



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

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## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Ms. Colleen Young, Chair  
Lloydminster

Ms. Carla Beck, Deputy Chair  
Regina Lakeview

Mr. Fred Bradshaw  
Carrot River Valley

Mr. Terry Dennis  
Canora-Pelly

Mr. Warren Kaeding  
Melville-Saltcoats

Mr. Hugh Nerlien  
Kelvington-Wadena

Mr. Kevin Phillips  
Melfort

[The committee met at 15:00.]

**The Chair:** — Thank you and welcome committee members to the Crown and Central Agencies meeting this afternoon. Colleen Chair . . . Colleen Young as your Chair. Sorry, Colleen Chair. Yes, well I am the Colleen Chair. Sitting in for our Deputy Chair Carla Beck is Cathy Sproule this afternoon, as well as we have Laura Ross sitting in for Fred Bradshaw. And we have Hugh Nerlien and Warren Kaeding, Kevin Phillips, and Terry Dennis as committee members as well.

So we have the following documents to table this afternoon, and I'd like to advise the committee that pursuant to rule 148(1) the following November supplementary estimate was committed to the committee on November 22nd, 2016: vote 175, debt redemption. And this afternoon the committee will be considering Bill No. 17, *The Power Corporation Amendment Act, 2016*.

**Bill No. 17 — *The Power Corporation  
Amendment Act, 2016***

**Clause 1**

**The Chair:** — So we'll now begin our consideration of Bill No. 17, *The Power Corporation Amendment Act, 2016*. Clause 1, short title. Minister Wyant, if you could please introduce your officials and begin with any opening comments you may have.

**Hon. Mr. Wyant:** — Thank you very much, Madam Chair. And thanks for the opportunity to speak to the committee today. I'm pleased to appear before Crown and Central Agencies to discuss changes to the Saskatchewan power corporation Act. With me, I have officials from SaskPower. On my right, Rachelle Verret Morphy; to my left, Sandeep Kalra; and behind me, Troy King.

Madam Chair, SaskPower operates under the authority of *The Power Corporation Act*. SaskPower has a responsibility to provide clean, safe, and reliable power to the people and industry of this province, and the Act provides SaskPower with the authority and the tools to do so. The Act was last amended in 2013.

Recently two issues have arisen that require legislative amendment. SaskPower's borrowing authority must be raised, and, SaskPower requires a mechanism by which cabinet can declare that any particular activity is connected with or incidental to its explicitly listed powers and purposes.

SaskPower has been investing roughly \$1 billion per year to meet load growth and rebuild aging infrastructure. Over the last five years ending December of 2015, SaskPower has invested \$5.2 billion in capital projects including customer connects, \$775 million; QE [Queen Elizabeth] repowering at \$490 million; Boundary dam at \$1.5 billion; transmission line, \$316 million; sustained activities required to maintain the corporation's aging generation, transmission, and distribution assets at between 350 and \$400 million per year. Operating cash flows of the company after paying the operating, maintenance, and fuel costs is roughly 400 to \$500 million, and the difference

is borrowed to fund this investment. Over the same five years, SaskPower has borrowed \$2.9 billion. Overall, direct borrowings of the company as at September 30th, 2016 stands at \$6.3 billion.

The debt ratio of the corporation at the end of 2016 was 76.2 per cent. This ratio includes the impact of both our direct borrowings through the province of Saskatchewan, and 1.1 billion in indirect borrowings through capital leases. It is slightly higher than our long-term target of 60 to 75 per cent. We expect this ratio to remain at this level over the next few years before coming back into the target range after that time.

SaskPower has also tried to minimize the need for increased borrowing through our business renewal program. This program has resulted in cost savings or avoidance of \$551 million over the five years through new connect process improvement, power production asset management practices, improved procurement practices, and change to debt structure.

SaskPower is requesting that the borrowing limit of the corporation be raised from \$8 billion to \$10 billion. This will allow us to continue to invest in infrastructure, maintain grid reliability, and serve our customers well into the future. Based on its projections, SaskPower expects to reach the \$8 billion limit by 2019, and that's why this matter is of urgency and importance to SaskPower.

SaskPower is also proposing an amendment to the Act that would clarify cabinet's ability to designate SaskPower as having powers and purposes considered to be necessary or desirable for the efficient operation of SaskPower's business so as to mitigate the risk of a particular activity that might be found by a court to exceed SaskPower's purposes and powers.

As a statutory corporation, SaskPower's powers and purposes are limited to what's listed in the empowering legislation, *The Power Corporation Act*, and anything connected with or incidental to these powers and purposes. In certain situations it may be unclear whether a particular activity is connected with or incidental to SaskPower's listed powers and purposes, and it would be useful to have a mechanism whereby cabinet could review a proposed activity and declare that it is necessary or desirable for the efficient operation of SaskPower's business, and therefore within SaskPower's legal authority to undertake.

The proposal will not allow cabinet to expand SaskPower's powers and purposes. Only the legislative amendment can do so. Rather, in situations where it may be unclear that an activity falls within SaskPower's existing powers and purposes, the cabinet will be able to make a clear statement that it considers SaskPower may undertake that activity.

The remaining amendments are primarily of a housekeeping nature. Some will add gender-neutral language to the Act and others will increase readability by deleting redundant plural forms of certain words.

The proposed amendments are intended to allow SaskPower to continue to operate efficiently in the best interests of all Saskatchewan residents. They are intended to strike a balance between the needs of the corporation and the needs of the

people of Saskatchewan as a whole for an efficient, reliable, and safe electrical power system with those of the individuals with whom SaskPower interacts.

So with that, Madam Chair, I'm pleased to now take any questions that the committee has.

**The Chair:** — Thank you, Minister. I'll now open the floor to any questions from committee members. Ms. Sproule.

**Ms. Sproule:** — Thank you very much, Madam Chair. Thank you, Mr. Minister. And to the officials from SaskPower, welcome and thank you very much for attending today. As always, I know we'll have a good discussion and move forward as this bill is moving forward.

