



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Ms. Colleen Young, Chair
Lloydminster

Mr. Ryan Meili, Deputy Chair
Saskatoon Meewasin

Mr. Fred Bradshaw
Carrot River Valley

Mr. Terry Dennis
Canora-Pelly

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Warren Kaeding
Melville-Saltcoats

Mr. Kevin Phillips
Melfort

[The committee met at 19:01.]

The Chair: — All right. Welcome, members, to committee. With us here tonight is myself as Chair, Colleen Young; members Fred Bradshaw, Terry Dennis, Warren Kaeding, Kevin Phillips. Mr. Glen Hart will be joining us a little bit later, and sitting in for Ryan Meili is Ms. Cathy Sproule.

We have one document to table this evening, CCA 38-28, Ministry of Central Services: Responses to questions raised at the April 10th, 2017 meeting.

This evening the committee will be considering the lending and investing activities for SaskPower. And before we begin, I would like to remind the officials to introduce themselves when they speak, for the purposes of *Hansard*.

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

Subvote (PW01)

The Chair: — And we will now begin with vote 152, Saskatchewan Power Corporation, loans, subvote (PW01). Minister, please introduce your officials and make your opening comments.

Hon. Mr. Wyant: — Thank you very much, Madam Chair and committee members. I'm joined today on my right by Mike Marsh, president and CEO [chief executive officer], SaskPower. Behind me, Ian Yeates, director of planning environment and sustainable development. To my left, Troy King, acting vice-president, finance and chief financial officer; and behind me, Rachelle Verret Morphy, vice-president of law, land and regulatory affairs.

Madam Chair, we're pleased to be here today to discuss SaskPower's borrowing requirements for '17-18 fiscal year. SaskPower is navigating through a time of renewal and growth in Saskatchewan's energy future with the goal of delivering electricity in the most affordable and environmentally sustainable way.

Demand for electricity in the province is growing. On January 2nd we hit a new peak load of 3747 megawatts, 107 megawatts over our peak last year. That's about what it takes to power 100,000 homes. This was the third time we'd set a new peak load this winter, which has never happened before.

Each year in the last decade we've seen power usage go up in Saskatchewan, and it's forecasted to continue to rise over the next 10 years. Again, along with the load growth projected in the province, much of the electrical grid in Saskatchewan is upwards of 50 years old and needing to be rebuilt or replaced. With assets in excess of \$10 billion, this will continue to be a significant investment for the company, as stated by our projections of a billion dollars annually on capital expenditures.

At SaskPower the work we undertake every year goes to support the reliability of our system with the aim of decreasing

outages. I'm pleased to share with you that we're currently trending better than the five-year average for both the duration and the frequency of outages. In 2016 we undertook an enormous amount of work across the province to upgrade the power grid and build new lines, substations, and infrastructure.

In light of these challenges regarding load growth and replacing aging infrastructure, we continue to look for ways to keep rates moderate by balancing cost, reliability, and sustainability. We've already made significant budget reductions over the past two years, and we will continue to find ways to maximize our productivity within the existing resources.

Right now SaskPower is undertaking a corporate-wide review to identify efficiencies and find further savings over the next year while continuing to improve our performance. And I'm sure, like every business in the province, we're tightening our belts. And with the most recent announcement by the Premier on wage and salary reduction targets, we will be doing even more.

In 2017 we must also continue to invest in the electricity grid of Saskatchewan to ensure there is a reliable source of electricity at a reasonable price for many years to come. Our major initiatives for 2017 will include approximately \$1.3 billion on capital in '17-18 with nearly \$404 million on sustainment spending to maintain existing infrastructure, and \$318 million to meet the growing needs for electricity in our province.

Included in this is the continuing construction of the new 350 megawatt Chinook gas facility currently under way and expected to be commissioned in 2019, as well as the continuation of our renewables work in order to achieve 50 per cent capacity by 2030.

And those are just some of the highlighted plans for the upcoming year at SaskPower. And with that, Madam Chair, those opening comments, we're prepared to answer any questions that any of the committee members have.

