23 000 gigawatt hours up to about 30 000 gigawatt hours. And over that time, we expect emissions to be reduced. So we're forecasting a reduction in emissions from about roughly 15 million tonnes per year down to about 8 million tonnes per year. And that's taking into account our projection for reaching 50 per cent renewables by capacity by 2030.

The emissions intensity over that time is . . . Mr. Marsh already stated our forecast for 2015 should have been 649 tonnes per gigawatt hour. We're expecting in 2020 that to be down to around 500 tonnes per gigawatt hour and by 2025 around 450. So our emissions will be reduced by, in the order of, we're approaching . . . Well it will be 40 per cent reduction by 2030.

Ms. Sproule: — What were your total emissions in 2006?

Mr. Bruce: — In 2006? Yes, we were right around, we were just a little bit over 14.5 million tonnes in 2006. So the emissions have grown a little bit over the 2006 to 2014 period. And then since we've been reducing generation from coal, that's come down.

Ms. Sproule: — So in 2006 they were 14.5 million. I think that's what you said.

Mr. Bruce: — Yes. That's an approximate number.

Ms. Sproule: — And to reduce it by 20 per cent by 2020, you'd have to get it down to 11.6 million just to sort of match the government's goal of reducing emissions by 20 per cent. Can you tell us whether they will be at 11.6 million in 2020? Do you have any plan to do that or . . . Like you're talking 2025 and 2030, but I'm just wondering about 2020.

Mr. Bruce: — Yes. So our plan right now shows us between . . . around the 14 million mark in 2020. Yes. In 2025 we'll be starting some more significant reductions.

Ms. Sproule: — So the reduction would be from 14.5 to 14 basically by 2020.

Mr. Bruce: — Right.

Ms. Sproule: — Yes.

Mr. Bruce: — But as I said, so we're . . . At the same time, the demand for power is growing, and we're adding gas for our generation to keep up with the demand for power. So as the gas-fired generation increases, then there's emissions associated with that. So our intensity is actually reducing though by a significant amount.

Ms. Sproule: — Right. I think the demand for power is growing everywhere in the world, but we still need to reduce emissions regardless. So I think that's part of the discussion. Yes, I think I'll leave it at that for now. So thank you very much.

Just going back a little bit to the business case and just some of the things that the Premier has said. His intention with this project, he said, is to have India and China install carbon capture on their coal-fired power plants. Since SaskPower and Saskatchewan don't own the technology we're using, how would the Premier's goal of having India and China install these units benefit SaskPower customers and Saskatchewan taxpayers?

Mr. Marsh: — Well I think the most obvious place it would benefit Saskatchewan customers of SaskPower and taxpayers is by improving the overall knowledge and understanding of the technology around carbon capture.

Over time the costs are going to come down, which will make it even more viable in the future. And with any emerging technology, the initial upfront costs for incubating new technology, developing it, getting it commercialized is high. And we're going through that part of the curve right now. But over time, as more companies, countries engage in carbon capture and storage technologies, the price for everybody is going to come down. That will make it easier to employ. That will make the world a cleaner place, and it will make it affordable relative to the next option, where it hasn't been up till now.

So over time there's a benefit for everybody, and that's probably the simplest way to put that out there. And where we can capitalize on an opportunity going forward, as I've indicated, we intend to do that. But we are in early days, and I think the large-scale implementation of carbon capture and storage is still several years away. But we're leading the world in knowledge, understanding, and the integration of that with a coal-fired facility.

Ms. Sproule: — That will help in the future. But taxpayers have paid \$1.5 billion for this facility. And we're doing it for the good of, it sounds like everyone, because you're saying there's no positive return financially for SaskPower on any of this investment. It's the knowledge and the future use of this. You could also invest 1.5 billion into other technologies as well and obviously the same argument would apply there. The more money you put into it, the better the technology would be. The

price is going to come down and make it more viable.

I understand that India is looking for a 40 per cent target of renewables, including solar power. We know solar and wind capacity is growing fast. Ocean thermal energy is also growing, but we don't have any oceans in Saskatchewan, so I don't see SaskPower getting into that. But we certainly have sunshine and wind.

And I know we've had the discussions in the past about baseload. That was when Mr. Watson was here and the last time we looked at annual reports. But why wouldn't then SaskPower, on the logic you just gave, why wouldn't you be investing 1.5 in wind as well and in solar as well? Like why are you limiting it to coal?

Mr. Marsh: — My earlier comments about carbon capture being one part of the solution for us is absolutely true. As we embark on increasing our percentage of renewables in the province, we are going to be spending one and a half billion dollars on wind over the next 10, 15 years as we integrate more wind into the electric system in the province. We're looking at about 1600 megawatts of wind between now and 2030 in order to get us to that target. That's substantial, and that is in the order of 1.5, \$1.6 billion. It just happens to be the same number, but it's the same.

[11:45]

Ms. Sproule: — But that's building on . . . That would be like adding additional natural gas plants. It's not investing in a technology that doesn't exist.

Mr. Marsh: — No, that's a mature technology now. It's not like carbon capture, which is not yet a mature technology. Wind technology has grown, you're well aware, over the last 20 years exponentially. And it continues to grow and the forecasts are very, very bullish for wind. But because it's mature and because the costs have come down now, we're able to do that in a way that's economic and doesn't cause undue rate shock to our customers. So I think it's . . . Maybe that's a very good example of what's happened with an industry that's really just started in the last 20, 30 years and where it is today.

Ms. Sproule: — Given that and given the fact that you are not prepared to even decide about Boundary dam 4 and 5 for another year — you don't have the information you need — why wouldn't you . . . Well I guess first of all is, why are you continuing to try and sell carbon capture technology — “sell” in quotation marks — increase the knowledge capital when you already have a mature technology that we could be improving?

Mr. Marsh: — Well the mature technology around wind is still an intermittent source. It doesn't provide baseload generation. And wind at its best in Saskatchewan might give us a 40 per cent capacity factor throughout the year; solar likewise, even less on the capacity factor because we have very short winter days. We're at a high latitude so the angle of the sun is not quite as good as it might be in Phoenix or New Mexico. But the opportunity to explore wind and to integrate some wind into our grid is being undertaken, and we are going to do that starting in 2016. And we'll see where the costs come in for those projects, but we're going to do this in a mindful way that does not, again,

does not add additional cost or undue cost to the grid and to our customers.

When we undertook the business case for BD3, as Sandeep has pointed out, the business case at the time was referenced against all the information that we had at the time. The best available option, given where our gas prices were and the fact that we wanted to make sure that we had a place to burn our coal but do it in an environmentally responsible way, was to use carbon-capture technology. And we're going to work through those hurdles and we're going to make this plant run. We'll understand the costs much, much better one year, two years, three years down the road. But to make an informed decision, an informed business case, if we're going to be investing another 1 billion or \$2 billion on the next decision like this, we want to make sure we have all the facts that we can.

Ms. Sproule: — Can you provide the committee with those specific criteria that you're looking for before you go ahead with a decision on BD4 [Boundary dam 4] and 5. Is there a specific criteria for the business case and also for the operations?

Mr. Marsh: — We can certainly lay out the framework that we use when we develop a business case and when we look at alternatives, the different factors, and the environmental considerations that we take into account. When I say environmental considerations, I'm talking about things like government regulation or the price of gas or the price of alternative energy sources that would compare or compete against the option to put another carbon capture facility on. Certainly we can do that.

Ms. Sproule: — You're tabling that right now though? You can . . .

Mr. Marsh: — We don't have that with us, but we can get that to you.

Ms. Sproule: — All right. In terms of the closed-loop system that's being utilized for the carbon dioxide capture, I understand the goal is to not have any of the amines emitted or lost. How do you measure what amines are being released or lost from your system?

Mr. Marsh: — Just excuse me for a minute, I just want to check one fact. Yes, on the question of amine release, we do not expect to see any amines released through this process because it is a closed-loop system, as you say. However we are putting monitoring in that will check for amine release.

The amines that we are using, to my knowledge, are not a hazardous material. They are used in many different applications in the oil and gas sector. But what the amine is subjected to over time is a slight degradation. So that's designed into the operation of this facility, and over time there are processes for cleaning up the amines. When they get degraded, you put them through a process and clean them up and put them back into the system so that you can always operate at full performance. But as far as release into the atmosphere, that is certainly not part of this plant's operation, and we don't expect to be seeing that at all.

Ms. Sproule: — We understand that the tank was actually leaking at some point, the tank that was installed. Were there any amines released at that point?

Mr. Marsh: — No, there were not. The tank that was built, it was built of a concrete block. And subsequent to that, a liner was attempted to be installed, but it still did not contain the amine properly. And the correct and proper solution at the end was to replace the tank. So that was done at the beginning of the overhaul in September, and of course resulted in many photographs because it's a huge tank that was coming down the highway.

But no, we have containment facilities inside that plant, and we have sumps that contain any of the water or anything else that's released. And there's processes inside to clean it up and dispose of anything that's released inside that plant in a safe way.

Ms. Sproule: — Do you know how much, the volume of amine that was actually processed by those sumps or how much . . .

Mr. Marsh: — It was very small. We were talking, you know, in the order of litres, not thousands of litres. So we're talking very small leaks, but leaks that just wouldn't stop, no matter what solution was attempted.

Ms. Sproule: — I understand that if amines are released, they can be converted to something that is toxic, and that's nitrosamines. So were any of those . . . Did that happen at all in the release of these in the sump pump?

Mr. Marsh: — Okay, I'm told that yes, there are nitrosamines that are part of the degradation process. I am also told that standard dish soap has higher levels of nitrosamines than what we experienced at Boundary dam. So to put it in context, yes it's there. But is it a harmful or hazardous substance? We don't believe it is.

Ms. Sproule: — Maybe this means I shouldn't do my dishes anymore. Good for me. Thank you for that. Have you completed a life cycle greenhouse gas assessment for this project?

Mr. Marsh: — A life cycle greenhouse gas assessment for carbon capture?

Ms. Sproule: — Yes.

Mr. Marsh: — That's certainly part of the analysis as we look at going forward with the business case on BD4 and 5, and part of the work that's being done to understand the complete operation of the facility. So you know, understanding truly what the amine degradation is compared to design, understanding what the capture is compared to design, what we can push that plant to. With improvements in technology in the next couple of years, we may be able to reduce some of the operating energy requirements for that plant even further and make it even more efficient. So these are things that our engineering teams are working on all the time.

Ms. Sproule: — Thank you. At some point in the last year you promised regular updates on BD3. I know there was one in early December. What is regular? Like, how often do you think

you'll be . . .

Mr. Marsh: — We're going to be publishing, and we have put them on our website, they'll be published once a month. So we're compiling and reconciling the data for December. That will be published, I believe the intention is the first Monday of the week following the end of the month. So next Monday we will have the results for December posted on the 11th.

Ms. Sproule: — Okay, we'll look forward to that. Going back to the contract with Cenovus, I know this has happened with Northland Power as well when we asked to see . . . And we know there's commercially sensitive parts to that contract and those are often redacted, so they're kept . . . Is it possible to get the new contract entered into with Cenovus with the appropriate redactions? Would that be something you could provide to the committee?

Mr. Marsh: — I'm not certain I can commit to that today. I'd like to defer to my legal counsel to see what restrictions we have on that before I'd agree. But I will check into that.

Ms. Sproule: — Thank you. Just looking at some of the travel that has been done by the vice-president responsible here, Mr. Monea. There were a number of international locations for, I guess, marketing of the knowledge capital. Has that stopped, or are you continuing with the same intensity for making those trips for whatever purpose they're being made?

Mr. Marsh: — The short answer on that is no. In 2015 we reduced our travel expenses substantially. Out-of-province travel has been reduced by almost . . . over 70 per cent I believe is the number for out-of-province travel for Mr. Monea, for other executives, for myself as well. We've attempted to really cut back the amount of travel corporately in an effort to not only reduce costs but, you know, just to demonstrate that we are mindful of the nickels. And ultimately these things do end up in the rate base, so we're being very careful as we go forward.

Ms. Sproule: — In terms of the current contract with Cenovus, I think you indicated in an interview on October 26th that SaskPower and Cenovus have a take-or-pay contract that requires Cenovus to pay a penalty equal to roughly \$25 of a tonne that they refuse. Has Cenovus refused delivery of any amount of CO₂ to date?

Mr. Marsh: — Not to our knowledge, no.

Ms. Sproule: — Under the new contract, is the penalty still there if they refuse?

Mr. Marsh: — Yes, the penalty is still there.

Ms. Sproule: — But they've renegotiated to lower the limit that they can ask for.

Mr. Marsh: — That's correct.

Ms. Sproule: — Okay. Back to travel, what travel locations did the vice-president or any of you go in November and December of last year? Just the locations.

Mr. Marsh: — In 2015?

Ms. Sproule: — Yes, November and December.

Mr. Marsh: — Sorry, I didn't bring that with me. I brought data from 2012 through 2014.

Ms. Sproule: — Okay. I guess that's something we can ask.

Mr. Marsh: — Yes, we can provide that to you.

Ms. Sproule: — Sorry, I'm flipping around here. So Cenovus has not paid any penalties at all to Saskatchewan in 2014 or 2015 for refusal? I think you said that already, but I just want to clarify.

Mr. Marsh: — No, not to my knowledge. No.

Ms. Sproule: — Can you provide the committee with information regarding . . . This is a general SaskPower question in terms of how much money has been spent on consultants over the past year.

[12:00]

Mr. Marsh: — We'd be able to provide just an estimate at this time as we're reconciling our 2015 numbers, if that's what you're looking for.