I guess the first question I want to ask is a bit of a review of the borrowing powers of SaskPower. If I understand correctly, it was 5 billion for many years, and it was just a couple of years ago that it was raised to 8 billion, I think 2013. And then now we're here again at 10 billion. First question is how long was it at \$5 billion? Do you recall?

**Mr. Kalra:** — We don't have that information, but it was for a long period of time. We can get it for you.

**Ms. Sproule:** — Yes. As far as I could tell it went back to the '90s at least. Is that probably in the right area? And so you came to the legislature through the minister three years ago to raise it 3 billion, and now you're back three years later for an additional 2 billion. Is this a pattern that you see emerging, to continue to raise? Or why was this not done in 2013?

**Mr. Kalra:** — As the minister outlined in his opening comments, we are in a build-up period for SaskPower, and we are investing roughly \$1 billion a year. All of that cash demand cannot be met by the operating cash flows of the company for a given year. To do so would mean much higher cost recovery from the customers which would mean much higher rates.

So when we invest in long-term assets, we expect to recover them over the life of the assets, which in our case could be from 30 to 50 years. So when you're in a build-up period, it's quite common for utilities like us to invest heavily and to fund a portion of this investment through borrowing. We have been doing it for the last five years, and I think we expect this to continue in the near future as well because a lot of the grid, the infrastructure was built up in '60s and '70s and is coming to the end of its useful life. This will need to be replaced over the next, you know, 10 to 15 years, so we expect the investment to continue purely from a sustainment point of view.

Also over the last number of years the growth in Saskatchewan's need for power and need for connecting new customers has been quite high, and we have invested heavily in that as well. So our debt ratio, the long-term range is 60 to 75 per cent. We're at the top edge of that. We're at roughly 76 per cent right now. We do expect that we would be at this range or at this end for the next few years. And over time as we recover, you know, these costs from the customers and we pay down the debt we expect this to, the debt ratio to fall within the range.

Eight billion dollars, we expect to get there in the next three

years. By 2019 our borrowing, direct borrowing would be around \$8 billion, so we have, you know, three more years. This gives us enough time to put in place the increase in limit in case some of the capex [capital expense] is needed before we think it would be or in case there are certain other contingencies that we have to deal with, and those could be higher fuel prices, higher natural gas prices, higher interest. So there are lots of variables that may cause this 2019 date to shift, either before or after. But you know, going back to your question, we do expect this to continue for the foreseeable future.

**Ms. Sproule:** — A couple of questions arising out of that. In 2013 when you requested the increase to 8 billion from 5 billion, you didn't foresee these costs at that time, or why didn't you ask for 10 billion at that time? Why are you back?

**Mr. Kalra:** — Normally what we do is we do a forecast, a financial forecast for the next 10 years, and when the increase was sought we saw that it would carry us through in six, seven years, and then we would kind of come back for additional increase. So in 2013 increase would carry us through 2019, but because the time it takes to, you know, get these changes in place, we're coming in front of this committee now so we can set the process in motion, so we would have the limit when we need it. So this was foreseen. This is not unforeseen. This is foreseen and, you know, we expect this to continue in the future as well.

**Ms. Sproule:** — I guess my question is why didn't you ask for the full 10 billion in 2013?

**Mr. Kalra:** — I don't recall the exact reasons for that, but you know, we come with a prudent rate increase at any given point in time as we see which would carry us for the next, you know, six to seven years. What we're looking at is how much time it takes for our Act to be amended, and as long as we have sufficient time and this increase could be put in place, it doesn't put our operations, you know, at risk.

**Ms. Sproule:** — Now you're saying you don't recall why you didn't bring it to 10 billion in 2013, but were these types of borrowings anticipated in 2013?

**Mr. Kalra:** — In 2013 we were at the beginning of the build cycle and the load growth was quite high. What wasn't known was how long this would last. We have an even better understanding of that now, that from a sustainment point of view, we would need to invest 400 million on an on-going basis. That part can be paid through the cash generated from the operations. That's the additional lines that we have to put in and the additional power plants that we have to put in. You know, those need to be funded through that.

So it's given us, you know, a little more time to understand the needs, understand our infrastructure needs, the condition of the grid. So we have a better understanding now.

**Ms. Sproule:** — So I guess you're saying you have a better understanding in 2016 of your needs than you did understand them in 2013?

**Mr. Kalra:** — That's right.

**Ms. Sproule:** — In terms of spending a billion dollars a year, how many years are you projecting that will last?

**Mr. Kalra:** — For our next 10-year forecast, for which we have done a financial forecast, we do expect the numbers to be very close to that number. Now if the load falls off, if the economic conditions weaken, if some load gets deferred, some of the capital expenditure can also be deferred in the future. But it only pushes it from one year to the next or two years; it doesn't go away. Sustainment capital still needs to be invested anyway.

It's the new connect and new capacity addition that may get deferred by a year or two. Our load growth expectation at this time is roughly one and a half, 1.3 to 1.5 per cent on an on-going basis. If the commodity cycle picks up again, the load growth is higher. Some of this capex might be preponed. If it doesn't, then, you know, we would make investments when they need to be made.

**Ms. Sproule:** — Do you anticipate you will have to come back to the legislature in the near future for an additional borrowing limit?

[15:15]

**Mr. Kalra:** — Not for another six, seven years. I would presume that in six, seven years we would probably, you know, reach a point that we would probably need another increase.

**Ms. Sproule:** — So that would be, 2022 would likely be the next time you're back if the forecasting is . . .

**Mr. Kalra:** — Given the forecast we have, we may reach this around that time, 2023.

**Ms. Sproule:** — All right. The other thing you spoke about for the reason for this borrowing is that there would be much higher rates required. I think we've seen much higher rates being requested in that we've seen three at 5 per cent and one at three and a half per cent in the last two years. Are you anticipating that that would be an average annually as well, 10 per cent a year?