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

Ms. Sproule: — Thank you very much, Madam Chair, Madam Hansard, and Mr. Minister and officials, welcome. And very nice to be back here again. Congratulations to you, Mr. King, on your acting position. We will miss Mr. Kalra for sure, but look forward to this evening's discussion.

I'm just going to start. It's going to be fairly random, and I apologize for that because I will bounce around. I have a number of topics I'd like to touch base with you on tonight. Right off the hop, just some comments or questions arising out of your opening comments, Mr. Minister.

In terms of the wage and salary efforts that are being made across government — you know, that was a big feature of the budget — I'm just wondering if SaskPower can give us an update on how you intend to achieve a 3.5 wage decrease. Is that something SaskPower is working on and, if so, how you plan to achieve that?

Mr. Marsh: — Good evening. Mike Marsh, president and CEO. Currently we are in negotiations with one of our collective bargaining units, the IBEW [International Brotherhood of Electrical Workers], and that process has been ongoing for some time. And we'll continue to work with our negotiating table to try to reach a negotiated settlement here in the next little while.

For out-of-scope positions we are looking at different combinations of things that may allow us to achieve that three and a half per cent reduction that has been targeted. And we haven't finalized on what combination of issues we'll be dealing with, but we continue to work on that.

Ms. Sproule: — What sort of combinations would you be looking at?

Mr. Marsh: — Yes. A combination of salaries and/or benefits which would be touched in some way. We're just working through different options right now, together with the other Crowns and CIC [Crown Investments Corporation of Saskatchewan].

Ms. Sproule: — Oh, okay. So CIC is sort of coordinating this amongst all the CIC Crowns?

Mr. Marsh: — All the commercial Crowns, yes.

Ms. Sproule: — Okay, in terms of the cabinet-approved ranges and the CIC board-approved ranges for CEO positions and executive positions, will there be cuts at that level as well?

Mr. Marsh: — Absolutely.

Ms. Sproule: — Has that already been negotiated or is it part of what . . .

Mr. Marsh: — Now again, together with all out-of-scope positions, executive compensation will be looked at in the same way.

Ms. Sproule: — Okay, thank you. Just, you mentioned, Mr. Minister, I think it was \$1.3 billion capital in 2017. And I didn't write down all the numbers very quickly, but I think you said 404 million for sustaining existing power structures, and then I think you said 318 million for growing needs. Could you just break that down a little bit more? I think there would be more because that only seems to account for \$722 million. So I'd like just a little more detail on the capital plan for 2017, if you have it.

Mr. Marsh: — Okay. So on the sustainment investment of \$424 million, the biggest items are in the generation, about \$145 million in that area, 72 million in distribution, and 88 million in our transmission area. So that's the bulk of that amount, and then the rest are in various other areas within the corporation.

He gave you the growth. Capacity increases for T & D [transmission and distribution] is \$148 million, transmission connects is 140, and then new generation is \$171 million.

Ms. Sproule: — Okay. So I think that adds up to over 7 . . .

around 700-and-some million, and you said 1.3 billion in capital. So is there . . .

Mr. King: — That's, 1.3 billion is for the following year, so the numbers he was giving you was for this year. So the estimate for the following year, of the 1.3 billion, we'll have about 399 million in sustainment, 412.9 million in new generation. We'll have 178 million in customer connects, 278 in capacity increases, and then about 68 million in other areas, that being buildings, vehicles, IT [information technology] assets.

Ms. Sproule: — In terms of growing needs, so this year is 318, next year is 412 million for growing your capacity, I guess. Could you just tell us what you plan to achieve in that category? I think you said Chinook is going on in 2019, so would that include work being done on Chinook?

Mr. King: — Yes, so Chinook for this year, the forecast we had was \$159 million, and the forecast for this coming fiscal year is \$331 million.

Ms. Sproule: — And what other new generation is being added?

Mr. King: — That's the bulk of the new generation that's planned for the coming year.