Ms. Sproule: — Well even for the annual reports in question as well, if you have that.

Mr. Marsh: — Okay. So for 2012 through 2014?

Ms. Sproule: — '12, '13, '14.

Mr. Marsh: — For the years in question, 2012 contract and consulting services combined was 204 million. For 2013 it was 201 million. For 2014 it was 209 million. For 2015, our forecast at the present time is 200 million.

Ms. Sproule: — Thank you. Can you sort of give us a breakdown in terms of the nature of the consultancy? Was this all engineering or were there IT [information technology] consultants or . . .

Mr. Marsh: — The consulting services that we use are depending on the engagement. It may require a consulting engineering service. Typically that would be probably charged out against a capital project as a contractor, however. There may be consultants that are engaged by our customer service group to look at customer service programming. Our finance group, for example, may engage consultants in terms of business process improvement. A lot of our business units and operating divisions would engage consultants like that.

The consulting part of it is really minimal. We're talking, for 2015, the consulting portion is only 17 million of that 200. The bulk of it is contracted, contracting services for contractors and for consultants that would be in for a long-term engagement. So consulting is relative low or a small part of that number.

Ms. Sproule: — Thank you. In terms of consultants for the Boundary dam and carbon capture project, would they be reflected in the numbers from '12, '13, '14, and '15?

Mr. Marsh: — I don't believe so. The numbers I'm giving you are from our operation, maintenance, and administration. Anything that was done on the plant would have been capitalized under the capital project.

Ms. Sproule: — Do you have any way to provide the committee with information regarding consulting services that were capitalized and the amount?

Mr. Marsh: — Yes, we could look at the Boundary dam capital expenditures and give you that figure.

Ms. Sproule: — Thank you. I took a look in the public . . . It's not the public accounts; it's the payee disclosure report for Crowns. And I just looked at some of the numbers that are provided, and in particular I just had a couple of questions about the summary sheet at the front end of the report, summary schedule I guess it's called.

So for example, in 2014 there's two items on there that I find interesting. One is F, payment information excluded from public reporting, and then G, payments to which the payee disclosure policy does not apply. And when I look at those two figures for 2014 alone, we're looking at 292 million that are simply excluded from public reporting, and then we're looking at an additional \$377.8 million that doesn't apply because they're under power purchase agreements or power agreements. So we're looking at almost \$700 million of your activities that are non-disclosed, and I think that's a lot of money.

So I'm just wondering what information you can give the committee in terms of what types of payments these are, how many different payments are made, or as much information as you can provide in terms of for those three years. I mean in 2014, 2013, and 2012 we have . . . It's much less in 2013 — mind you, it's still over half a billion dollars — and then in 2012 it looks like it's around almost \$500 million.

Mr. Marsh: — I appreciate the dollars are high. You know, the numbers that we do work in annually are quite high. This has been a standard practice for many years. Commercially sensitive information that companies do not want us to release, they can elect to tell us that they do not want information released because it may jeopardize their competitive position somehow. That's the bulk of the number in that 265 that you see.

The payments to which the employee disclosure policy does not apply, power purchase contracts or power agreements, obviously because we enter into agreements with competitive firms — 20 per cent of our generation actually comes from IPPs [independent power producer] in the province — and there's some significant I think competitive interest in what those numbers might be. So those have been excluded and they have always been excluded, and unfortunately we're not at liberty to be disclosing some of the details behind that.

Ms. Sproule: — Then just provide to the committee, under column G, payments to which the payee disclosure policy does not apply, give us a list for 2012 of the SaskPower purchase contracts and power agreements that were in place and then any additions in '13 and '14.

Mr. Marsh: — I believe we can do that, yes.

Ms. Sproule: — You don't have that with you right now?

Mr. Marsh: — We don't have that with us right now.

Ms. Sproule: — I guess in terms of F then, the column F, payment information excluded from public reporting, could you give us for that column the number of contractors that we're dealing with for each one of those years and some general information about the type of work that they have provided?

Mr. Marsh: — We'll endeavour to put that information together as much as we can for you.

Ms. Sproule: — Obviously not wanting to reveal any sensitive information, but there should be some . . . whatever you can reveal.

Mr. Marsh: — Okay.

Ms. Sproule: — Thank you. I referred to this a little bit earlier, but when you said that Boundary dam 3 or the carbon capture plant was down for six days in December, can you tell what days this was shut down for and is this six days chemical cleaning, is that going to be six days every month going forward or what sort of time frames are you looking at for the cleaning process?

Mr. Marsh: — I'm not exactly sure what the number of days were for the chemical clean in December, or the cleaning in December. For 2016, I can tell you that they're targeting periods of time between two to three months before they need to go in and clean up the operation. So that's kind of the schedule that we are working towards right now. And if everything works according to plan, then we'll only be taking it off every 8, 10, 12 weeks. But we're kind of in that first cycle right now.

We'll get you the information on the outage. Again, I do not have that with me today.

Ms. Sproule: — Okay. Is that two- to three-month plan, is that different than the original design plan? Has that been modified?

Mr. Marsh: — Based on the information that we had, once we had gone through the overhaul period and once we understood, you know, what some of the issues we were dealing with and some of the corrective measures that were put in place, we developed this plan. It would allow us to operate to achieve the capacity that we need and allow us to take it down when we need it, but only when we need it.

So this is going to result in a tremendous amount of uptime compared to 2015 and, you know, we have every confidence that we're going to be able to meet that going forward.

Ms. Sproule: — Thank you. Just looking a little bit more into the disclosure report from 2014, I noticed that a couple of your board members also had out-of-province travel expenses, namely Mick MacBean and Bill Wheatley. Can you inform the committee where that travel was and why two board members were on out-of-province travel?

Mr. Marsh: — Okay. To our knowledge, both those gentlemen have residences in Calgary, and it would be for travel back to board meetings or committee meetings in Regina. I believe they're very small amounts compared to . . .

Ms. Sproule: — They are. Yes, thank you. Mr. Watson was paid . . . His remuneration was \$452,000 in 2014. How much of that was a severance payment?

Mr. Marsh: — I'm not aware that there was any money paid for severance whatsoever. I have not been . . .

Ms. Sproule: — So that was his annual salary, was 452,000 for 2014? And he left . . . What month?

Mr. Marsh: — End of October, approximately.

Ms. Sproule: — So in nine months his salary was 452,000?

Mr. Marsh: — Yes, it's salary plus benefits plus vacation. Everything is in that number.

Ms. Sproule: — What's your salary?

Mr. Marsh: — Much lower than that.

Ms. Sproule: — Yes. Got you down for 382 for last year as a VP [vice-president]. And that would include three months as . . . When did you come on board as the . . .

Mr. Marsh: — Acting again, the end of October 2014.

Ms. Sproule: — Okay. Thank you. There's a number of employees that I went through. I think it's probably 1,600 that make over \$100,000. That was in last year. There's a large number that make over \$200,000. I'm just wondering if you could provide the committee, particularly for the ones that are over \$200,000, what type of jobs those are. I could give you the names if you want.

Mr. Marsh: — We have the names and we've done the research. I believe if you add up the figures, 78 people made over 200,000. Is that the number you have?

Ms. Sproule: — I haven't got to actually counting, so thank you, yes, that seems about right.

Mr. Marsh: — And a good number of those people are out of scope, certainly the executive team and some of the very senior people at SaskPower. A good number of them are also in scope where a good part of their compensation comes from working regular time as well as working overtime. And in the year 2014, the amount of overtime that was worked, for example, on the carbon capture facility, was large. And a good number of people working on that project, both working on the construction but also the operation of the plant, achieved a considerable amount of overtime which pushed them over that 200 mark.

The other thing to remember in a company like SaskPower is that it's very capital intensive. We have a large engineering staff. We have a large technical trade staff. Operating engineers are paid at the top of the scale in the IBEW [International Brotherhood of Electrical Workers] wage rate classifications, or

near the top of the scale. And you couple that with overtime and planned overtime, because many of them work statutory holidays as part of their regular routine, and that gets factored in. And so that is the reason why most of them, you know, achieved that.

And I think over time you're going to see that number again rising as just inflationary pressures on wages, salaries, benefits continues to move. We hire a lot of professionals and a lot of trade designations which are paid very well.

[12:15]

Ms. Sproule: — I know this is an issue in the health care system as well, as is overtime, and so two questions. First of all, can you provide the committee with the amount of overtime that was paid on CCS in the three years in question. I don't know; is that . . .

Mr. Marsh: — We can dig that information out, yes.

Ms. Sproule: — For CCS in particular.

Mr. Marsh: — For CCS in particular.

Ms. Sproule: — And then secondly, what sort of strategies do you have in place to reduce overtime? I know that's a large focus for the health care system, and would be interested to know how that's being approached with SaskPower.

Mr. Marsh: — It's certainly a big concern for SaskPower as well. Our strategy is really to plan the work effectively to minimize the amount of emergent overtime that's needed by our crews, both in the field and in our generating stations.

Planned maintenance, scheduled maintenance is the best way to make sure that you have healthy assets. If you have healthy assets, you can reduce the amount of emergent time that's needed in the station.

The thing we can't account for, of course, in the field on our transmission and distribution facilities is mother nature and weather, and both in the summer and the winter time, we have to respond.

Indeed over the Christmas holidays, we had outages due to frosting and icing on the lines that was quite significant. So that will occur. In some years it's greater than others, and in some years it's not so bad. But for the most part our strategy is to plan the work effectively, make sure that we can organize our maintenance programs into longer term programs that are sustainable. And we can manage the overtime effectively that way.

Ms. Sproule: — Thank you. Of the many hundreds that earn over \$100,000 a year, how many of them would have been put over \$100,000 because of overtime?

Mr. Marsh: — I don't know the answer to that, but we can certainly give you that answer.

Ms. Sproule: — The homework list is getting long. Thank you. Just a few questions, Mr. Minister. I'm just wondering when did

you first learn that Boundary dam 3 was not performing optimally?

Hon. Mr. Boyd: — I don't know off the top of my head. SaskPower provides updates on an occasional basis with respect to the performance of BD3 and the carbon capture and storage. We would have to, I think, go back and take a look at some of the information to provide any basis for that.

Ms. Sproule: — Whenever that was, and if you could provide that, that would be appreciated. Do you recall that since you learned that there were significant issues with the performance, have you asked for more frequent briefings or meetings with your officials?

Hon. Mr. Boyd: — Yes, and Mr. Marsh has been very good at providing that.

Ms. Sproule: — The material that we received . . .

Hon. Mr. Boyd: — I asked for one this morning in fact.

Ms. Sproule: — Okay. In February 2015 you were briefed that the plant was operating at 45 per cent. We've talked about that a little bit earlier. At that point is there any reason why you chose not to tell the ratepayers that that was the operating level?

Hon. Mr. Boyd: — All through the process there was discussion about performance, but there was also discussion about what steps are being taken to improve performance. So that was an ongoing discussion that we had with respect to the operations there.

Ms. Sproule: — So what would have been your reason to not disclose that number to the ratepayers?

Hon. Mr. Boyd: — Well SaskPower was, on occasion had provided additional information to the general public through information that they sent out, either through press releases or things of that nature.

Ms. Sproule: — I think that was at the time when the video said that it was producing 100 000 or 1 million tonnes a year. So that information wasn't correct either. So that didn't concern you?

Hon. Mr. Boyd: — Well as we have said all through the process, that we were concerned and continued to be concerned about the operations of the facility. We felt that the performance needed to be improved upon. We had discussions with respect to that, and we believe that that work has been undertaken.

Ms. Sproule: — Okay. Generally I like to ask some questions about suppliers and other payments that are disclosed, so I would like to use a bit of time that's remaining to maybe ask a few of those questions. I won't be able to get to hardly any, but we'll do a few.

But just before I move into that, once again, Minister Boyd, in February 2015 there was a press release that said — it was, I think, the 11th — that the project was exceeding expectations, and yet the briefing note at the same time said 45 per cent. And this was only a week apart. So I'm wondering if you could give

a little more comprehensive explanation of how on earth that could happen.

Hon. Mr. Boyd: — Well the information was that we were always of the opinion, and I think SaskPower was as well, that the target for the project was 1 million tonnes. And so the work was always being done in an effort to achieve that, and all through the process we believed that that would be indeed what would transpire. But of course there was continued operational problems that resulted in that not being achieved.

In hindsight you can look back and make that, in February, why wouldn't you know that you weren't going to achieve it? But we were . . . And SaskPower was definitely working hard to try and ensure that we did achieve it.

Ms. Sproule: — I have no doubts that SaskPower was working hard to make sure that 45 wasn't going to be the final result. But at that time it was 45 per cent, and yet the press release said it was exceeding expectations. So how can you rationalize that?

Hon. Mr. Boyd: — You look at the . . . SaskPower looks at the various areas when they look at whether things are being done efficiently and operationally, like what amount of power is being generated versus the amount of power that was expected to be generated. The parasitic load, is that higher or lower than was anticipated? And is the tonnes being captured? Has that achieved what the goal has been?

Ms. Sproule: — And those are all real numbers that could have been disclosed as part of the report that said that it was only achieving 45 per cent. So that . . . Are you not of the opinion that it would have been fair to the people to actually disclose what you were being told at that time?

Hon. Mr. Boyd: — Well we would look at the information and also look at the . . . We would have a discussion about what's needed to be done to improve the performance in the various areas.

Ms. Sproule: — Do you know why in August the Premier continued to say everything was going really well when operational capture numbers were pretty much abysmal?