**Mr. Kalra:** — See, rates are driven by lots of things, and one of the things is investments. So as long as the investments continue we would have to recover those investments over the long term, over 30 to 50 years. What's not known is where, you know, the fuel cycle would be, so if the interests stay low, the fuel prices come down, the need for a rate increase might be a little bit lower.

If the load growth does not materialize, the need for rate growth would be a little bit lower, so a lot of variables are at play here. But once you invest, you know, once you've made that decision to invest, based on all the information you have at any given point in time, you would like to recover it over the next 30 to 50 years, which would have an impact on the rates.

**Ms. Sproule:** — And obviously if you reach your target of 50 per cent renewables by 2030, the fuel prices would be half then. Or I guess you're already at 25 per cent.

**Mr. Kalra:** — Twenty-five per cent.

**Ms. Sproule:** — So an additional . . . Your rates will go down. Fuel rates would drop by, or fuel usage would drop by 25 per cent, is that right?

**Mr. Kalra:** — If there is zero load growth, you would be correct, right, because what we would be shifting would be, the mix would shift. But during this period, 15 to 16 years, the load would also grow, and even though the share of non-renewables would come down from 75 to 50 per cent, on an absolute, you know, megawatt basis it may still be high. So our fuel bill would be much higher otherwise, if we don't do renewables, but it may not come down because we would grow anyway.

**Ms. Sproule:** — If natural gas prices go up, for example?

**Mr. Kalra:** — Natural gas prices would be one. But the volumes would be another thing too, right? Because the load would grow between now and 15 if you take the average of 1.5 growth rate. So we would need to serve a higher load as well, and as a result, even though the mix would shift, our actual fuel bill, you know, may not come down. I have, if you just give me one second, I have the 10-year forecast — I don't have 15-year forecast — and the fuel bill during that period continues to grow. Some of the renewables would come at the end of this time period anyway, so I don't expect to see an absolute drop, but if we don't do renewables, it would grow even at a faster clip than it's growing right now.

**Ms. Sproule:** — So the 10-year forecast that you just referred to, that's a load forecast? And is that as far as you forecast?

**Mr. Kalra:** — The load forecast goes out 20, 30 years; the financial forecast goes out 10 years.

**Ms. Sproule:** — So for the 20-, 30-year forecast for the load growth, can you share what that would be with the committee?

**Mr. Kalra:** — For the next 10 years, roughly the growth is 1.3 . . . [inaudible interjection] . . . would be 1.3, 1.5 on an annual basis. That's the rate.

**Ms. Sproule:** — Megawatts?

**Mr. Kalra:** — Percentage, I'm sorry.

**Ms. Sproule:** — Pardon me?

**Mr. Kalra:** — In percentage terms. Yes.

**Ms. Sproule:** — Percentage growth, okay. 20 years? 30 years?

**Mr. Kalra:** — I don't have that number with me right now.

**Ms. Sproule:** — Is that something you could provide the committee with?

**Mr. Kalra:** — Sure, yes.

**Ms. Sproule:** — Thank you. Mr. Minister, you mentioned in your opening comments that the debt-to-equity ratio was at 76.2 per cent in 2016. I know that was the number at the end of March. Has that changed at all at mid-year or is it still in the same range?

**Hon. Mr. Wyant:** — I understand the ratio is at 76.2. That's correct?

**Mr. Kalra:** — That's correct, yes, so it's hovering around that number.

**Ms. Sproule:** — That's right. So in March it was 75.7. I had it wrong. And now you're saying it's 76.2. What are you projecting for that debt ratio for the next two years?

**Hon. Mr. Wyant:** — Perhaps I'll just make a quick comment on that and then I'll ask somebody to look at it to answer it. But we're expecting it to stay in that range for the next five years before it starts to come down within the range which we would like, which is below 75 per cent.

**Ms. Sproule:** — So for the next two years?

**Mr. Kalra:** — So for next year, it's 76.1, then 76.6, 76.3. That's why it's around that number. It stays in that ballpark.

**Ms. Sproule:** — All right. So the highest you're projecting it will get to is 76.6?

**Mr. Kalra:** — In 2019, year ending March 2019.

**Ms. Sproule:** — And you don't have any projections for anything higher than that?

**Mr. Kalra:** — Yes, it goes up to 77 per cent by 2022 and then it starts dropping off. According to this projection, by year 2026 we're back under 75.

**Ms. Sproule:** — I'm sorry. Did you say in 2022 it would be 77.7 per cent?

**Mr. Kalra:** — Sorry. In the year ending March 2021, it peaks at 77.5 per cent.

**Ms. Sproule:** — 2021 it peaks at 77.5 per cent, all things considered?

**Mr. Kalra:** — Yes. Now this has lots of assumptions built in, you know, costs, rate increases, load growth. So you know, this may materialize, may not materialize, but there are lots and lots of assumptions in here.

**Ms. Sproule:** — Yes, that's obvious. I mean these are all projections, right? I'm just wondering if the rate review panel's decision to turn down the 5 per cent increase and only provide a 3.5 per cent increase, will that affect the debt/equity ratio as well?

**Mr. Kalra:** — It does. The net income flows through . . . [inaudible] . . . equity and you know, this ratio, the debt ratio is your debt divided by total capitalization which is debt plus equity. So if the equity is a little bit lower it will have an impact. But the impact of a rate increase from 5 to 3.5 on just one year, it's roughly \$35 million so it doesn't have a very significant impact in one year. But over time it kind of adds up.

**Ms. Sproule:** — So what is the net impact of that refusal to provide 5 per cent and instead 3.5? How will that affect the

debt/equity ratio for this year?

**Mr. Kalra:** — I will need a calculator. The net income is 9 and 35 next year on the debt ratio. We can just do a few numbers. But it will be very small. It will be like miniscule, point one per cent here or there. Yes.