Ms. Sproule: — For the coming year. So Chinook is the only new generation that's being planned for the coming year?

Mr. King: — Yes.

Ms. Sproule: — Okay.

Mr. King: — We also have the Tazi Twé project, which we're in negotiation with right now, and we're still waiting to finalize that negotiation. If it concludes, then we may be proceeding with that one as well.

Ms. Sproule: — Okay. What status is that negotiation at?

Mr. Marsh: — We continue to work with the Black Lake First Nation, and we have been in this negotiation for a period of time. We've been working through water rights issues in the North. We've been working with . . . Because this particular facility would be on First Nations land, so there's some legal issues that we have had to resolve and indeed we continue to work through that — environmental permitting, things like that. We continue to look at the financial viability of this project in terms of the need for electricity in the North, and we'll be taking a decision item to our board later this year.

Ms. Sproule: — When you say you're continuing to look at the financial viability, does that mean it's still in question?

Mr. Marsh: — There's still a question. As you know, the load in the province has dropped off over the past year. The load growth in the past five years was about 2.4 per cent. Load growth for the next five years is forecast to be in the 1.2 per cent range per annum. With that drop in projected load forecast, the requirements for a facility like this start to become in question. So we are looking at this very carefully. We don't want to advance a project of this size too far in advance of need,

so we have to be very mindful of our ability to use that energy when that facility is built.

Ms. Sproule: — So I need some explanation. I don't understand when you say load is dropping off. Is that just in the North or in general?

Mr. Marsh: — Well it's in general, but certainly in the North, I think we're all aware of the reduction in production capacity in the northern mines. There's been layoffs in the North. There's been quite a substantial reduction in commodity price for uranium, which has resulted in the mines having to take those decisions. As a result, their need for electricity has come down as well, so we have to continually re-evaluate what that looks like 5 years, 10 years, 20 years out.

[19:15]

Ms. Sproule: — In your opening comments, Mr. Minister, you indicated that you had hit a new peak load level three times in the recent months and that the need for power is going up. But if the load is dropping off, how does that square?

Mr. Marsh: — The load is dropping off, but it's not going negative. We're still increasing. So instead of increasing like this, we're now increasing like this. So we continue to see load growth. We continue to see growth in energy consumption in most of our sectors.

Ms. Sproule: — But the rate of growth has slowed?

Mr. Marsh: — The rate of growth has slowed. It's dropped down by about half.

Ms. Sproule: — In terms of new capacity then, I guess let's talk now about your target for 50 per cent renewables by 2030. What's the plan for the new growth and how you're going to achieve that target at this point?

Mr. Marsh: — Well at the present time with the current growth projections, we still require the amount of renewables that we talked about in 2015.

We currently have an RFQ [request for quotation] in the marketplace for 10 megawatts of solar, and we have started the process for 200 megawatts of wind. We expect those facilities to be in place in the 2020 period, 2021. The solar facility would probably be in place by the end of 2018, 2019.

Ms. Sproule: — And for the solar project, is that through First Nations Power Authority?

Mr. Marsh: — No, this one we're going for a competitive bid to determine what the market price for solar energy is in this part of North America. And once we determine what that market price is, we'll be then negotiating that set-aside agreement that we have with First Nations Power Authority for an equivalent amount of capacity, so 10 megawatts of solar.

Ms. Sproule: — So I'm not sure I understand that. You're going to do an RFQ for this current 10 megawatts and then once you determine what the fair-market value would be or the price, you would then negotiate with First Nations Power Authority

for an additional 10 megawatts?

Mr. Marsh: — For an additional 10 megawatts, yes.

Ms. Sproule: — So you're waiting for this market price before you'll do any negotiations with them?

Mr. Marsh: — Correct.

Ms. Sproule: — Would it just be the equivalent price then? Is that basically the plan?

Mr. Marsh: — There's all sorts of differences depending on the site location, the interconnection requirements. Those would all have to be factored in, but basically at or very near the market price is what our objective is. That way we can keep the rates as low as possible by making sure we're getting very competitive-priced electricity from the private sector.