Hon. Mr. Boyd: — Again I think there's a semantics argument between sort of the fully operational and what you might assume is fully operational. And we certainly continued to believe, and SaskPower I think continued to believe that the problems associated with the facility could be corrected. And you know, Mr. Chair, I think it's good news that . . . I think that they largely have been addressed. Still a little bit early days, but I think the good news is it's moving certainly in the right direction. And again at this very early juncture, January 5th, we're optimistic that we'll be able to, and SaskPower is optimistic that they'll be able to reach the target for 2016.

Ms. Sproule: — I think the words of the Premier in August when he went on a mission was, "We cleaned it up." And this was in August, and he was quite boastful of that. So it isn't really semantical. He personally led a tour and he told the media that it was mission accomplished. And this was in August. So how can that be forthright and seen as transparent when at that time I'm certain that many of the folks in

SaskPower knew that the plant was going to have to be shut down for two months?

Hon. Mr. Boyd: — The plant was operating. It may not have been operating at optimal levels, but the plant was fully operational. And as a result of that, the information was provided that CO₂ was being captured. It was being stored, and it was being sold.

Ms. Sproule: — He said, “We cleaned it up.” So that’s a little bit more than I think what you’re indicating.

Hon. Mr. Boyd: — I’m not sure that’s the case.

Ms. Sproule: — Okay. I think we’re going to have to disagree . . .

Hon. Mr. Boyd: — I think we respectfully disagree with your assertion with respect to that.

Ms. Sproule: — Agree to disagree.

The chairman has indicated to me that I need to start wrapping up my comments, given that we only had three hours this morning. First off, I guess I haven’t been able to get into much on the annual reports so I do need more time. But before I complete my comments I would like to thank the officials for being here today and for, you know, providing answers and undertakings for a lot more work to take back with them. So I look forward to the results of those questions as well.

As I indicated, Mr. Chair, at the outset, this isn’t enough time. I’ve asked for more time. So I’d like to move a motion at this point:

That this committee commit to meet tomorrow, January 6th, 2016, for eight hours in order to continue questioning the Minister Responsible for SaskPower and his officials on SaskPower’s 2012, 2013, and 2014 annual reports and the performance contracts, business case, and lack of transparency associated with the Boundary dam carbon capture project.

And I so move. And I will present you with a written copy of that.

The Chair: — Okay. Is the committee ready? Ms. Sproule has moved this motion:

That this committee commit to meet tomorrow, January 6th, 2016, for eight hours in order to conclude questioning the Minister Responsible for SaskPower and his officials on SaskPower 2012, 2013, 2014 annual reports and the performance contracts, business case, and lack of transparency associated with the Boundary dam capture project.

Is the committee ready for the question?

Some Hon. Members: — Question.

The Chair: — Do members want . . . What is the decision of the committee?

Some Hon. Members: — No.

The Chair: — Okay, the nos have it. So that is carried.

Okay. What is the committee’s wish in regards to the annual reports and financial statements for SaskPower for the years 2012, 2013, and 2014?

Basically we have a choice here. We can adjourn consideration of the annual reports and financial statements for SaskPower of 2012, 2013, and ’14 or we can conclude the annual reports. So we need a motion from somebody.

Ms. Sproule: — I move to adjourn.

[12:30]

The Chair: — I recognize Ms. Sproule who moves that we adjourn consideration of the annual reports and financial statements for SaskPower for the years 2012, 2013, and 2014. I’m asking for a vote on the members for that.

Some Hon. Members: — No.

The Chair: — That is considered as that motion is lost, so the next motion I’m asking for a motion to conclude consideration of the annual reports and financial statements for SaskPower for the years 2012, 2013, and 2014.

Mr. Brkich: — I so move.

The Chair: — Mr. Brkich has moved that motion. Is that agreed upon?

Some Hon. Members: — Agreed.

The Chair: — That motion is carried. We also have the annual reports for the Power Corporation superannuation plan for the years 2012, 2013, and ’14; the financial statements for north energy solutions inc. for the years 2012, 2013, and 2014; the financial statements for the 2012 Power Greenhouses Inc. (SaskPower Shand Greenhouse) for the year 2012.

Do the committees have any questions on these topics? And if not, I would have a member move the motion that this committee conclude consideration of the annual reports and financial statements for Power Corporation superannuation plan, north energy solutions inc. for the years 2012, 2013, 2014; and to conclude consideration of the financial statements for 2012 Power Greenhouses Inc. (SaskPower Shand Greenhouse).

Mr. Phillips: — I so move.

The Chair: — Mr. Phillips has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Minister, do you have any closing comments?

Hon. Mr. Boyd: — Well yes, I do. I think the commitment was made by both myself and the Premier to the opposition with respect to questions around BD3 and we feel that, you know,

they're legitimate questions. I don't think there's any question about that. And we want to be as open as we possibly can, so I would urge the committee at some point in the future to schedule the opportunity for the opposition to have further questions around that if they wish, and we'd be happy to provide that.

Ms. Sproule, I'm unfortunately not available tomorrow. I have a dentist appointment in Kindersley for something I'm not looking forward to, a root canal. But in any case, sometime in the future, Mr. Chair, perhaps we would leave it to your discretion to schedule an opportunity.

The Chair: — Thank you, Mr. Minister, and yes . . . Well we had concluded the consideration. However, that being said, we certainly thank you for your responsibilities and what we can do is we can look at a way to meet in the future, obviously lining yourself up and your officials. And we will kind of let you, if that's possible, to pick a date that would work quite well for you and your officials and also for the committee members. So we thank you for that.

Hon. Mr. Boyd: — Mr. Chair, we'd be happy to work with everyone to be able to provide that opportunity.

Ms. Sproule: — If I may submit, it would probably be most helpful to do that after SaskPower has been able to respond to some of the commitments they made today for information.

Hon. Mr. Boyd: — I think that's fair. SaskPower has committed to providing the answers to this. I'm not sure what kind of time frame it will take to put all of that information together but once that's completed, then we can work accordingly.

The Chair: — I want to thank the members, the minister, and his officials, and the committee. And we will now recess until 2 o'clock this afternoon.

Hon. Mr. Boyd: — Mr. Chair, I would want to thank committee members for their indulgence and their questions today. I think we've had a good discussion and we perhaps will have more in the future. I also want to thank the officials from SaskPower, through Mr. Marsh, thank his team for the diligent work that they have done on behalf of the taxpayers of Saskatchewan for the operations of SaskPower. I don't think they, frankly, get enough credit for the work that they do to keep the lights on and the power on in this province.

It's not an easy job and there's always lots of people that have views on how they should be doing their job or shouldn't be doing their job. So I would urge Mr. Marsh to, on behalf of myself and the ministry and the Government of Saskatchewan and I'm sure all members, to convey that message to your very strong team.

The Chair: — Thank you. We will reconvene at 2 o'clock.

[The committee recessed from 12:36 until 14:01.]

Saskatchewan Transportation Company

The Chair: — Well good afternoon and welcome back,

members. And to the new people that are here, I want to say Happy New Year to all of you.

Anyways the next items on the agenda are the annual reports for the Saskatchewan Transportation Company for the years 2012, 2013, and 2014. Minister Campeau, would you please introduce your officials, and you can make any opening remarks that you want.

Hon. Ms. Campeau: — Thank you, Mr. Chair. Good morning, committee members, and Happy New Year to you all. I'd like to begin by introducing my officials. On my right is Shawn Grice, president and chief executive officer for STC [Saskatchewan Transportation Company]. On my left is Dean Madsen, chief operating officer. Behind me is Candace Phelps, executive director for strategic planning and communications; as well as my chief of staff, Trent Blezy.

So, Mr. Chair, I do have a few comments to introduce the organization. STC's mandate is to be a provincial coach company that provides safe, affordable, and accessible bus passenger and freight services to Saskatchewan. STC provides an essential public service, which is why the company exists under a public service model. The key objective is to ensure the provision of those services is done efficiently and effectively.

So with 25 routes serving 253 communities, and over 200 private sector partnerships in place to extend that reach, STC connects citizens with essential services, delivers goods, and provides a transportation option for those who rely on it.

The employees at STC share a singular focus of customer service excellence. Since 2012 STC has seen passenger satisfaction ratings at 93 and 94 per cent. Parcel express customer satisfaction has grown from 84 per cent in 2012, which was the first year they were surveyed, to 92 per cent in 2014.

So we look forward to the opportunity today to review the annual reports from 2012 to 2014. During these years, STC continued to identify efficiencies in the provision of passenger and freight service and worked with the private sector to maximize the reach of the services available. My officials and I would be pleased to answer any questions you may have. Thank you. And with that, I would like to turn it to the committee for questions.

The Chair: — Well thank you, Minister. Are there any questions? Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Madam Minister, and the officials for coming forward today. And looking over these annual reports for three years, I think to begin with, I just wanted to ask a few questions that come out of the pay disclosure reports that the company files. I have them for the three years in question, and I've done a little digging back, you know, a few years as well, just to sort of get some context around that.

So the first question I have is in relation to the expenses for the board of directors. In 2012 you show expenses were \$110,000. In 2013 they jumped up to \$142,000, and then another increase in 2014 of \$144,000. It was relatively stable before that going

up, you know, 6 to \$4,000 a year. So if you could explain to the committee why the expenses for the board of directors has jumped almost 50 per cent between 2012 and 2013.

Mr. Grice: — Thank you. And, Mr. Chair, I'll be pleased to take that question. I just want to reflect on those pay lists briefly for a moment before I answer. I know that part of the answer to that question is the increase in the remuneration that was provided to the board members of Crown corporations. But I just want to have a quick look back here.

I'm sorry for part of the delay there. What I was checking for was to see if we had any absences in any of those years. I don't see any absences, but I know that previous to 2014 the amount that was reimbursed to directors was on a per meeting basis. So there was more cost if more people attended the meetings. And I know there were periods of time when members couldn't attend all meetings.

Now that board remuneration schedule is set so that they obtain a certain amount upfront, and there's less for meetings. And in fact there's no amounts paid for conference calls of the board. They're just expected to be there and available as part of that retainer. So that is part of the reason for the increase in board fees. And I think that would be similar for all other Crown corporations because it was adjusted centrally from CIC's perspective.

Ms. Sproule: — I've done the same work for SaskWater, and I'm just going to take a look because that would be a comparison as you allude to. And there, their prices haven't changed at all. So would they have had a separate pricing for the SaskWater? Like it's gone up maybe 10 per cent or 15 per cent, but yours have gone up almost 50. So I don't know that the remuneration would be the same across the board. I only have the two to compare.

Mr. Grice: — If you just give me a minute, I'm going to flip into the annual reports under the governance section of the reports. And I had just been looking here currently at the 2014 annual report. We disclosed the board compensation. In 2014 the board Chair retainer was 20,000 and the board member retainer was 14,000. And then there was an additional amount paid if you were an audit and finance committee Chair or other Chair.

If we go back into 2013 and look at the same compensation material, it was also increased in that year. And it was the same; it was 20,000 and 14,000 and the additional amounts. And I'm looking at page 52 of the 2013 report and 56 of the 2014 report, and I think the biggest jump probably took place from 2012 to '13. And then that's where I'm just looking now.

On page 63 of that report, if we look at the board compensation, the annual retainer in 2012 was 10,000. So it was half of the retainer amount that was set for 2013 and '14. And the similar amounts for board members were roughly half of what they were paid in 2013 and '14. So there was more paid for meeting fees, but less for the overall retainer. So that was the reason for the jump in the board costs. I think SaskWater would've had a similar structure, but I guess I can't be certain of that.

Ms. Sproule: — Yes, it certainly hasn't jumped . . . Their 2014

total for the board of directors is 149, which is 5,000 more than STC, and in 2012 they were at 134 and you were at 110. How many meetings per year do you typically have with the board of directors?

Mr. Grice: — There are four scheduled meetings, and then there are typically other meetings at the call of the Chair. There was at least, I would say, two conference calls as well as four scheduled meetings.

Ms. Sproule: — Okay. Thank you.

Mr. Grice: — One of the things that we have done that I can maybe mention is that we also have combined all of our audit and finance committee meetings as well as our governance and corporate responsibility committee meetings together with our board meeting dates.

So what we will typically do is we will have one-day meetings where the board members will travel in and they will usually stay overnight. We'll get an early morning start and run all the committees and the board meetings all in one day. Other Crowns have not necessarily done that in the past. So what they would do is have A & F [audit and finance] committee meetings two weeks before a board meeting, so they would have twice the amount of travel. And under the old regime, there was more cost in that for them because they had more meeting days, whereas we were running it differently. So I think that might explain part of it.

Ms. Sproule: — All right. Thank you very much. Another question I wanted to focus on a little bit was the amount of money under the disclosure report being given to suppliers. And interestingly enough that has dropped or held a very level amount over the years, and I'm just wondering why it would have been less in 2014 than in 2007. It's about 30 per cent less. Is that because you have fewer routes now?

Mr. Grice: — So you have added up the entire supplier and other payments. Is that what you . . .

Ms. Sproule: — Yes. Well I've just run it across the board for the last few years. So the suppliers and other payments is totalled on the first page of the payee disclosure. It's called the summary schedule or whatever, summary schedule item no. E. I just took that across a few years. And you won't have all the years in front on you right now, but I did look back and it seems to either . . . Well it has dropped from 2007, but it's very stable particularly in the last 2013, 2014. But I'm just wondering why it would have dropped 10 million from 2007 levels.

Mr. Grice: — I'm sorry I don't have the 2007 payee list here, but you say that 2007 payee list showed that number to be that much higher?

Ms. Sproule: — When was the new centre built?