**Ms. Sproule:** — Okay. That's sufficient. I don't need the actual calculation. Thanks. Thank you. Now we see the debt/equity ratio 10 years ago was 59.7. It has gone up every year except one, with some fairly major jumps between 2012 and 2014. And now we see it going up to 77 in 2021, so five years from now. So we are looking at almost I guess if I do the math right, an 18 per cent increase in debt/equity ratio.

It was below your comfort zone for a few years, and then it hit 65 I guess around 2012. And now we're well above. I won't use hyperbole here but it is above the comfort range. What sort of impact does that have on an organization like a Crown corporation when you are outside the comfort zone?

**Mr. Kalra:** — This 60 to 75 per cent is a long-term range. There will be years where, you know, we would be somewhat above that. There would be years where we would try and kind of bring it below. So this is a long-term target, long-term range, and we would like to be within this range over the long term.

I can provide you with the examples of some of the other Crown corporations and their debt levels. New Brunswick Power has the highest debt ratio in the country; it's at 96 per cent. Manitoba Hydro is the second highest; it's at 83 per cent. BC Hydro is at 80 per cent; Hydro-Québec is at 70 per cent; Nova Scotia Power at 69 per cent.

So these numbers are . . . This kind of tells you that we are in the ballpark. We don't want to be in the 90's. We don't want to be in the 80's. So that's why we have a long-term range of 60 to 75. If it goes up by a point, point and a half, as long as we have a plan and we can see our way of getting it, you know, back into that range over a reasonable period of time, I think we're in a good position, especially looking at where some of the other Crown utilities are.

**Ms. Sproule:** — I just note on page 45 in your most recent annual report, you indicate that:

For the 15 months ended March 31, 2016, the actual per cent debt ratio exceeded SaskPower's long-term target, as our company has chosen to accept a higher level of debt in order to manage the frequency and amount of rate increases.

What would the rate increases . . . What would you have had to ask for if you chose not to accept the higher level of debt?

**Mr. Kalra:** — We can do that calculation, but what we're trying to do is a triangulation between reliability, how much we invest, how much customers can take on in a given year. Because over time, you know, we would recover this investment from the customer, but if you can avoid a rate shock and if you can have a smooth, predictable rate increase, that's what we're trying to do. And the third thing, I think the balancing thing is how much debt we take on because we make

these investments.

So we're always trying to balance these three things and since we've made lots of investments — we've roughly made \$5 billion of investments over the last three years — to smooth the rate impact, the debt now went up. To keep 1.5 per cent of . . . We can do that calculation. I don't have it ready, but we can kind of do it for you.

Every 1 per cent rate increase adds roughly \$20 million to our net income and to our equity in one year, so in 10 years it's roughly 200 million, right? So that's all you probably need if you look at that time period because you have to take into account what time period you're looking at. But if you're looking at a 10-year time period, if you added 200 million to our equity, without doing the calculations and we will do them later on, chances are we'll be within our range. But you don't have to do it when you're asking for a regular rate increase. In some future periods, when we have more room to do it, we could do it.

**Ms. Sproule:** — I want to be clear. In terms of anticipated rate increases over this 10-year period, are you looking at 10 per cent? I know I asked you this earlier, but I want to be clear. You're looking at two 5 per cent rate increases every year for the next 10 years. Is that the anticipation?

**Mr. Kalra:** — What we have said is it'll be predictable, it will be smooth, and we would keep it moderate so that the customers are not unduly affected. So I don't want to quote numbers over here. That's what we would try and do, keep it predictable and keep it, you know, keep it to a level where the customers can afford it. The rate regulator has given an indication as to what they're comfortable with, you know, through this process, so 5, three and a half, and you know, that would be the kind of range we would be kind of looking at.

**Ms. Sproule:** — Thank you. Predictable, smooth, and moderate. Okay. I had another question but it just evaporated so I'll carry on. All right. It may come back to me; it may not. This happens.

I just wanted to ask you a few questions about . . . You talk about growth in power usage, and I know that on page 28 of your report, you talked about your 10-year target for demand-side management, which obviously reduces the amount of power that you need to generate. You said that you saved more than 100 megawatts of capacity through a variety of initiatives. So that target has been achieved two years early. What is your next target for demand-side management?

**Mr. Kalra:** — We are working on it, and we are doing customer surveys to understand where the potential is. And we would be increasing the targets to a suitable number. But right now we're doing studies, and we don't want to come out with a number just yet to see which customer segments, you know, there would be more potential in, whether it's industrial, whether it's residential, and what would it cost us.

You know, would it still be cost effective so that the customers who participate we're not overly subsidizing, but at the same time we're giving incentive for them to do conservation? So we're doing all those studies, and the numbers would come out

shortly in our next planning cycle.

**Ms. Sproule:** — Is the minister considering any incentives that would be legislative at this point in time?

**Hon. Mr. Wyant:** — We're not considering anything legislative at this point in time, but we certainly wouldn't close the door on that if that was something that was deemed necessary at that point.

**Ms. Sproule:** — Obviously the regulation regarding caps and things like that would be something that would be regulated, more like a stick instead of a carrot. So I'm just wondering, you know, are the incentives you're looking at more the carrot type where you encourage people? Or would they be a little more stiff and incentives that say, look this is too much, and you need to do something?

[15:30]

**Mr. Kalra:** — These programs are voluntary, and it depends on, you know, the customer and customer participation. So right now these are completely voluntary programs.

**Ms. Sproule:** — In your view, what would be the sort of maximum savings under demand-side management that you could achieve or would like to achieve in the next 10 years?

**Mr. Kalra:** — [Inaudible] . . . a number out there until the research is done.

**Ms. Sproule:** — Okay, thank you. And when do you expect the research will be complete?

**Mr. Kalra:** — I think the work is going on. I'm not as close to it as some of my colleagues are, but I think it's getting close to completion.