Ms. Sproule: — And if you could just remind the committee what the agreement is with First Nations Power Authority and what your relationship is with them?

Mr. Marsh: — Certainly. The provincial government and SaskPower signed an MOU [memorandum of understanding] with First Nations Power Authority back in 2012. It was a long-term agreement that allowed for solar and renewable energy projects to be developed through the First Nations Power Authority. They would essentially act as the intermediary between all the First Nations communities in the province who wanted to undertake power project development, and they would negotiate with us terms and conditions for those power projects.

Ms. Sproule: — So the one with Black Lake, is that included in these 10 megawatts that's . . .

Mr. Marsh: — No, that particular project is outside of First Nations Power Authority. That's directly with the Black Lake First Nation and Elizabeth Falls First Nation.

Ms. Sproule: — Do you have any other outside agreements outside of the one with First Nations Power Authority?

Mr. Marsh: — No, that's the only one.

Ms. Sproule: — So the James Smith Cree, I know they had pursued, were pursuing a run-of-the-river . . . [inaudible].

Mr. Marsh: — Yes, there was a project a few years ago that was under consideration. That project got cancelled just because the price came in too high. So at the present time we have no project in place with the James Smith First Nation.

Ms. Sproule: — All right. I'm just looking at an order in council signed February 4th, 2016, and this is the one that orders that SaskPower's approved to incorporate BHP Billiton SaskPower Carbon Capture and Storage Knowledge Centre Inc. as a not-for-profit corporation and acquire a membership in the knowledge centre. Can you give the committee an update of what's happened since February of 2016?

Mr. Marsh: — Certainly. The knowledge centre was

constituted through an agreement between SaskPower and BHP Billiton. BHP provided the funding over a five-year period of approximately \$20 million. SaskPower contributed the personnel for the initial start-up of the knowledge centre, so the president of the carbon capture and storage initiatives at SaskPower, Mike Monea, was seconded. One of our people from our legal team was seconded. We have two other administrative people that were seconded and two engineering people that were seconded since that time.

Now their mandate is to advance carbon capture and storage initiatives with other organizations around the world, and it's my understanding they have continued to do that since they came together last summer. They have an office over at the Innovation Place at the University of Regina. So they're separate and apart from SaskPower, and they report to their own board of directors. So Mr. Monea is the president and CEO; he reports to a chair of the knowledge centre board. And the knowledge centre board is constituted of two people from BHP, two from SaskPower, and three from the carbon capture industry around the world.

Ms. Sproule: — Thank you. How long is Mr. Monea seconded for, and the other employees that you identified?

Mr. Marsh: — There is no defined timeline on the secondment, I don't believe, just for the five-year period that we know the knowledge centre will be in place for under the current agreement with BHP.

Ms. Sproule: — Okay. I thought you said for start-up that it was just for the beginning part of the five-year period, but as far as you know it's the five-year . . .

Mr. Marsh: — Well these were the individuals that were first moved over, or seconded over in the beginning, in the initial stage.

Ms. Sproule: — Okay. In terms of the appointments to the board of directors for the knowledge centre, how does SaskPower choose who their appointees are?

Mr. Marsh: — I essentially made the choice of who was going to represent SaskPower. So two of my executive team are on the board of directors for the knowledge centre.

Ms. Sproule: — And who is that?

Mr. Marsh: — We have Mr. Kory Hayko, he is currently VP [vice-president] of industrial and commercial operations; and Mr. Brian Ketcheson, who is VP of human resources and safety.

Ms. Sproule: — So in terms of the role of the knowledge centre and I guess the investment of SaskPower, what is your financial investment in this agreement?

Mr. Marsh: — Our financial investment has been minimal. I think in initial stages there might have been a few thousand dollars for furniture and equipment during the transition. We are not paying for wages, salaries, benefits, travel. That is all paid through the knowledge centre.

Ms. Sproule: — From the 20 million that BHP has contributed?

Mr. Marsh: — That's correct.