Mr. Grice: — I'm wondering if that included different amounts. There was a period of time for which they changed what was disclosed in the payee list, where not all payments needed to be disclosed. So for instance, commissions paid to Greyhound are not really payments to them because they were their monies initially, and so we were holding them in trust if

you will. So some of those things might have been in 2007. I don't have them here to be able to review the details, so I apologize for that.

Ms. Sproule: — No, that's fair enough. And I think sometimes it's apples and oranges over the years so they're not exactly comparable.

Mr. Grice: — If I may, you know, just comment a little bit on the period that's under review. What can change is timing in terms of coach purchases. Those are the biggest issues in terms of timing. Otherwise we've been pretty stable over the last numbers of years, other than in the last four years we've cut back on certain services as we've sort of addressed the industry changes that have been going on where we've pulled back on some route frequencies where it might have reduced our fuel costs or supplier costs . . . [inaudible interjection] . . . Oh sorry, and my chief operating officer, Dean Madsen, just mentioned as well, there's construction projects that may have been in there in terms of supplier payments.

Now in 2007 we would have been working on the new facility in downtown Regina. So there could have been a large payment in there that you would have seen to Westridge Construction.

Ms. Sproule: — Thank you. Now I'm looking at the suppliers and other payments in detail for these years in question. I just have a few questions about some of the individual payees. And first of all, in 2012 in suppliers and other payments, I note that Crown Investment Corp. Sask got a \$76,000 payment. Was that a dividend?

Mr. Grice: — No, that was an amount for a secondment of an individual that was from CIC that was helping us with the building project.

Ms. Sproule: — Then there's some other names that show up kind of on a regular basis but they're individual names. For example, just let me get my list out for this year. Glenn Chappel, can you tell me what that individual's services are?

Mr. Grice: — He is a private contractor who provides pickup and delivery services for us, so carrying the freight from our depot to the door and from door to depot.

Ms. Sproule: — And that isn't something that you would have your staff do?

Mr. Grice: — We have outsourced that work to private sector operators a number of years ago. It was probably about 9, 10 years ago.

Ms. Sproule: — And Jerome Warick, 2012. Can you explain what that payment was for?

Mr. Grice: — Yes, that's also another pickup and delivery operator.

Ms. Sproule: — These are individuals that don't have an incorporated entity.

Mr. Grice: — That's correct, yes. Some of our pickup and delivery operators will have an incorporated entity, but others

will not.

Ms. Sproule: — Would that be the same for Larry Galay?

Mr. Grice: — Larry Galay, I believe, is the agent in North Battleford.

Ms. Sproule: — What does he do?

Mr. Grice: — He runs the agency in North Battleford for Greyhound and ourselves. He would occupy the building that's there that's owned by Greyhound, provide the agency services. So he would greet passengers that are coming in to wait for their trips and handle freight that's coming in and out.

Ms. Sproule: — How many agents do you have like that in Saskatchewan?

[14:15]

Mr. Grice: — We have I guess roughly 174 agencies today.

Ms. Sproule: — Agencies. And are they all staffed by . . . Are they all represented in the suppliers and other payments?

Mr. Grice: — No, just those that would be over the 50,000. We have a number of agencies that would earn less than 50,000. In fact, I think we have probably 50 or more that earn less than 1,000.

Ms. Sproule: — That too is outsourced to private individuals?

Mr. Grice: — All of our agencies are run by private sector operators, yes.

Ms. Sproule: — All right. In 2012, there was a payment made to Mark Wahoski Motel Management Ltd. Do you know what that was for?

Mr. Grice: — That's one of our agencies. Is that Weyburn, Dean?

Mr. Madsen: — That's Estevan.

Mr. Grice: — Estevan?

Mr. Madsen: — Yes.

Mr. Grice: — Mark Wahoski is the Estevan agency.

Ms. Sproule: — He doesn't show up in 2014. He's not there.

Mr. Grice: — I think that 2014, it goes to AA motels management or something along those lines.

Mr. Madsen: — It was an agency change.

Mr. Grice: — Yes, there was an agency change. So yes, you'll see . . . In 2014, you'll see that the agency is now being run by AA Motel Investments Ltd. It's the third line down.

Ms. Sproule: — Okay. So many of these suppliers then would be these agents that would provide those services. All right.

One more, Ward Sterling Enterprises. Same thing?

Mr. Grice: — Ward Sterling is actually an interline operator for us, or a feeder line contract operator. He runs the route from Prince Albert to La Loche for us now. Under the earlier years that you may see in these payee lists, he was running the Shellbrook to Saskatoon route for us.

Ms. Sproule: — How many feeder lines does STC currently have?

Mr. Grice: — Well I guess we only have two contracts as a feeder line operator where we pay per contracted kilometre or mile, and that's with Ward Sterling and those are the two routes I just mentioned. We have other interline agreements with about three other companies. That would be Greyhound. We also have one with a company called Dorions Taxi which runs north from a junction along the Creighton highway to Pelican Narrows and Sandy Bay. And I guess we have Alsaskbus service that runs from Alsask to Calgary for us. Greyhound used to run that service for us until 2011.

Ms. Sproule: — And now that's being done by Alsask?

Mr. Grice: — By Alsask, yes.

Ms. Sproule: — How's that going?

Mr. Grice: — Well initially when the service traded over from Greyhound to the smaller carrier, there were quite significant drops in ridership, probably about 50 per cent. We've regained back some of that, so we're down about 20 per cent from where we were. I think it has a lot to do . . . It's just a smaller coach, a little rougher ride, and not quite as easy to transfer the passengers.

Under the old schedule, we used to just slide the drivers across. So they would take our bus to Calgary, and we would bring their bus back to Saskatoon. Now they actually have to deboard and then reboard, so it's a little less convenient for them.

Ms. Sproule: — I remember looking at some of that in 2012, so I was just wondering how the ridership was going there.

Okay, just move into some general questions now. In terms of the Regina garage, I understand there's some work going on there. What is the current status of the Regina STC garage, and what are the concerns about safe working environment? I understand there's a few concerns there.

Mr. Grice: — Sure. Back in 2012 we had a review done by an engineering firm that had been monitoring the facility for quite some time, every second year, performing reviews and looking at the structure. And in the years just prior to the lead-up to 2012 where they came to talk to us and say that, look, we've got some concerns about the structure, we'd had some heavy snow loads. Those snow loads had put some stress on the timbers that were in that building, that were the frame. So what we were told we had to do is immediately shore it up with some steel structure in 2012. So there was some investment in the facility in that year.

And then we had three years given to us by the engineering firm

to come up with a plan for a full refurbishment of the facility to get rid of the wooden timbers and put in a steel structure. So that was a project that was approved in late 2013. And so the status of that today is that that project is, I would say, 95 per cent complete. We're expecting to be back in the facility, fully functional, in the next few months.

Ms. Sproule: — Thank you. I just want to make sure I understand how this has been funded. And I was looking on page 52 of your 2014 annual report. There's a discussion there about the capital grant, and if you could sort of walk us through how the money was provided for that grant and what years you received funding for it.

Mr. Grice: — Sure. The \$3.82 million was passed by order in council in 2013 for the refurbishment of the Regina garage facility. We started to draw up on that in 2014. In 2014 I believe we took 450,000, roughly, of funding, and in 2015 we'll take the majority of the rest of that project. The only thing that will be left to pay out in 2016 will be the holdback amounts that we keep just to make sure that the contract has been fulfilled.

Ms. Sproule: — In terms of the structural problems that they identified, what measures have been taken to ensure employee safety?

Mr. Grice: — Well we immediately shored up the facility in 2012 when the engineers came to talk to us, so we put in some temporary support poles and bracing across the wooden timbers that were lateral, running up in the roofline. So those were fixed immediately. And the engineers said that they would allow us three to five years to come up with a report to get the building fixed and completed. So within three years we had that report done. We evaluated a number of options for the facility, and the most economical was to refurbish it and replace the wooden timbers with a steel structure. So that wooden structure has now been supported or replaced in all parts of the facility.

Ms. Sproule: — At any point did you consider a new facility in lieu of a refurbishment?

Mr. Grice: — We did look at a new facility but the difficulty with the new facility is trying to find other locations that would be suitable in terms of the turning radiuses of the buses, as well as our collective bargaining agreement requires us to have the coach within a certain distance of the depot. Otherwise we have to pay drivers more to shuttle them back and forth. So the proximity of that location to our current STC downtown depot was of importance to us. So at the end of the day when we looked at all of the costs of building new, shutting down on this property, or finding other properties at a time when the market was pretty inflated, this was the cheapest option by far.

Ms. Sproule: — Thank you. I'd like to talk a little bit about the medical passes program. I'm wondering if you have any passenger figures in regards to the use of the medical bus pass for '12, '13, and '14.

Mr. Grice: — We certainly have figures for the last couple of years top of mind, and I'm not sure if my chief operating officer would have more, but in 2014 we had about 1,200 passes sold. We'd be on track to sell about 1,200 passes this year as well. I think we've got just about 1,100 passes sold that were recorded

that I had up until the end of November for data. So it's a pass that allows for unlimited travel on a corridor if you have physician-prescribed treatments. So in terms of usage of the pass, I don't have that material. Dean, I'm not sure if you do . . .

Ms. Sproule: — I'm sorry. I didn't hear that.

Mr. Madsen: — We don't have exact numbers but they're roughly around 1,000 passes a year.

Ms. Sproule: — So 2012 would be around 1,000, 2013 around 1,000, and then 2014, you're saying it's up to 1,200 and the same for 2015. Can you sort of describe what areas use the pass more frequently than others? Like where is the most popular usage of it and where it's, you know, the distribution of the passes.

Mr. Madsen: — I don't have any specific data but we find that the usage is all over the province. There's many that use it from rural communities into the bigger centres. Specifically there's a lot of regular pass usage by the dialysis patients, but they are not concentrated in any one given area. They are all throughout the province. But generally the medical pass usage is used by those patients that, you know, have regular schedules that, you know, they can make it into a larger centre in one day and then return the same day as well.

Ms. Sproule: — It would seem that it would be almost all rural users. Like you wouldn't have city-to-city transfers, would you?

Mr. Madsen: — Once in a while there's some. There's the odd occasion where there are specialists in Saskatoon and that sort of thing, or vice-versa, in Regina. So we do see some of that as well, but predominantly from the rural areas into the bigger centres.

Ms. Sproule: — And is this a program that you anticipate continuing on into the future? Or are there any changes being made to it that you know of?

Mr. Grice: — No anticipated changes. We've been running this for at least the last 15, 20 years and it's quite well received.

Ms. Sproule: — This is just in theory, but could medical pass users add additional locations on to their passes if they require services in more than one location?

Mr. Grice: — Well currently it's for a specified corridor per pass. But certainly if we had those instances come up, we would certainly look into those. I don't think we've had a request like that so far.

Ms. Sproule: — I'll talk a little bit now about senior and youth promotions. I think this is a summary of what happened in 2014. Senior seat sales were last held in the spring and fall of 2014, offering rides for \$15 one way or \$30 return. Both sales were so popular that they were each extended for an additional month. So during the four months of the sale alone, a senior ridership of 33,500 was recorded, according to your 2014 report. To the minister: why has this service been cut?

Hon. Ms. Campeau: — We basically had to look for efficiencies in order to work with the 10.3 that was allocated to

STC, and there are a percentage . . . Youth get a percentage off as well as seniors get a percentage off, so they aren't . . . We're still offering services to them regarding I guess a discount. So that was one of the things that we had to look at when we were looking at increasing efficiencies in terms of dealing with the fiscal situation.

Ms. Sproule: — So I'm maybe misunderstanding this. I understood that the youth promotion and seniors promotion was no longer available. Are you saying it is still available?

Hon. Ms. Campeau: — They do have a percentage off. Like yes, the youth do get a percentage off their ticket as well as seniors do get a percentage off.

Ms. Sproule: — All right. But the special promotion is complete?

Hon. Ms. Campeau: — Yes. That's different, yes.

Ms. Sproule: — Yes. Again on the youth promotion itself, that was also offered most recently in July and August of 2014. And that gave rides to people from age 12 to 25, a ride \$20 one way or \$40 return. In that case, 8,900 people took advantage of the promotion during the two months it was offered. And before then in '11, '12, and '13, youth were given unlimited travel for between 40 to \$45 per month. So both of those are now cut, right? They don't exist anymore, the unlimited travel and then the special discount?

Hon. Ms. Campeau: — Well we didn't cut them. We just took a break for that year to address the fiscal restraints that we had to deal with.

Ms. Sproule: — Okay. And when you say 10.3 allocated, 10.3 million, and that's your capital . . . or not capital allocation, but your budgetary?

Hon. Ms. Campeau: — That's the grant . . . [inaudible] . . . received, yes.

Ms. Sproule: — The grant. Is that called an operating grant, or is there a name . . . Yes, operating grant . . . [inaudible interjection] . . . Thank you. I'm not too familiar with Sask Transportation.

That 10.3 million, what are the amounts for 2012, 2013, and 2014? Was it 10.3 all the way through?

Mr. Grice: — Sorry, I can take that question, Minister, for the detail. In 2012 it was 9.2 million, and in 2013 it was 10.3. Sorry, in 2013 it was 10.5 and in 2014 it was 10.3.

Ms. Sproule: — So it was actually cut in 2014. And what was the reason for the cut?

Mr. Grice: — In 2013 we had taken a little bit of extra funding in that year to assist with an overrun that we'd had from 2012 as well. We had missed some of our targets in terms of our financial targets for that year, so we needed a little bit of a top-up in that regard. So we'll take our cash funding based on our actual losses, and we always have to wait till after our year-end is over to have those audited results. So sometimes

there's a lag with those.