**Ms. Sproule:** — Thank you. I will be able to ask you that maybe when we're next in committee then.

I did remember what I wanted to ask earlier, and that is, you indicate rate increases need to be predictable, smooth, and moderate. But you also indicated that, regardless of whether the ratepayer pays through rates or through interest fees on the company, which are also the ratepayers' responsibility — what would be the benefit? I can see the political benefit of sort of not putting it on the power bill every month. But are ratepayers able to understand how much they're paying for interest as well, other than through your annual reports?

**Mr. Kalra:** — I'm not sure what interest they're paying.

**Ms. Sproule:** — Well any amount of interest that SaskPower pays on its debt management would be obviously part of the company's responsibility, ergo the ratepayer's responsibility.

**Mr. Kalra:** — Yes. So when we roll up the cost, the financing costs are also included in that. So it's not just the operating costs. It's operating costs, depreciation, financing costs, fuel costs — all those become part of the rate base and are recovered from the customer.

What we have looked at over the last, you know, number of years is can we restructure our debt portfolio a little bit so we can reduce the interest burden? And we have done it by having a portfolio of 15 per cent borrowing, of the borrowing, has been shifted to a short-term floating rate, and 85 per cent is still long term because these are long-term assets.

As a result, we have saved roughly \$125 million over the last five years, which the benefit has been passed on to the customers. So they would see that cost, but they would see a reduced cost. They won't see it as a separate item on their bill because everything is rolled up in the power they consume.

**Ms. Sproule:** — Yes. I'm thinking it might be helpful for the consumer to see that broken down on their bill. Is there ever been any discussion to do that?

**Mr. Kalra:** — Not really, and none of the other utilities do it. What they do is they pay for power, and everything is kind of rolled up, and no different line items show up that this is what you're paying for depreciation, this is for finance, this is for fuel. It's complex enough, the bills, you know, the demand charges, their end user's charges. If you started introducing it, it probably would confuse customers a little bit more. I think they trust us to manage our business efficiently, and we're trying to do it, and we're passing on all the savings to the customers.

**Ms. Sproule:** — Okay, I would concur that the bills are confusing for me, so maybe, yes that's a bad idea. In terms of the demand-side management, on page 35 of your report this year, you talked about a home assistance pilot project program to assist low-income households in reducing electricity needs and saving money. I understand it was executed in collaboration with the Saskatchewan Housing Authority, and this went to seven northern communities. You're saying the learnings from the pilot will be applied to the design and development of other low-income programs. I'm just wondering, is this pilot now going to move forward into a regular program?

**Mr. Kalra:** — I'm not in a position to answer this. I think in the next meeting I would bring my colleague Diane Avery with me. If you have more interest in DSM [demand-side management] then she would be able to talk, you know, much more intelligently about this than I would be.

**Ms. Sproule:** — Thank you very much, Mr. Kalra. One of the items that I know is expensive for you, and you identified on page 29 of your annual report, are challenges associated with climate change, and in particular the federal carbon dioxide emissions regulations that are in place. And as you indicate, those regulations will eliminate one of the primary baseload sources, which is conventional coal-fired generation. And I think you're expecting as well, CO<sub>2</sub> regulations governing natural gas generation. There's a number of questions that come to mind around that but, first of all, do you know or has the federal government signalled when we might expect the natural gas generation emissions?

**Hon. Mr. Wyant:** — It's kind of, it's quite premature to kind of speculate on that. We're not aware that any targets . . . and the timing of any targets certainly is something that we're concerned about if that was to happen. But we don't have any indication at this point in time, and I haven't had a discussion

with the Minister of the Environment to see whether he has any other information. But the last information that I have from him was that we're not aware of timing of targets, or what those targets might be.

**Ms. Sproule:** — For natural gas generation.

**Hon. Mr. Wyant:** — That's right.

**Ms. Sproule:** — Yes. In terms of federal carbon dioxide emissions, we have the recent announcement by the federal government that they're moving up the timeline from the 2014 emissions from 2040 to '30. What kind of financial impact, I know the Minister of the Environment indicated that this would be a \$350 million hit for SaskPower. Can you . . . or is that a correct number? Is he right? Is this a number that you are also in agreement with, and sort of could you break that down if that's the case?

**Mr. Kalra:** — I think the difficulty with that announcement is we don't know how it would be applied, on what emissions it would be applied, whether it would be on 100 per cent emissions, or whether it would be certain base level emissions would be exempt, and it would be on incremental emissions. We don't know whether the money that is collected through carbon tax could be utilized by SaskPower in what fashion. So we are trying to understand the regulations. All we know is 2018 and 10 to 50. All right, those two things are out there. We don't know the details of how that would be applied. So depending upon how it's applied, you get different outcomes. And those outcomes can be, you know, quite varied.

So at this stage, I wouldn't want to put a number out there because we still don't know how this would be applied to SaskPower and whether we would be able to benefit from some of this as well, through some of the work which we've already done, for example on clean coal and some of the other stuff. So a lot remains for us to be understood before I, you know, quote any number.

**Hon. Mr. Wyant:** — I might just add that the Ministry of the Environment, the ministry is involved in an ongoing dialogue with the federal government on what an equivalency agreement might look like in terms of emissions in the province and how some of that would be mitigated through that agreement. So a lot of this is going to depend on the contents of that agreement. And that's an ongoing dialogue between the ministry and the federal government.

**Ms. Sproule:** — I will have a few more questions about that as we go along. But that number of 350 million that the Minister of the Environment gave us just recently, are you saying that that is a pure guess at this point in time or a very general estimate, and SaskPower wouldn't be able to put any meat around that? Because obviously SaskPower is the primary generator of coal-fired emissions, so you would have the knowledge that you would have to pass that on to the Ministry of the Environment. So where would they have got that number from?

**Mr. Kalra:** — They would have some estimates from us as well, for sure. But those estimates would be if this happens, this would be the number; if that happens, you know, that would be



the number. So I don't have that in front of me, so you know, I can't speak to that number.

**Ms. Sproule:** — Is that something you could share with the committee when you are able to get that information in front of you?