Ms. Sproule: — And so what is the expectations of SaskPower as a result of this knowledge centre agreement? I guess you've established a non-for-profit corporation, so what are your expectations or hopes for knowledge to come out of that for SaskPower? Or is it just you're providing the knowledge to others on the CCS [carbon capture and storage]?

Mr. Marsh: — No. No, the mandate is for the knowledge centre people to be engaged with the community of carbon capture experts around the world. In that process, they're out there sharing information. They're talking about technology around carbon capture similar to ours, different technologies. They're looking at the evolution of carbon capture technology. And whatever learnings that they can bring back to SaskPower, they will do that. Whatever information that we can appropriately share with others, we are doing that through the knowledge centre.

Ms. Sproule: — Do you know who else has taken out memberships in the knowledge centre?

Mr. Marsh: — Right now there is no memberships in the knowledge centre. The knowledge centre is a joint venture between BHP and SaskPower at the present time. There may be specific projects undertaken going forward that would perhaps bind the knowledge centre with another group, but that would be at the direction of the knowledge centre board. I am not directly involved in the activities of the knowledge centre.

Ms. Sproule: — When you say, maybe bind them with another group, do you know which group that is?

Mr. Marsh: — No. No, I mean, again there are contacts around the world. There are global carbon capture institute, GHG [greenhouse gas] forums around the world, the Carbon Sequestration Leadership Forum.

Ms. Sproule: — I guess, my confusion with the language here, when you describe it as a joint venture, it is described as a not-for-profit corporation in the order in council, and the second part of it is that you were approved to acquire a membership. So that's why I'm asking if there are other members because it can't be a joint venture if it's a not-for-profit corporation.

Mr. Marsh: — Well perhaps my wording was incorrect. It's a not-for-profit and it's a partnership between BHP and SaskPower.

Ms. Sproule: — So just the two members at this point in time.

Mr. Marsh: — Correct.

Ms. Sproule: — Do you know if BHP is actively looking for other members or is the board of directors actually seeking other members of this knowledge centre?

Mr. Marsh: — I am not aware.

Ms. Sproule: — Okay, I'm going to really jump here. One of the things we've been looking at in lieu of the discussions around grants in lieu of taxes in this year's budget is there's a

couple sections in *The Power Corporation Act* that I'm wondering if you could provide some information. It's sections 34 and 36. So 34 talks about the corporation may contract with any city, town, village or district for the supply of electrical energy or steam to the city, town, village or municipal district.

And then it says the council — I'm just paraphrasing the clauses here but I'll go through it — the council of the town, or whatever body it is, can contract with the corporation for the supply of the electrical energy or steam. And then the third one, notwithstanding anything in any other Act, a contract entered into under these clauses may be made for such period as may be agreed upon or for an indefinite period, and it shall not be necessary to obtain the assent of the burgesses to the contract.

And I honestly had to look up "burgesses." I didn't know what that was. But I think it was city councillors, I believe is what that means.

And the fourth part of the clause is:

Where a contract or agreement is made with a city or town for the supply of electrical energy or steam to the city or town in bulk for the purposes of a distribution system belonging to the city or town, the contract or agreement shall be subject to the approval of the Lieutenant Governor in Council . . . [and it's] . . . valid and binding . . .

So it goes on to say:

. . . the contract or agreement shall be valid and binding on the parties thereto and shall not be open to question on any ground whatever, notwithstanding anything in this Act or in any other Act to the contrary.

So my first question then is, do you still have any contracts under this clause of the SaskPower corporation Act?

Ms. Verret Morphy: — It's Rachelle Verret Morphy, SaskPower. So the two contracts that I believe would fall under this section would be our contracts with the city of Swift Current and the city of Saskatoon for the supply of bulk power.

Ms. Sproule: — So this is simply bulk power, right? That this relates to?

Ms. Verret Morphy: — Correct. Yes.

Ms. Sproule: — Swift Current and Saskatoon. And those are still in place to date, correct?

Ms. Verret Morphy: — Correct.