Ms. Sproule: — So in 2014 you would have caught up with the overruns and that's why your amount went down?

Mr. Grice: — Yes. Yes. And in 2014 as well we also implemented those frequency reductions and route eliminations on Lanigan, Eastend, and Blaine Lake to North Battleford. So there were some savings that we had achieved through those efficiency measures.

Ms. Sproule: — Thank you. Have there been any discussions or analysis on privatizing STC?

Hon. Ms. Campeau: — No.

Ms. Sproule: — There have been none?

Hon. Ms. Campeau: — No.

Ms. Sproule: — Thank you. With the ridership down, which I believe it has been going down, does the minister have plans to make further cuts to STC routes and services?

[14:30]

Hon. Ms. Campeau: — Not at this time.

Ms. Sproule: — Thank you. I'd just like to ask some general questions now about advertising and promotion. And first of all, what has STC spent on advertising and promotion in the three years in question?

Mr. Grice: — I can answer at a high level, and if you'd like more details I can certainly look into our resources to give you that. But it's between 5 and \$600,000 per year is our total advertising spend in those three years, and that's all spent with our agency of record which is Phoenix.

Ms. Sproule: — So ridership has gone down considerably in 2015 over and above I think what you've seen in the other few years. I'm just going to read what I have here. Low ridership numbers, according to your third quarter report in 2015: ridership for the first three quarters was 149,557 compared to 195,877 in the same period in 2014. That's a decrease of 23.7 per cent. So there's been a very significant decrease in the first three quarters of 2015. Have you any ideas as to what's driving that?

Mr. Grice: — There's certainly a few impacts that have been hitting us since 2011 when the industry started changing. So what happened in 2011 is Greyhound started withdrawing services in Alberta and Manitoba. We started to see route cuts in those neighbouring provinces take away destinations for our travelling public here in Saskatchewan. So the ridership in 2011 was heading upward by 7, 8 per cent. Starting in the last quarter of 2011 and into 2012, we started to see drops of 2 and 3 per cent. We saw a 2.1 per cent drop overall in 2012 and 2013. And in 2014, we saw a 5.28 per cent drop.

So those decreases in ridership are really attributable to all of those industry impacts and then the resulting frequency cuts that we had to make on our own network to try to be more efficient

because some of our routes were no longer connecting with routes that had any travelling passengers anymore, just because of those Greyhound changes.

So as we look at 2014, it had escalated a bit to that 5.28 per cent. Now as we move into . . . And I should comment on 2014 a bit further to say that there was an abnormally warm fourth quarter of 2014. So weather can have a huge impact on our ridership. And so we know that our 2014 results were not great because of that, and they were a little worse than the prior two years.

Now as we move into 2015, we've had a few things. We've had the fuel price drop considerably, so the consumer price of gasoline is much lower than it has been in the past and so in comparison to our fares, it's now more expensive for them to ride with us than it is to drive and burn a tank of gas. And frankly that's usually what people refer to. It's not the oil, the insurance, and the tires; it's how much gas does it cost to get me to where I'm going. So that has had a significant impact on us.

Ms. Sproule: — That's because diesel is still very expensive?

Mr. Grice: — Well diesel has started to come down but diesel is a little different than gasoline in that there's a supply issue in Western Canada, and typically diesel prices won't come down as fast as gas. So we had been increasing our fares because diesel prices were still skyrocketing for us up until late 2014, and then the price has started to come down now but, you know, it's almost too late at this point in time when you look at how fast the price of gasoline has fallen for consumers. So ridership has been impacted by that.

It's also been impacted by the advertising that we've taken out in response to the fiscal restraint directive for 2015. Just generally we're participating as other Crowns and other ministries are in terms of the fiscal situation, and advertising was one of the areas that we could cut without impacting customer service. It takes away the opportunity to promote some of the sales that we would like to do but those sales typically have not been revenue positive in any large way. I mean they add a lot to our ridership and they add a small amount to our revenues, but not nearly as much as the overall advertising campaign. So the reason for the large drop in 2015 is predominantly the cancellation of the senior seat sales, some of the ride rewards promotions, and the youth program, in conjunction with those other larger industry impacts that I've mentioned.

Ms. Sproule: — It's pretty alarming when you think about this drop — 24 per cent almost. And you're saying most of it's attributed to the cancellation of the promotions?

Mr. Grice: — Yes, the senior seat sales alone, if you think back to the numbers of 33,500 in 2014, and the ride rewards ridership was about 4,800. We also had youth passes that were 8,900 in number. You look at those promotions alone, and if those same people aren't coming out to take advantage of those sales and promotions, that would explain almost all of that drop.

Ms. Sproule: — So isn't it reasonable to think that if people use the promotions then they would be encouraged to use the

service on a more permanent basis? Isn't that the whole idea of the promotion?

Mr. Grice: — Yes absolutely, and I think that's quite true. But on a longer term basis there's benefit and value in the advertising, but on a short-term basis when you're faced with fiscal restraint, you look to those shorter term decisions to make sure that we can meet our financial targets for the company. On a longer term basis, I think there's definitely an appetite to return with those promotions to increase our ridership.

Ms. Sproule: — I guess it's just, under the corporate mandate that the minister referred to, its accessible bus passenger and freight service to Saskatchewan communities is one of the key parts of the mandate, and without those incentives it looks like ridership is going to . . . It must be an affordability issue then, if people can't afford to take the bus without those promos. I'm sure you've looked at this very closely, but do you feel that your corporate mandate is under threat if you can't get the ridership numbers up?

Mr. Grice: — Well certainly there's always concern about ridership numbers but I don't know that the corporate mandate is under threat. The minister referred earlier to the discount programs that we have in effect. We still offer opportunities to all people to take advantage of our discounts and promotions. So for instance, the students have a 10 per cent discount and they have an opportunity to buy a frequent rider card and get an additional 20 per cent off. All seniors over the age of 60 get 25 per cent off of their regular fares today, so that's irregardless of that senior seat sale that we're referring to. And as well, adult riders can buy that frequent rider card as well for \$30, and it's a once annual fee of \$30 to give you 20 per cent off your trip pass all year long. You know, we also have other discounts that are probably too numerous to list but there's all sorts of opportunities out there to reduce the cost of your travel.

I think we're still serving roughly 200,000 riders and those would be our rider groups, I guess, that will be relying on STC for their day-to-day travel needs and their medical appointments. Those people that were coming out under the seat sales and the passes were certainly people that we were trying to convert to become more frequent users of STC and there's no doubt there's benefits to getting them on board. However, some of them — and I can say this from my conversations with them in the lobbies of the bus terminal — they would make comments like, for \$7 I can't afford to stay home. We wanted to go out and see the province. And we've got several groups who will write letters to me annually and say they've travelled down to Regina for lunch and then travelled back to, you know, their care home in Duck Lake or wherever they were from.

So we know that we have a lot of sporadic travel that come with those senior seat sales and it's a wonderful opportunity for them to get out and see the province and visit friends and family, but it isn't the core riders, if you will, that have been affected, that need STC the most.

Ms. Sproule: — I know that in the city I live in, Saskatoon, they're often struggling with transit user ridership as well, and I'm sure you go to conventions where people across Canada get together and talk about some of these concerns. Would you say

that ridership across the board in Canada for . . . Obviously Greyhound has cut some of their regular routes. So what are other provinces doing to deal with declines in ridership?

Mr. Grice: — Well not every province has an organization like STC. Ontario does; they have an Ontario Northland Transportation Commission, and in 2012 they were actually considering winding it down. In 2014 they changed their position on that and have recently announced a reinvestment in that organization to make sure that they can continue to provide service to northern Ontario. And when they looked at it and the costs of taking that out of their economy, they just felt that it was too large of a hit. So they've changed their opinion on that.

Now all other provinces have moved towards somewhat of a deregulated economy in terms of intercity bus transportation. Typically I think the services have fallen in those areas where they've withdrawn, where Greyhound has pulled out. But in some small cases, there are small local private operators that will step in. It's more predominant they will step in on the freight than they will on the passenger side, but there have been cases where there have been people that have tried to step up.

Ms. Sproule: — Would the Alsask route be an example of that?

Mr. Grice: — That is, yes. Greyhound is still providing the administrative horsepower, if you will, for that operator, but that operator is operating under his own operating grounds.

Ms. Sproule: — Sounds a little bit like shortline rails in the grain transportation.

Mr. Grice: — Yes.

Ms. Sproule: — Okay. Just a couple of general questions. What was the total spending of STC on consultants for 2012, 2013, and 2014?

Mr. Grice: — We do have some information here, and I'll just flip to that. We don't have a lot of consultant use at STC. The most consulting use that we would have would be in our information technology group, so maybe I'll just list off. From a communication perspective, we don't have any consulting. In the accounting field, we have no consulting.

Legal, we don't really have consulting per se, but we take legal advice on HR [human resources] matters and other matters, so I'm not sure that legal is where you're looking to ask the question.

In human resources, in 2013, we spent about \$8,000 on labour relations consulting with regard to an in-scope compensation review as we were moving into our collective bargaining process.

Looking at our information technology, in 2012, we had a consulting contract worth about \$68,000. That was with a company that assisted us with our intranet, our . . . sorry, internal workflow processes. It also assists us with processing reissuances of tickets that are purchased online for our customers at our front counters as well.

In 2013, we had a couple consulting contracts; one was to make

sure we were compliant with the payment card industry. There's requirements out there that if you're keeping consumer corporate credit card information from customer transactions that you need to store it in a certain manner. Also we had some resources in Saskatoon providing support to our operations up there as opposed to sending our IT staff back and forth on a regular basis from Saskatoon — just more efficient and effective. In 2014, again about \$20,000 of that consulting for the Saskatoon support.

So those would be the major consulting engagements that we had with STC over those three years.

Ms. Sproule: — Can you refer me to the supplier and other payments? Does it show up in that list?

Mr. Grice: — On the payee list for 2012, that will show up as Jereme Watts Consulting Canada Ltd., under J.

Ms. Sproule: — Okay.

Mr. Grice: — And no other amounts were over \$50,000 in any of the years under review, so that would be the only one.

Ms. Sproule: — And is that individual from Saskatchewan, or that company?

Mr. Grice: — Yes, Saskatchewan based.

Ms. Sproule: — Saskatchewan based. Thank you. Now just a little question about something in your 2013 report where you talked about lean transformation analysis. Here's a quote from your 2013 report:

STC introduced lean transformation analysis in 2010. STC continues to work on applying lean principles and fostering a lean culture in its maintenance division. In 2013, the organization focused on completing projects in the area of parts management. STC now has a core team of fleet maintenance staff trained in lean processes and plans to complete future reviews on its own without external consultant engagements.

So could you provide the committee with information on how much you've spent on lean training?

Mr. Grice: — Sure. The lean consulting took place in 2010 and I'm not sure if any spread over into 2011 but the total is around \$100,000 and it was paid to Argo consulting out of Toronto.

Ms. Sproule: — Then you haven't had any external fees for lean.

Mr. Grice: — No external fees whatsoever. We didn't certify our internal group but we did let them participate. So the in-scope staff participated fully with the Argo consultants to make sure that we could glean as much information and just adopt that type of methodology going forward so we could take a lean approach to everything that we sort of faced as we went forward as a company.

Ms. Sproule: — Were there any impacts from that decision? Like how much savings have you realized?

Mr. Grice: — The savings that we realized immediately were \$12,000 per year and there was about a \$45,000 cost avoidance that we were also able to avoid going forward. So the payback from that consulting work was probably within the first 18 months of the work being completed and we've continued to enjoy those savings going forward.

Ms. Sproule: — And can you describe a little bit what the cost avoidance was actually?

Mr. Grice: — Well the cost avoidance . . . Well Dean, you know perhaps maybe I can turn this over to you a little bit to talk about the maintenance group if you have any . . .

Mr. Madsen: — In terms of some of the things that we did, we fully utilize our fleet software, and more in particular in the area of parts where parts were running low. Before, our mechanics working on coaches and whatnot would have to actually have a coach down, which would cost money. And now, with utilizing for instance our fleet software, we're able to order parts at a certain threshold when they get low so there's no downtime for the coaches that are needing to be serviced or repaired. And so that was the significant part of the savings.

[14:45]

Ms. Sproule: — So what was it that Argo did that allowed you to fully utilize the software that you couldn't do before?

Mr. Madsen: — It was taking a look at a number of things: where we situated the tools, some of the smaller parts that wouldn't normally . . . very small type of parts, bulbs and different plugs on different carts that would be more accessible. So it was more of managing the resources than anything and teaching our staff how to utilize practices that would save time.

Mr. Grice: — If I could add to that, to the answer as well, Dean's answering a little bit beyond the technology about what they assisted us there. So I'm not sure if you gathered that piece, but they also gave us more than just software knowledge.

What they were doing was saying, look, we're observing your mechanics on the floor every day; we're watching how many steps they're taking. They're making 15 trips back and forth to the parts room for certain things and they're low-dollar, low-value types of parts. We believe that we can put those in cabinets that are out closer to their workspace.

Other things that they did is, they did what you call a spaghetti diagram. They watched them from up above in the second level of the garage and how many trips they went around a coach just to provide an inspection or a service.

So one of the things that we were able to do was cut an inspection from four and a half hours to three and a half hours just by restructuring the way a mechanic would approach a bus for an inspection. They would start at one corner of the bus and they would work their way around it and do things in an order that was, I guess it would make sense, and the parts that they would need, the paperwork they would need as well as all the forms were restructured to make sure that they could hit one corner of the bus, work their way around it, and be done.