**Mr. Kalra:** — Yes.

**Ms. Sproule:** — So you will provide the estimates that you've provided to the Minister of the Environment?

**Mr. Kalra:** — Yes.

**Ms. Sproule:** — Okay, thank you. Now, in terms of the equivalency agreement, I just want to refer to that because it is mentioned in your annual report, in particular on page 83 where you talk about coal-fired electricity generation regulations.

Now these have been around for over two years, so I assume you've done a lot of work on the existing ones already. The change that has been announced is simply, if I understand it correctly, is moving up the timeline of the requirements for dealing with these emissions. So what has to be done in order to come into compliance based on the 2014 level emissions? What sort of legislative requirements are needed from the Government of Saskatchewan so that SaskPower . . . and how SaskPower will be able to meet its obligations under the federal regs?

Now what I understand is that there was a bill introduced by the government in 2009, which was the management and reduction of greenhouse gas emissions, and that the section in there that deals with SaskPower's coal emissions has to pass into law in order for SaskPower to meet its obligations under the regulations. Is that correct?

**Hon. Mr. Wyant:** — We don't have the answer to that question with us today. Regrettably we don't have one of the officials that might have that answer, but we can provide some information to you.

**Ms. Sproule:** — We know, I think, that decisions need to be made for at least two power plants before . . . Well they have to stop emitting or be retrofitted with clean coal before 2019. And that decision, I think, is forthcoming from SaskPower in the new year. We were told early 2017. Is that still the timeline that you're looking at?

**Mr. Kalra:** — That's right. We're working on it, and I think the decision has to be made, it's my understanding, before 2019 to do it. The completion of the project can take a little bit longer. So the retrofitting doesn't have to be done by 2019. So we're examining it, and we'll be kind of making a decision in the new year.

**Ms. Sproule:** — Under the regulations, when would the completion need to be finished?

**Hon. Mr. Wyant:** — It really depends, I think, on the terms of the equivalency agreement. So it's hard to give you a date because we don't have that agreement as yet with the federal government. But I think it's fair to say that it depends on the

equivalency agreement.

**Ms. Sproule:** — Though in terms of the projections you have for \$1 billion a year for infrastructure in the next 10 years, how are you planning for the impact of the equivalency agreements? What portion of that \$1 billion per year is anticipated to go to meeting the federal government's requirements?

**Mr. Kalra:** — So what we have in our financial forecast is increasing the renewables portfolio, slowly getting up to 50 per cent. That's in there. BD4 [Boundary dam 4] and 5 [Boundary dam 5], since the business case is not there and we don't have . . . we haven't made a decision whether we would go ahead with that or at what cost. It's not factored in in these numbers.

**Ms. Sproule:** — So I believe we were told at a previous committee that the prototype for the clean coal was 1.5 billion. The anticipation was that second time around, third time around, it would be around \$1 billion. So that would be an additional \$2 billion for 4 and 5 — and I know these are very rough estimates — in addition to this \$1 billion per year?

**Mr. Kalra:** — What there is for capacity addition, there is a placeholder there for, you know, some kind of generation. So we don't know whether that generation would be a refurbishment or that generation would be a new natural gas facility. So there's a placeholder in there, but it hasn't been identified with, you know, what that would be.

**Ms. Sproule:** — So when you talk about additional capacity, that could include a retrofit of an existing . . .

**Mr. Kalra:** — Yes. And once the business case is done, depending upon, you know, what economic case we can make, it could be one or the other.

**Ms. Sproule:** — Thank you. In terms of the equivalency agreements that are being negotiated by the Ministry of the Environment, are you at the table for those discussions at all?

[15:45]

**Hon. Mr. Wyant:** — There's some support that's provided from SaskPower, but they're not at the negotiating table. That's all done by the Ministry of the Environment.

**Ms. Sproule:** — So they would just provide the technical support basically?

**Hon. Mr. Wyant:** — To the extent that they require that, that's right.

**Ms. Sproule:** — In terms of the equivalency agreements, when do they need to be in place in order for you to meet your obligations under the federal regs?

**Hon. Mr. Wyant:** — We don't have an answer for that. I think that's probably a question better put to the Minister of the Environment. But we can certainly make an inquiry.

**Ms. Sproule:** — Thank you. I notice on page 90 of your annual report you talk about . . . It's under the bullet of environment, and you describe some of the risks you're facing and some of

the steps you're taking. In there you've indicated that, and I'll quote, "SaskPower is in discussions regarding provincial GHG regulations and a federal-provincial equivalency agreement."

So those discussions you're having, are those the technical discussions that you referred to? How often are you meeting with officials regarding that?

**Hon. Mr. Wyant:** — It's correct to say that there were technical discussions.

**Ms. Sproule:** — How often are you meeting currently with officials on this?

**Hon. Mr. Wyant:** — I don't have an answer for that, but we'll undertake to get that for you.

**Ms. Sproule:** — I just wanted to touch base on the logistics warehouse project. I believe in 2013, you paid I think \$23 million for some land at the GTH [Global Transportation Hub]. Could you update the committee on the progress? What your annual report says is that "the project was put on hold in early 2015 pending further direction." So who are you waiting for direction from?

**Mr. Kalra:** — I think when we put the project plan together, it had a high price tag. And that project competed with, for capital, with all the other projects which we were doing. And many of the other projects that we're doing are, you know, impact customers directly, whether it's adding a new, you know, power line, or whether it's a new power station.

So since we're trying to manage our overall capex and the impact on customers, this project has taken a back seat. The need hasn't gone away. We still have lots of operational areas which are functioning suboptimally in places which need to be, you know, refurbished and repurposed because the size of the equipment is much bigger now. It's hard to get in and out, and some of the facilities are in the city, which takes up a lot of time.

So this project needs to be done. It will be done sometime in the future. Maybe it'll be done in a phased manner, but because of competition for capital right now, this project was put on hold. And we would revisit in, you know, in the near future to see what can be done and at what pace.

**Ms. Sproule:** — Thank you. Given that that decision was made three years ago, I think certainly you knew your capex requirements at that time were going to be significant. Can you share with the committee why it was felt that the land had to be secured at that point in time, and whose direction that was?

**Mr. Kalra:** — So we were looking for an operational hub for SaskPower for a number of years, and a lot of locations were looked at. One was we have a location in the north of the city on Highway 6. That was one site which was short listed. And it had certain issues with that site because of, you know, the sewer line wasn't there and the traffic light wasn't there, and we would have put hundreds of people over there. So it was seen to be as not an appropriate site for that kind of function.

We started looking for other sites and one of the sites was GTH,

and it was seen as a favourable site because it provided us with all the operational flexibility that we needed and there were no safety concerns. So the decision was made after a new analysis to go ahead and purchase that land, secure the land, and as we worked on the project plan, what time we would build it. So it wasn't on the direction of anyone. It was based on internal analysis and the need for creating an operations hub, that decision was taken.

**Ms. Sproule:** — Obviously there's still a significant amount of land still available for sale at the GTH. So what was the urgency in terms of purchasing when there was going to still be land available, even now?

**Mr. Kalra:** — We were getting very close to having a business case for an operations centre which would be approved by the board and we would be able to start working on it, given the operational needs. So that's why we wanted to kind of go ahead. In the meantime we, you know, we've backed off a little bit, not because the need had disappeared but we can only spend so much money in a given year.

**Ms. Sproule:** — Do you know, in terms of the other locations that were looked at, what the average price per acre was in those other locations?

**Mr. Kalra:** — We owned one land, so one piece of land, so it wasn't looked at but maybe Rachelle can kind of jump in over here. We got the evaluation done for the GTH land.

**Ms. Verret Morphy:** — Yes, we did have an independent evaluation by an accredited real estate appraiser for the GTH land, and it confirmed that the price that we paid was at or below the appraised value. I don't have the price per acre of the appraisal at my fingertips, but that was the assessment that was done at the time.

**Ms. Sproule:** — How many sites in total did you look at for this logistics warehouse project?

**Mr. Kalra:** — Going by memory now, we looked at three sites.

**Ms. Sproule:** — So the one with the Highway 6 property, was that the one that SaskPower already owned?

**Mr. Kalra:** — That's right. And there was another property I can't name, and the third one was GTH.

**Ms. Sproule:** — And the other property was private property?

**Mr. Kalra:** — Probably. We didn't own it.

**Ms. Sproule:** — Okay. So when do you anticipate that you will be able to move forward with the project? Is that just on hold indefinitely?

**Mr. Kalra:** — Yes, it's on hold for now. We are trying to break it down into chunks and do smaller projects instead of doing, you know, one big project, given our overall kind of capex budget for the year. So it's not on hold indefinitely, but it's on hold for this year or the next year until we have some more room in our capex.

**Ms. Sproule:** — And in terms of the decision that was made to locate, I think I heard you say you made a presentation to the board. This came from within the corporation, and that the board itself then approved the deal. This was led from within, officials within. Was there any activity on the part of the minister at the time to move this forward, or was it strictly coming from within?

**Mr. Kalra:** — Nothing that I'm aware of.

**Ms. Sproule:** — Nothing that you're aware of?

**Mr. Kalra:** — That's right.

**Ms. Sproule:** — All right. One of the things we're hearing about on the CCS [carbon capture and storage] project, or I guess you call it ICCS [integrated carbon capture and storage] now, is the troubles with the amine solution. If I understand correctly, it's very difficult to clean and more difficult than was anticipated initially.

I know it's very expensive material, and I'm just wondering what the additional costs you incurred in order to keep it clean or purchase new amine. And if you could explain to the committee, are you actually cleaning it or are you having to throw it out and purchase new amine, and how much more that's cost than was budgeted for when the project was designed?

**Mr. Kalra:** — I don't have that information with me right now, but what you have said is correct. We are using more amine than what was thought in the original business plan. And people are working on, engineers are working on a technical solution to reduce the degradation.

**Ms. Sproule:** — So this is bringing in additional costs and you will provide those costs to us?

**Mr. Kalra:** — That's right.

**Ms. Sproule:** — All right. Thank you. Just hang on one second. Now in terms of capital investment, in your annual report you always indicate where your investing activities are. I noticed that in, this is page 74 now of this year's annual report, you report your investing activities in terms of generation, transmission, distribution. And then you single out the Boundary dam ICCS demonstration project, which is at Shand, correct? Have I got that right?

**Mr. Kalra:** — No, this is the CCS project, the clean-coal project.

**Ms. Sproule:** — Yes, and is it located at the Shand power plant?

**Mr. Kalra:** — No, Boundary dam.

**Ms. Sproule:** — Oh, it's at Boundary. Right. Okay. Oh, it says right in the name. Boundary dam. I apologize. So you singled out that particular project. I'm just wondering where you break out the costs of CCS itself. Why don't you break that cost out in your investing activities?

**Mr. Kalra:** — I think we had this discussion maybe a couple of meetings ago. We look at the whole project . . . [inaudible] . . . as a combined whole. There is no power plant without the carbon capture. We need to capture CO<sub>2</sub> to be able to produce power from that plant. So we look at the whole unit as one and that's why it's kind of presented as such.

**Ms. Sproule:** — So I guess my question is, could you split it out or you just choose not to?

**Mr. Kalra:** — We choose not to because that's how we run the business. We don't, you know, for example, for any other . . . For example, if we do an IIC clearing and there is an environmental cost or there is a tree clearing cost, we don't, you know, show those costs separately because they become part and parcel of doing that project. In some cases it might be because of environmental regulations and in some cases it might be because of kind of the work practices we have. And that's how we manage any of our capital projects. This is nothing new or nothing unusual about this project.