You look at the diagram before and after: there were a gazillion trips if you will, back and forth to the parts room and around the bus, and they'd make several trips around it. That was all refined to knock one hour off of a four and a half hour process. So that would be maybe the biggest piece of the cost avoidance going forward.

Ms. Sproule: — Okay. I understand that, and I think that's something called the gemba, like the workplace and observing all that. But you had mentioned something about using the fleet software. How does that tie into this?

Mr. Grice: — Well one of the things that was found when they were doing the work is that the maintenance staff weren't fully utilizing all the functions in the software for tire planning and ordering, for parts and warranty replenishment. So there were certain things that were not being handled as efficiently as they could be, utilizing the software, and that software was relatively new to us at the time. And that company had some experience with that software and they were able to come in and give us some advice on how to utilize it to more of our advantage.

Ms. Sproule: — Okay. Thank you. Let's turn to this 2014 report. Just on page 24, I just wanted a little more information. This is a management discussion and analysis, and starting at the industry overview, in your description of the Western Canadian industry you mentioned the private sector carriers who have interline and contractual arrangements with STC. Can you give us the names of those carriers.

Mr. Grice: — Sure. I've actually got the list here in front of me. And we may have covered this earlier in the questioning before about the contracts that we have. So Greyhound Canada is our largest interline partner. And they run on the No. 1 Highway and the Yellowhead highway. Dorions Taxi runs from the junction of Highways 106 and 135 to Pelican Narrows and Sandy Bay. And we have Alsask Bus Services that runs from Alsask to Calgary. Those are our freight and passenger interline contracts.

We also have interline contracts that are freight only. There's a company called Dusty Trails that runs south out of Saskatoon down to Outlook, Beechy, Lucky Lake area. We have a company called M J Express that runs southeast out of Regina down towards Alida. And we have a company called KNR Courier that runs southeast out of Regina down towards Wawota. There's also another company that we've just recently signed that wouldn't be part of these other annual reports that is out of Swift Current. And it's called AM Delivery and it provides freight to the communities south and west of Swift Current.

Ms. Sproule: — So you've added one recently.

Mr. Grice: — Right.

Ms. Sproule: — The Swift Current one. Are these services by these private sector carriers, would they be considered new services to your standard service package or are they replacing lines that you used to operate?

Mr. Grice: — Most of these companies have been around . . . I shouldn't say these particular ones, but companies like these

have been around in STC's network for a long time. They're typically in the outlying areas where it's harder for STC to be able to station a coach or to station a driver. We have hours of service regulations that mean you can only drive for so many hours before you have to park the coach or take a rest. So in many cases to extend our reach of our network, we will have these local providers carrying the final distances, if you will.

Ms. Sproule: — So they would never go beyond the hours of service either. Like they're not allowed to.

Mr. Grice: — That's correct.

Ms. Sproule: — Lots of this we've already talked about that I highlighted. One of the comments made at the bottom of page 24 is the difficulties you were encountering in recruiting staff because of the competition with other parts of the economy. You've indicated that modified work schedules in the maintenance area continue to help with retention; however, competition from other industries continues to have a negative impact on recruitment efforts. Is that still the case for STC or is that ameliorated somewhat?

Mr. Grice: — We're made a few adjustments to assist with that, so three of the things that would impact the mechanics. One is the modified work week which means that we give them consecutive days off in the week that they enjoy. They don't get that from every employer so it's something that we could do that didn't cost us anything. That was attractive to them.

Two others that we did is we had a five-band pay step grade, if you will, on the in-scope, and we collapsed it down into three. We took away the first two steps. So someone starting with STC could start higher in the band and that would allow them to start at a higher wage rate. So coming from another employer, we would have an ability to attract them.

And the final thing that we did is we offered a market supplement to the mechanics to not take them up to the top of market, but just to get them closer into the range of the market amount that was being paid for mechanics at the time.

Ms. Sproule: — The market supplement, would that be an increase in hourly wage?

Mr. Grice: — Correct, yes.

Ms. Sproule: — So that's over and above the three bands that exist.

Mr. Grice: — That's right. And the bands didn't change what they could earn. We didn't actually increase anything. We just took the two lowest paid ones off because we couldn't attract anyone at those band levels anyway. So the market supplement really only impacts those ones that were remaining, the three that were there.

Ms. Sproule: — All right. What about drivers? What is the impact of the economy on attracting drivers?

Mr. Grice: — We were also having a great deal of difficulties with drivers as well. So the collapsing of the bands helped as well with that group. We did not do a market supplement for the

drivers. Our drivers are currently I think adequately paid in the industry, so to add a market supplement was not something that we entertained. But what we did do is we looked at trying to make their work-life balance a little bit better by allowing them to take more time off.

We have a process where they have to bid days off and they're on call 12 days out of 14 and they have to be available for a phone call three times per day, which means they never really get a chance to go away or take any time off. So we added a second day into that schedule to allow them to actually almost take a weekend, if you will, to have time to attend family events and other things. And that made a significant difference to us. So it's those small things that we could do that didn't have a lot of cost that allowed us to retain and recruit other people.

Ms. Sproule: — All right. In the description on page 25 of the geographically dispersed population, it's indicated that you dropped I think point two million miles from 2013 to 2014. Is that all in relation to the three routes that were discontinued?

Mr. Grice: — That's correct.

Ms. Sproule: — So how many miles would that be? Is that 200,000 miles?

Mr. Grice: — 200,000 miles, yes.

Ms. Sproule: — And I thought I read somewhere that you discontinued three routes but there were other routes that were modified. Is that included in there too?

Mr. Grice: — We have, over the years. In 2012 we modified frequency on Regina to Nipawin and we modified frequency from P.A. [Prince Albert] to Melfort that connected with that Regina-Nipawin trip. We also curtailed our P.A. to La Loche trip from four days a week to three days per week in 2012. There was an end point in Swan River that was no longer needed because the Greyhound bus was not there to meet us. We pulled that back to Kamsack and so there were some miles that were cut off there.

Same thing happened in Gainsborough as well. Our agency quit in Gainsborough. We couldn't find a replacement. There was no more passenger traffic or freight happening there anyway so after about a year of looking for another agency, we curtailed that as well. So there were a few miles that fell off in 2012.

In 2014 these adjustments that we made for Lanigan and Eastend, but the other adjustment that was made in 2013 was on May 18th of that year when the North Battleford to Blaine Lake schedule was eliminated.

Ms. Sproule: — Okay. And there were no changes in 2014.

Mr. Grice: — Well in 2014, January 1.

Ms. Sproule: — Well January 1st, yes.

Mr. Grice: — Just these two, the Lanigan and Eastend.

Ms. Sproule: — Okay. I'm running out of time. Page 26, I guess we've already talked about that. I was going to ask what

is the strategy for recruitment and retaining but you've already explained that. Okay.

There's a lack of sufficient growth in parcel express volumes, on page 26. First of all, the non-automated shipping can make it difficult to compete for large accounts. Have you made any decisions to automate your shipping?

Mr. Grice: — We're still observing what's going on in the industry. Greyhound is our biggest partner, as I've mentioned before, and they have invested a lot of money in technological solutions, if you will. Some of them work quite well and some of them have some struggles, and right now we're monitoring one of their most recent investments in what they have as a track-and-trace model as well as some other online capabilities.

Greyhound has indicated that if we like what we see with what they're using that we can participate with them, but there will be a financial cost per transaction for us to use that, so we are also investigating a couple of other providers that are out there in the marketplace to see if there's something that we can take advantage of. And we believe there is. There's a cost to it per transaction but we believe there will be efficiencies down the line for STC in utilizing some of that software.

Ms. Sproule: — Okay. I'm afraid I'm out of time and that is sad, but that's the way it goes. So the Chair has indicated that my time is up, so I would like to thank everyone for coming and for sharing this information. Very informative. So thank you for your time. Thank you, Madam Minister.

The Chair: — Well thank you. What is the committee's wish in regards to the annual reports for the Saskatchewan Transportation Company for the years 2012, 2013, and 2014? Mr. Weekes.

Mr. Weekes: — Mr. Chair, I wish to move that the committee conclude consideration of the annual reports for Saskatchewan Transportation Company for the years of 2012, 2013, and 2014.

The Chair: — Thank you. Mr. Weekes has moved that the committee conclude consideration of the annual reports for the Saskatchewan Transportation Company for the years 2012, 2013, and 2014. Are the members in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried. Madam Minister, do you have any closing comments?

Hon. Ms. Campeau: — I would just like to thank you for your time.

The Chair: — Well thank you. And do you have any closing comments, Ms. Sproule?

Ms. Sproule: — I've already given them. Thanks.

The Chair: — Okay. We will recess until 3 o'clock.

[The committee recessed for a period of time.]

[15:00]

Saskatchewan Water Corporation

The Chair: — Well good afternoon, everybody again. The next items on the agenda are the annual reports and the water quality reports for Saskatchewan Water Corporation for the years 2012, 2013, and 2014. Minister Cox, could you please introduce your officials and make any opening comments that you would like to make.

Hon. Mr. Cox: — Thank you, Mr. Chair. I would be pleased to do that. Thank you to the committee for this opportunity to present for your consideration our 2012, '13, and '14 annual statements.

And I'm joined this afternoon by the following officials from SaskWater: to my left I have Doug Matthies, the president of SaskWater Corp; and Eric Light to my right, vice-president, operations and engineering. Behind me is Jacquie Gibney, another vice-president, business development, corporate services; and next to her is Danny Bollinger, director of financial services. At the very back is my chief of staff, Tyler Lynch.

So yes, Mr. Chairman, I do have a brief opening statement, and then we would be pleased to take whatever questions the committee may have.

Over the periods under review from 2012 to '14, SaskWater continued to grow, improve its customer service rating, and achieve financial success. Much of SaskWater's growth is due to its involvement with the potash sector, which accounts for roughly two-thirds of all water supplied in these three years.

During the years under review, SaskWater signed new water supply agreements with K+S Potash Canada and with BHP Billiton. SaskWater also completed construction of the water supply system for K+S and began construction of the water supply system for BHP. SaskWater was heavily involved in pre-construction engineering work for Vale Potash Canada as they conducted their mine feasibility studies. 2012 was also the first full year that SaskWater supplied water to the Mosaic Belle Plaine potash mine after completing construction of that new system in 2011.

In addition to the industrial growth, SaskWater was able to grow its municipal sector business as well. The communities of Cupar, Hepburn, and the One Arrow First Nation were added as new customers, and a new water treatment plant was built for the community of Gravelbourg. Service or improvements to each of these communities was made possible thanks to grants under the previous Building Canada Fund. SaskWater hopes to grow our municipal customer base further once the next round of Building Canada Fund grants are announced by the federal government. Significant service improvements were also made around Saskatoon, in Warman, and White City to respond to population growth being enjoyed by these customers.

SaskWater has always had and continues to have a strong focus on safe, reliable water services. Customers appreciate this attention to what matters, and in satisfaction surveys conducted every two years, SaskWater's overall rating improved from 8.42 out of 10 in 2010, to 8.54 in 2012, to 8.6 in 2014.

At the same time as customer satisfaction was improving, the corporation was able to turn in a very steady financial performance, earning an average of \$4 million in each of the three years.

SaskWater's long-term return-on-equity target, which hasn't changed since 2002, is 9 per cent. Over the years 2012 to 2014, SaskWater earned an average return on equity of 8.93 per cent, a result that we're obviously very happy with. This sustainable financial result is allowing SaskWater to reinvest in its infrastructure to continue providing safe and reliable service.

Mr. Chair, that now concludes my remarks. Both my officials and I would be pleased to answer any questions that the committee may have. Thank you.

The Chair: — Well thank you, Minister. Are there any questions? Ms. Sproule.

Ms. Sproule: — Yes indeed, I have questions. Thank you, Mr. Chair, and thank you, Mr. Minister, for those opening remarks. Well let's start off with the Crown payee disclosure reports and just a little, couple of questions I have on some of the information over the three years that are in question.

First of all I have a question about grants-in-lieu. In 2012 they were identified as being \$43 million, and they've dropped down to \$16 million in 2014. So that would be my first question, is what has been the changes in grants-in-lieu to cause that kind of a drop?

Hon. Mr. Cox: — Thank you, Ms. Sproule. As you know, we just pay in lieu in the centres where we have buildings. Part of that decrease was the result of reassessment during those years. And of course our buildings in a couple of those centres are quite a bit older, so the reassessment actually ended up with us being assessed less. That is the explanation for most of that change.

Ms. Sproule: — And sorry, I think I said millions, but it's not.

Hon. Mr. Cox: — No.

Ms. Sproule: — It's thousands.

Hon. Mr. Cox: — You're right.

Ms. Sproule: — Yes, okay. I'm looking at other spreadsheets where it's in millions. So sorry. You've basically identified reassessment as the main cause of the reduction. Okay. In terms of executive and senior management, I see an increase between 2013 and 2014 of about \$150,000. What would be the reasoning for that?

Hon. Mr. Cox: — Okay. There was no major salary increases during that time, Ms. Sproule. What it was, there was an overlap with employee changes, so there was a gap in there where there was two salaries being paid. So that explains the increase, if I heard your question right.

Ms. Sproule: — I think so. I'm just looking at this, the detailed description. We had three executive senior management salaries in 2013, but we have five in 2014. Is that a transition, or did you

add two members?

Hon. Mr. Cox: — That's a transition time.

Ms. Sproule: — So who is not there anymore? Would that be . . .

Hon. Mr. Cox: — Marie Alexander is no longer with us, and Jeff Mander, due to retirement.

Ms. Sproule: — Okay, thank you. All right, just some general questions at this point. No, first I want to go back to in April 22nd, 2013 I was in committee for the annual reports up to 2011, and Minister Cheveldayoff was the minister at the time. And he was talking . . . And I think this will come through in a few of the questions I ask about the expanding potash industry. Certainly that seems to be SaskWater's largest customer and certainly one that was expanding. And the first one I wanted to ask about was the water supply agreement to support the Mosaic Belle Plaine potash mines. Is that now in operation?

Hon. Mr. Cox: — Yes, it is.

Ms. Sproule: — Maybe the best thing to do is if you could describe who your potash customers were in 2012, 2013, and 2014.

Hon. Mr. Cox: — Okay, thank you. Since 2012 the mines that we're supplying are PCS [Potash Corporation of Saskatchewan Inc.]. These are the operating mines: PCS Cory, PCS Allan, and PCS in Lanigan, and Mosaic at Belle Plaine and Colonsay, as well as Agrium. And in 2012 we also signed contracts with K+S and BHP Billiton, but they were not taking water at that time.

Ms. Sproule: — That was 2012. Was there any changes in 2013?

Hon. Mr. Cox: — No, those same ones through to 2013 and '14.

Ms. Sproule: — And what about Vale?

Hon. Mr. Cox: — Okay, thank you. As you probably heard, Vale is on hold. We've been doing consulting work for Vale on a consulting basis from 2011 actually right up till 2015 but, as you know, their project is now on hold.

Ms. Sproule: — So BHP, that's the . . . Is that Jansen?

Hon. Mr. Cox: — Jansen Lake.

Ms. Sproule: — I'm just curious. Like this is a fairly significant proposed expansion of the potash industry. I know some things are on hold. I also understand that BHP is looking at a second mine and that Yancoal is looking at a mine north of Regina here, near Strasbourg or in that area.

With this large expansion, I'm wondering if SaskWater has been doing any studies in terms of the cumulative effect of each one of these mines. Like I know that there are environmental studies done for each mine as they come on stream, but is there any comprehensive or cumulative effects study being done on

the impact of this large, large increase? And that may be something that SaskWater would ask Sask Water Security Agency to do. Have you done that? Is there any interest in finding out that kind of information?

[15:15]

Hon. Mr. Cox: — Yes, thank you, Ms. Sproule. There was a cumulative effects study done with regards to the work we did for the Vale potash mine, and that would form part of what we looked at with the environmental assessment impact study and the environmental impact assessment.

Ms. Sproule: — There hasn't been any done with respect to Yancoal and the additional BHP . . .

Hon. Mr. Cox: — And the reason for that is that the water supply to the Yancoal proposed plan would be the same water that would have been drawn for the Vale one, so the same cumulative effects study would be in effect there.

Ms. Sproule: — What about the K+S addition?

Hon. Mr. Cox: — The first one that we did was for the Vale mine. That wasn't part of the study at that time so there was not one done for K+S.

Ms. Sproule: — And it sounds like there is no intention to do that at this point in time?

Hon. Mr. Cox: — Yes. They've received their operating approval and they're up and running, so it would be kind of like closing the gate after the horse is out.

Just to clarify that, when we did the cumulative effect study for the Vale one, it did include the effects that K+S would have. So it was incorporated in that study although there wasn't one done for K+S itself.

Ms. Sproule: — Right.

Hon. Mr. Cox: — Okay.

Ms. Sproule: — It was included in the Vale. It was included in the cumulative study done at the time Vale was being proposed. Okay. I think that makes sense.

All right. I get a lot of calls and concerns even though I'm not technically the critic for this area — I am the critic for the environment as you know — about water usage and the impact of the growing demand for water, fresh water, from the potash industry. And recently, you know, I was asked about the plans to build a new ditch of water from, I believe, Lake Diefenbaker to Buffalo Pound. Is that something that is happening that you're aware of to assure that Buffalo Pound has enough water to supply these mines?

Hon. Mr. Cox: — The addition of any canal system from there would be under the purview of the Water Security Agency, not Water Corp. So that would be a question for them.

Ms. Sproule: — And you are the minister for that as well, right? Is that something you're aware of as minister, or would

you want me to write a separate letter to Water Security Agency?

Hon. Mr. Cox: — I would prefer that you would do that, Ms. Sproule, if you would please.

Ms. Sproule: — Okay, no problem. Okay. In 2014, 11 kilometres of pipeline were sold to the city of Saskatoon, the rural municipality of Rosedale, and the village of Broderick. What was the reasoning for these sales? Why were they sold?

Hon. Mr. Cox: — Okay, those three parcels, the first one was, the largest of them was the city of Saskatoon because the city had grown and they annexed the land that encompassed where those lines were. So they took over the infrastructure that was there. The other two smaller ones, we really only had one customer on each of those lines. So it was prudent to sell them, and they could run their own.

Ms. Sproule: — The new customer being the RM [rural municipality] and the village itself. Okay. All right.

Back to the last time we were in committee in 2013. I'm kind of jumping around here. Anyways back then the minister indicated that the amount that potash was using in I don't know if this was 2013 or 2011, was 60 per cent, anyways, or 20 million cubic metres. So that was your largest customer. Is it still 60 per cent?

Hon. Mr. Cox: — The percentage has varied very little between 60 and 65 per cent that it's using. You can see from the numbers, you know, 23,000 in that 2014 . . .

A Member: — 23 million.

Hon. Mr. Cox: — 23 million, pardon me.

Ms. Sproule: — Cubic metres.

Hon. Mr. Cox: — Yes.

Ms. Sproule: — In 2014.

Hon. Mr. Cox: — Yes.

Ms. Sproule: — And then he had said fertilizers is your second-largest customer base. At the time it was 3.5 million cubic metres or about 10 per cent. Is that still around the same number?

Hon. Mr. Cox: — 3.6.

Ms. Sproule: — Slightly up. Okay. One of the things that we hear about a lot is the rising water levels in closed basins like the Quill Lakes. And I'm just wondering if there's any thought of using that. It has salt in it or it's saline. Would that be an option for a market for you in terms of fertilizers? Is that possible or does it have to be fresh water?

Hon. Mr. Cox: — Again, that's more maybe Water Security Agency, but I can tell you that's one of the options that we definitely have looked at. The problem is that the potash mines need a long-term, reliable source of water and a closed basin

can't provide that. And if they're going to spend the millions of dollars that is required to build a pipeline, build a pump, build some sort of refinement because they can't use the water exactly as it is, they need to know that they've got a long-term, sustainable supply of that water.

And I guess, as well with that, you know we're talking about more of an immediate solution. You referenced the Quill Lakes and there's no mines that are going to be up and running in the next few months that would take that Quill Lakes water, so . . .

Ms. Sproule: — Okay, I was thinking specifically fertilizer, but that is directly related to the potash mines then.

Hon. Mr. Cox: — Yes.

Ms. Sproule: — Okay. In terms of the infrastructure for these long-term projects, one of the things I noted when I was looking at the payee disclosure reports is the amounts you pay to your suppliers, and in total in 2012 it was around 50 million, and in 2014 it had gone up to about 98 million. Would a lot of that be this infrastructure that is being used to service the potash industry?

Hon. Mr. Cox: — Yes, you're correct on that, Ms. Sproule. That basically was the K+S as well as the BHP line being built, and that funding is 100 per cent provided by the proponents. So it's outlay but it's returned income.

Ms. Sproule: — That was my next question, so thank you for reading my mind. Saves that voice a little bit.

Hon. Mr. Cox: — Thank you.

Ms. Sproule: — Now what do your . . . And I'm looking at your annual report from 2014, page 7, and in there you have indicated that in 2014 you delivered 30 billion litres of non-potable water compared to 32.3 billion litres in 2013, and the reduction was due to industrial customers adjusting their requirements. Is that potash, the industrial customers you're referring to there?

Hon. Mr. Cox: — Yes, it is.

Ms. Sproule: — You didn't want to just say potash? Very generic. So I guess we could read between the lines. On page 10 I had a question about your certified operation and maintenance program. Currently you are contracting . . . Or in 2014 there were 14 communities that you contracted with to provide maintenance, operation and maintenance. Is that number stable or is it something you're looking to grow, or is it decreasing?

Mr. Matthies: — Mr. Chair, Doug Matthies, president of SaskWater. I think just to respond to the question, we've actually been fairly flat in our O & M business for a few years. We've found ourselves somewhat unsuccessful in some of the proposals that we made to communities. Part of the issue for us has been small communities that are not close to where we are. We end up having to build in a significant travel cost as we move people into those communities, so our numbers have been fairly flat in that area. But if we can sort of build around a regional nucleus, then we think we'll have more success in the future.

Ms. Sproule: — Did you say build around a . . .

Mr. Matthies: — A regional nucleus.

Ms. Sproule: — Regional nucleus. So can you give me an example of that?

Mr. Matthies: — Well for example, we have major regional systems that we own at, say, Melfort, and then we have pipelines that branch out from Melfort and would cover about 20 different communities. Same in the Wakaw, Humboldt system. We own those facilities and then we have pipelines that would branch out to deal with about 20 different customers. If we're able to sort of have a centre where we have our staff base that we can minimize travel and service more than one customer, then the economics are better.

[15:30]

Ms. Sproule: — And this would be on . . . You have graphics of these. So in the Melfort area, that's the one that's on page 8 where it looks like you get as far west as Weldon and as far east as Star City Farming?

Mr. Matthies: — That's correct.

Ms. Sproule: — Yes. And then up north to Codette Lake where the pump station is . . . Oh I see that comes from the Sask River. So that's one example. Do you have another one that you're working on, or is this sort of just wishful thinking at this point for the regionalization approach?

Mr. Matthies: — We are working with a number of communities right now, but we find that a number of the communities, they're waiting for grant announcements. So if we can get some grant announcements, we're hoping to add to our customer base. I think I just would prefer to sort of leave the names off at this point, but we do have a number of customers that we're working quite closely with, or potential customers.

Ms. Sproule: — Sure. We'll wait and ask that question in the future. Turning now to your strategic plan and your balanced scorecard, you have four key goals. And on your scorecard, you've done very well on three of them.

I just wanted to talk a little bit about growing the business and the indicator lights on your business plan which are in the red, which means you're off target by greater than 20 per cent to the negative.

The three targets in question are number of new agreements. You had targeted for three; there were zero. The new capital investment to support the growth, of course that was down as well. And then the new contracted flows, litres per second it looks like, and that was you were targeting 694, I assume with those three new agreements, but obviously that was a zero as well.

What I was interested to note was that you are no longer going to use these measurements, and perhaps you could start by explaining why those are no longer being used; they'll be discontinued.

Mr. Matthies: — Thank you. Mr. Chair, I think in response to the committee member's question, first of all, you're correct in the association you made. The number of new agreements and the contracted flows are directly tied. And our observation over the last number of years is that the number of new agreements as an absolute measure was not very useful for us as a driver of where we would want to go. For example if we signed one major new deal with a potash company, we could be providing services for millions of litres, whereas we would also have the same score if we were to sign up one small community that might use, you know, 1 per cent of those kind of volumes. So we found that it didn't help us focus our efforts very well because your score, in essence, was the same whether you landed the big customer or the small one. So what we've done into the future is we've tried this new measure, new capital to invest, new capital investment to support growth. That's kind of our next iteration of trying to find a better measure to drive what we do.

So that measure is really, how much of our money are we going to invest in building new systems to supply customers? And in the year under review, in 2014, our target was 5.1 per cent of our asset base. We spent 4 per cent. So we were just under 80 per cent of what we were hoping to get to. The major reason for that indicator being negative was one of the projects that we are working on and have virtually completed at this point experienced a significant delay.

Actually there were two delays on the project, and it was the expansion of our White City water treatment plant. We had a delay because we had about a six-month setback getting land control for a new pipeline route. And we also had another delay on this same project when the pipeline contractor went broke and we had to get somebody else in to do the job.

Ms. Sproule: — Yikes. In terms of these capital investments, as you indicated earlier, this would show up under your supplier purchases. But would you not flip all of that over to the proponent as well, or are these capital investments that SaskWater retains?

Hon. Mr. Cox: — These projects are facilities that we would own, infrastructure that we would own, and we would get our return back amortized through our rates, water rates to those customers.

Ms. Sproule: — So in terms of your business lines, what is the decision as to whether you would require the customer to provide the capital or whether you'll provide the capital?

Mr. Matthies: — I think, Mr. Chair, I'll maybe respond to this. I would like to say it's an easy answer but it's a little more complicated. So for some of the big industrial projects, the direction that the government has provided is to say, you guys are world-class players — and many of these companies have a bigger bottom line than the provincial budget — so the government said, taxpayers don't need to provide that funding, so you can do it.

With a number of the other communities that we work with and other customers, it's a bit of a function of we have a water rate that will support an investment of X amount of money and so if the capital cost is more than what the water rate would support,

then we will request that the customer contribute the difference.

Ms. Sproule: — And you indicated there's some other projects coming online. Obviously since they're waiting for the grant announcements, those are ones where your water rate will not support the full capital investment.

Mr. Matthies: — I would actually say that for municipal projects, my observation is municipalities are reluctant to pull the trigger on a project unless they get senior-level government funding because they are more concerned about, they want to make sure that their ratepayers are paying as low a rate as possible. So typically we will work with them.

And if you have a one-third, one-third, one-third funding arrangement in the Building Canada program, where communities will step in is the one-third that they have to come up with. We will negotiate with them in terms of do they put in some of their own, or do we put it all in. And however much they put in drives what the water rate will be. The more they put in, the lower the rate; the less they put in, the higher the rate.

Ms. Sproule: — So it's a fairly fluid and flexible negotiated arrangement, I would assume, on each deal?