**Ms. Sproule:** — And it is a novel technology that you are working on, a knowledge centre with people from around the world, so wouldn't they be interested in the costs of, you know, the retrofit or creating new coal? Like to me that's part of the knowledge. That's very, very important is how much it costs on an annual operating basis and ongoing maintenance and all those things. That seems to be very important knowledge. And are other people asking you for those costs or is it just not part of the discussion?

**Mr. Kalra:** — I just want to confirm. In our annual report, the \$1.5 billion number, it's for the whole unit. It's for power production and carbon capture. You know, that's what you're understanding as well, right. So that's been spelled out separately so people can look at the operating, you know, the capital costs for that project. That was the reason for kind of breaking it down. So are you saying further breakdown or that was the question?

**Ms. Sproule:** — I think I'm asking about operation and maintenance costs and you're . . . If I understand correctly, you're saying you are not separating those at this point.

**Mr. Kalra:** — Just costs. Everything is together. The reason for putting this as a separate capital project was because it was so significant, one of the biggest that we have done. That's why we split it out. We don't split out all the projects but only the more significant projects. But all the operating costs are all together. It'll be, in some cases the costs would be directly identifiable, so fuel costs, amine costs. But in some of the other cases if you're in the same plant, if you're, you know, plant manager for Boundary 3, you know, just managing one unit, you're managing BD4, 5, 6 at the same time. So we haven't gone down to that granular level of detail to spread costs out on a per-unit basis because some of those, many of the costs are combined and we haven't done that in the past.

**Ms. Sproule:** — Yes. And I think the question I was asking was in terms of the knowledge centre. That kind of financial knowledge would be valuable. And I'm just asking, have other jurisdictions asked for those costs and you just say we don't finance it that, or we don't manage the costs that way?

**Mr. Kalra:** — No, we show them the costs for the whole unit. And I haven't seen what knowledge centre is sharing with, you know, some of the other researchers, but the cost for the whole unit is available.

**Ms. Sproule:** — One other comment on your future renewables target. In your annual report you indicated that you're developing an integrated resource plan to deliver. When do you expect that integrated resource plan to be available?

**Mr. Kalra:** — It will be presented to the board either in December or Q1 [first quarter] or you know, last quarter for us, fiscal quarter. So it'll be available and at some point in time next year, there's a thought of public circulation, dissemination of that plan as well so we can get, you know, public input on that document.

**Ms. Sproule:** — And would it be fair to assume that that would identify what types of renewables will be achieved through that target?

**Mr. Kalra:** — Yes. It will show different pathways and will show various trade-offs and different pathways so we can choose one. But it may have more emissions reduction but at a certain cost. You can pick a different one; it may have technology issues. So it'll show different pathways to get . . . [inaudible].

[16:00]

**Ms. Sproule:** — Okay. Thank you. Page 77 there is, the long-term debt is identified under your contractual obligations. And I'm just looking at the long-term debt more than five years is 8.365 billion. Do you anticipate that's going to go a lot higher now that you are expanding your borrowing ability?

**Mr. Kalra:** — This number includes principal and interest, so these are future payments. And this is not just the principal but the interest on that as well. So if you look at . . . yes, it doesn't have the . . . Just the debt number would be on our balance sheet, you know, that's what's outstanding.

**Ms. Sproule:** — And my question is do you think this is going to go higher in the next five years? Or it will . . .

**Mr. Kalra:** — Our volumes would be higher in the next five years. Our asset base would be higher in the next five years. The company would be bigger in the next five years. So you know, I expect all those things to be true. Our load would be higher in the next five years as well.

**Ms. Sproule:** — A total package, kind of?

**Mr. Kalra:** — Yes.

**Ms. Sproule:** — Yes. Assets go up too. Okay. One of the things, I guess in terms of financial flexibility and capability, is that, Mr. Minister, you know under your SaskBuilds hat you've introduced a bill to change the definition of privatization to meet the World Bank definition. And I know that . . . You know, in terms of your borrowings, are you anticipating selling any portion of shares in SaskPower as a result of the change in definition in order to meet your financial needs?

**Hon. Mr. Wyant:** — It's not our plan.

**Ms. Sproule:** — Were SaskPower officials in Texas a couple of weeks ago meeting with investors in Texas?

**Mr. Kalra:** — Not that I am aware of, no. I wasn't there for sure.

**Ms. Sproule:** — Okay. These are rumours that I hear, so I'm just following up on it. Okay. So as far as you know, there's been no meetings in Texas with officials?

**Hon. Mr. Wyant:** — No.

**Ms. Sproule:** — Okay. All right. Then, Madam Chair, I believe that is the extent . . . No further questions, as they say in court. I have no further questions. Oh, I do want to say thank you very much to the officials for, once again, forthright and thorough answers. And thank you, Mr. Minister, for sharing them with us for the afternoon.

**The Chair:** — Thank you, Ms. Sproule. Being that there's no further questions then, we will now move to vote on the clauses on Bill 17. Clause 1, short title, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 22 inclusive agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Power Corporation Amendment Act, 2016*.

I would ask a member now to move that we report Bill No. 17, *The Power Corporation Amendment Act, 2016* without amendment. Mr. Nerlien moves. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Mr. Minister, would you like to provide any final comments?

**Hon. Mr. Wyant:** — Well thank you very much, Madam Chair. First of all, let me just thank the committee for their attendance today. Ms. Sproule, thank you very much for your questions. And I do really especially want to thank the officials here today. I think by the questions that they answered, you can tell that they're representing a group of people who are excellent stewards for the corporation. So I want to thank them very much for being here today, and to thank Hansard very much for their attendance as well. So thank you very much.

**The Chair:** — Ms. Sproule, any other comments?

**Ms. Sproule:** — That's fine. Thank you.

**The Chair:** — Thank you everyone for this afternoon, and for the minister and his officials, and for all the committee members for being here and going through this.

Seeing that we have completed our business this afternoon, I will ask a member to move a motion of adjournment. Mr. Kaeding has moved a motion to adjourn. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — We now stand adjourned until the call of the Chair. Thank you.

[The committee adjourned at 16:05.]