Mr. Matthies: — Generally speaking, yes.

Ms. Sproule: — Okay. In terms of this performance measure, it looks like it's changing to a percentage investment in new growth. What's the difference between that . . . And maybe you've already explained this, but currently it reads as new capital investment to support growth, and it says in your annual report you're going to change it to be percentage investment in new growth. So how is that different?

Mr. Matthies: — We did make a change in 2015. And I think I have to admit I wasn't focusing on our 2015 pieces and I'm trying to remember what the difference was when we switched in '14 to '15. I think largely what we were looking at was trying to find a better way to express it — rather than based on dollars, that we would do it based on percentage of assets. And I'm a little bit thin on the memory on that one, but it was essentially the same type of approach where we were trying to figure out how much of our investment pot, our capital, are we putting into new pieces relative to our asset base. There was a minor tweak between the years but I can't remember all the details and, if I could say, when we come to '15, I'll be ready for you on that one.

Ms. Sproule: — Fair enough. Thank you. I guess the next questions I have were related to the changes in 2015 with a new customer-driven goal, which looks like you have percentage-based measures for that as well. So we'll wait and see how that goes in 2015.

On page 17, there's a discussion at the bottom of the page regarding your greenhouse gas targets, and you have a measure called your greenhouse gas emissions. And it's an efficiency measure that takes a ratio of the company's greenhouse gas emissions to total water volumes. Since 2006, SaskWater has reduced its emissions ratio by 13 per cent. I know that the provincial government's goal I think is 20 per cent by 2020. So if that's on track, do you expect to reach 20 per cent by 2020, or

is that your goal?

Hon. Mr. Cox: — Yes, we're still at the 20 per cent with the target for 2020. And at this point, Ms. Sproule, we are on target but we realize we've got a lot more work to do between now and 2020.

Ms. Sproule: — I think I might be confusing a couple of things here because the greenhouse gas emissions is an efficiency measure and it's based on a ratio. But I think what I'm talking about is your actual corporation's emissions. What were the total emissions in 2006? That's when the measure started. If you don't have that number in front of you, what are your total emissions for '11 and '12, or '12, '13, and '14?

Hon. Mr. Cox: — Ms. Sproule, we don't have 2006 with us, or the numbers for '12, '13, '14. Would it be permissible to get that information to you?

Ms. Sproule: — Yes. Thank you very much. Now if you could explain for me. It says, "Since 2006, SaskWater has reduced its emissions ratio by 13%." What is the difference between that and reducing emissions? Like I don't understand how the word "ratio" factors in here.

Mr. Light: — Mr. Chair, Eric Light, SaskWater, vice-president of operations and engineering. The reason why the ratio is important is because the emissions are a function of water volume and so because our primary input into the emissions calculation is our power consumption, and so as we're growing our business and adding more of water volume, our emissions total is going up. But what we're trying to figure out and do better on is a reduction in our greenhouse gas emissions on a per volume basis.

So if you just look at the straight amount of greenhouse gas emissions, that's fine as long as . . . And maybe the reductions of that over time as long as your water volume stays the same, but because our water volumes are increasing, our emissions are going to go up as well. But what we're trying to do is do a better job of reducing our emissions per water volume. So that's why the ratio is there. I don't know if I've explained that well enough but that's the reason is because the amount of volume that you are providing is changing.

Ms. Sproule: — I can see the need to do that and it makes sense the way you explained it. I think what's concerning on a more global perspective is that everything's growing in the whole planet but we still need to reduce greenhouse gases, not on a ratio but overall. And so that is a problem that is probably greater than what's being tackled by this. I mean this is very important but I would say that's just part of the piece because things are growing throughout the entire planet and so as we continue to grow, we still need to find a way to reduce greenhouse gas emissions overall, I think is the general agreement.

And in your case what I'm hearing is that they're not being reduced and they are in fact going up because you are growing, so that this ratio probably needs to be increased by much more than 13 per cent if in fact we're to meet the target of reducing greenhouse gas emissions and not just the ratio.

So is there any discussion at the corporate level about how you're going to achieve that or is it simply taken for granted that if you grow, your emissions will grow?

Mr. Light: — So as far as the corporation goes, we do have a greenhouse gas committee that meets on a regular basis. I'm on that committee. One of the key initiatives that we have been doing over the last several years is trying to reduce our power costs, and one of the ways that we have been doing this is at our facilities. We have been analyzing our facilities as far as trying to reduce our pumping costs.

[15:45]

The main way that we have achieved that is by putting our pump stations on a curve. Basically what that achieves is it pumps water at the lowest possible pressure, depending on the demand, whereas before we were operating at a higher pressure but we didn't need to. But we need to do some analysis to figure out what that curve looks like so that we're still providing the service that we need to do. So we've done that at about, I would say, around five different facilities. And so we're continuing to look at facilities, other facilities to implement this curve way of operating and reduce our power costs. And I mean, that's one of the things we're looking at, but we are actively meeting and discussing that and looking for ways to reduce our greenhouse gas emissions.

Ms. Sproule: — Congratulations, very good. Good innovation. Are there any opportunities for cogeneration, given that you're dealing with large volumes of water for generating power? Is anything being discussed by your committee in terms of initiatives in that way?

Mr. Light: — Okay, so we have had some discussions with companies about opportunities with respect to cogeneration, but to date none of those have come to fruition as yet. But we've definitely had discussions and looked into those type of opportunities.

Ms. Sproule: — Okay, thank you. I look forward to further innovations. Turning now to more of the financial results. Page 47 of the 2014 report talks about . . . There's one I was hoping you would explain to me. It's the sinking fund adjustments. There's a chart on that page that shows the total corporate net income, and then the net income without the sinking fund adjustments. There's a statement in mid-page that says, "The sinking fund adjustments have created more volatility in the corporation's earnings; however, the chart indicates that earnings from operations have been more stable." Can you explain what this volatility is in the sinking funds?

Mr. Matthies: — I would love to respond to that question.

Hon. Mr. Cox: — Good question, and I will allow Doug to answer that, please.

Mr. Matthies: — This has been a topic of significant discussion internally. So what we do, when we borrow money to finance our capital projects, then we also put money away into sinking funds so that we can retire them when they come due. And every reporting period we have to adjust to whatever the market value is at the time.

So on this chart that you're looking at — and I notice that the legend at the bottom didn't come through, so I'll just tell you — the very first point would be 2011, then '12, '13, and '14. So there's four years depicted on this chart. And the dark blue line is the net income that is the final number on our financial statements. The light blue line is what the figure would be without those unrealized market adjustments.

And so what I would tell you is in 2014, we had a \$1.2 million unrealized market gain. In 2013, we had a \$1 million unrealized market loss. And in the other years, we were also bouncing around; we had a 267,000 loss in '12 and a 228,000 gain in '11. And so what we were trying to show with this picture is if you didn't have to make these adjustments on the sinking funds because these were just paper gains and losses. And it's interesting that over that four-year period they almost net zero. That's what we were trying to give some indication in here, that our earnings numbers show more volatility than really was there due to operations. And that's kind of what the blue number, or the light blue line is trying to depict.

Ms. Sproule: — So the light blue says if you hadn't had to make those adjustments, that's what the net income would have looked like.

All right. Further on in the page you talked about revenues from water sales and treatment and that the "Potable water volumes were down by 1% from 2013, due to wet conditions which reduced water needed for outdoor uses." Just a little thought about that in terms of using potable water for watering your lawns. Are there initiatives that you have thought of to encourage users to use non-potable water for outdoor uses? I'm assuming outdoor uses is watering gardens and lawns.

Hon. Mr. Cox: — One example where that's being done is in White City, where there are of course larger lots than in a higher density city, where they do allow their residents to put in a well with non-potable water that they could use for that outdoor use. But in a lot of jurisdictions that isn't allowed because of density, so that is their only source of water.

Ms. Sproule: — Okay, I'm quickly running out of time, and I know some members have lentils to sell, so I am going to move on. Something I found very interesting is right next in the paragraph here. It says "The decrease in water volumes for that customer [which I assume is potash] had minimal impact . . ." So you're saying the non-potable volumes were down by 7 per cent, but it had minimal impact on your net earnings due to provisions in the contract that protects SaskWater's interests. Can you tell us more about that?

Mr. Matthies: — This particular contract that we're talking about is largely a cost-plus contract; so if their volumes are up or down, that's how we're able to protect our bottom line. So I think in the year under review here their volumes were down about 2 million cubic metres, but because of the cost-plus nature of the contract, it didn't hurt us. So if I can describe it that way.

Ms. Sproule: — Good, thank you. There was something else on that page referring to an onerous contract provision. So I think this is the other side of the coin, if I understand it correctly. OM & A increases quite a bit over 2014 and, as you indicate on

page 47, about 350,000 of that “. . . amount was related to increased workload required to generate the additional services revenue. Most of the remainder is due to a change in the onerous contract provision discussed below.”

SaskWater assesses its systems to determine if the forecasted revenues will be sufficient to cover forecasted future expenses. If they are expected to exceed revenues, then an onerous contract provision is established for the discounted amount of the future losses and then amortized against expenses over the remaining term.

On the next page, you say, “SaskWater has identified two systems with onerous contracts.” Could you tell the committee a little bit more about those two systems?

Mr. Matthies: — I would be very happy to. These are individual communities primarily that we’re serving. They are small communities. One is, I think its population is probably in around 250 people, I think is the population. The other one is a similar size. There are a couple of other customers that we connect to as well, but the total population base is not large.

So in both of these circumstances we own and operate a water treatment plant, but the consumption of water is not generating enough revenue at the rates that we have in place today to support our operating costs, so we incur a loss. The onerous contract is sort of recognizing that we’re losing money on these.

And so every year-end, I think every year-end or every couple of years, we basically do an assessment: are we worse off or better off? And then, so if we’re worse off then we have to book a larger loss. If we’ve been able to see some adjustments, either because of rate increases or consumption patterns, then we might actually be able to reduce some of the expected loss that we’ve booked. So that’s what this is speaking to. These are small communities with a stand-alone water supply system and just not enough volume to support the cost of it.

Ms. Sproule: — So you will continue to likely book losses into the future, just smaller or larger losses? Are they always losing money?

Mr. Matthies: — We are attempting to mitigate these through two different approaches. In one of the communities, what we’re trying to develop is a regional system. If we can link them in to another customer base so that we can get more economies of scale, we would like to then close the water treatment plant in the onerous contract community and have it served from the water treatment plant in another community.

The other community that we’re dealing with, we’re actually looking at a rate strategy over a number of years to get them up to a better rate volume.

Ms. Sproule: — Because obviously closing the contract, it won’t be the solution because they need water.

Mr. Matthies: — They need water.

Ms. Sproule: — Yes, and the municipality I assume is small as well. It wouldn’t be able to sustain . . .

Mr. Matthies: — They would have the same issues.

Ms. Sproule: — Okay, thank you. Maybe in the little couple of minutes remaining I just want to talk a little bit about dividends to CIC. I understand that there would be no dividend in 2014 according to your statement there on page 48. On page 49, SaskWater anticipates declaring a dividend, for the first time in 2015, equal to 25 per cent of profits or approximately 1.2 million. Is this the first time you’ve ever declared a dividend for CIC, or is it just in that volume?

Hon. Mr. Cox: — Thank you. Yes, 2015 would be the first time that we’ve declared a dividend to them.

Ms. Sproule: — I’m sure the Minister of Finance is really liking you guys right now, so that’s good. Congratulations on that. I think at this point, Mr. Chair, I certainly will need to wrap up the questions. There’s no end of questions that we can ask, but I would like to thank the minister and the officials for coming today and for being forthright in providing all that information for us. So thank you very much. Happy New Year and thanks for answering.

The Chair: — Well thank you. What is the committee’s wish in regards to the annual reports and water quality reports for Saskatchewan Water Corporation for the years of 2012, 2013, and 2014?

Ms. Young: — Mr. Chair, I wish to move that the committee conclude consideration of the annual reports and water quality reports for Saskatchewan Water Corporation for the years of 2012, 2013, and 2014.

The Chair: — Ms. Young has moved that the committee conclude consideration of the annual reports and water quality reports for Saskatchewan Water Corporation for the years 2012, 2013, and 2014. Have we got agreement on that motion?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Minister, do you have any closing remarks?

Hon. Mr. Cox: — Yes, if I may just briefly, Mr. Chair, thank you. I would just like to thank the committee for today and for the questions and have this opportunity to present our year-end statements for ’12, ’13, and ’14. And I would especially like to thank all of my officials who are here for their diligent work in preparing this and helping to prepare me for this. I thank them very much and thank you for your time.

The Chair: — Thank you, Minister. We will now have a very quick recess while lately we still have some other business here.

[The committee recessed for a period of time.]

[16:00]

The Chair: — Okay members, we have a copy of the draft eighth report of the Standing Committee on Crown and Central Agencies. If members are in agreement, we will adopt the report and file it with the Clerk of the Assembly. Okay, Mr. Phillips.

Mr. Phillips: — I would move:

That the eighth report of the Standing Committee on Crown and Central Agencies be adopted and filed with the Clerk pursuant to rule 136(6).

The Chair: — Mr. Phillips has moved:

That the eighth report of the Standing Committee on Crown and Central Agencies be adopted and filed with the Clerk pursuant to rule 136(6).

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This now concludes our business of the day. I would ask a member to move a motion of adjournment.

Mr. Weekes: — I so move.

The Chair: — Mr. Weekes has moved. Is everybody in agreement?

Some Hon. Members: — Agreed.

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

[The committee adjourned at 16:04.]