Ms. Sproule: — All right. Then the next question I have is in relation to section 36, and basically the marginal note says it's a payment by corporation to municipalities. So here we have "Where the council of a town or village desires to receive from the corporation a monthly payment in lieu of taxes . . ." Is this clause in relation to those two contracts you just referred to in section 34?

Ms. Verret Morphy: — No, it's not. So this relates to something that we call the municipal surcharge where we will

add, if requested by a town or village, an amount equal to 5 per cent of the revenue received from the residents and businesses within that town and village. We will add that to the customer's account and then pay it to the town or village.

Ms. Sproule: — Now I recall the minister for municipal relations indicating that this is something different than what's being talked about currently with the new Act that you're subject to. Is that correct?

Ms. Verret Morphy: — That's correct.

Ms. Sproule: — So how many communities are now asking you to charge this municipal surcharge? How many agreements do you have in place?

[19:30]

Mr. King: — Sorry, the question was on the municipal surcharge?

Ms. Sproule: — Yes.

Mr. King: — I have the list here, I just don't have a . . .

A Member: — We'll add them up and get back to you.

Mr. King: — There's a large number, there's several pages of them . . .

Ms. Sproule: — Okay.

Mr. King: — . . . of all the towns and villages. I just don't have a total . . . [inaudible].

Ms. Sproule: — Would over 200 be close?

Mr. King: — Yes.

Ms. Sproule: — Or 3?

Mr. King: — Not quite.

Ms. Sproule: — Not quite. Okay, I don't need an exact number. I'm just wondering if there's lots of them or five or . . . So it sounds like you have several dozen, anyways, of these agreements. And those agreements, are you in a contract with the community? How do you enter into the . . . Do they send you a letter saying, please just add five per cent? And what is the purpose of these agreements? Why would a village want you to add five per cent to their ratepayer's bill to give to them?

Mr. King: — So yes, essentially it's an agreement between us and the town. It'll be through a letter. So they're referencing the Act for us to add on either the 5 or 10 per cent. I believe the reason they would want to do that is to raise revenue for their municipality. The total number would probably be in excess of 400 towns and village that we would be collecting on.

Ms. Sproule: — Do you have a total sum of what all these municipalities are raising through this method?

Mr. King: — Yes. So the total on the municipal surcharge

would be about \$65 million a year.

Ms. Sproule: — 65?

Mr. King: — Yes.

Ms. Sproule: — And does that show up on the ratepayer's tax bill as a municipal surcharge?

Mr. King: — Yes.

Ms. Sproule: — Does Saskatoon have an agreement like this?

Mr. King: — The customers in Saskatoon that are SaskPower customers, so that aren't within the Saskatoon Light & Power, do have that. Saskatoon has a similar charge. They match our rates. I don't know whether they show a separate line item or they just roll it into their rates.

Ms. Sproule: — I believe they do. I'm trying to recall visually my bill, but all right. So \$65 million a year is collected. Basically it's a form of taxation done through SaskPower. It's called a payment in lieu of tax, but what tax is it in lieu of?

Mr. King: — Well we call them municipal surcharges, is what we're referring to it as.

Ms. Sproule: — In the section itself, it says a monthly payment in lieu of taxes, section 36(1). So I'm just wondering what tax is it in lieu of.

Hon. Mr. Wyant: — Maybe this will be helpful. And I guess this goes back to the '30s, but the Saskatchewan Power Commission at the time absorbed a number of small utilities, and the rates to the customers were reduced substantially. But councils were given the option of requesting a surcharge, recover the losses from the profits attached to the franchise fees which were previously paid by those small utilities.

Ms. Sproule: — I understood from the Municipal Affairs minister or municipal relations minister that the agreements that were signed with communities in relation to taking over their electrical companies, or however they were organized, that that was separate from the municipal surcharge.

Hon. Mr. Wyant: — We refer to that as a municipal surcharge.

Ms. Sproule: — As you know, there is considerable confusion around payments in lieu of taxes. In my understanding, a payment in lieu of tax is a payment made where taxes would have otherwise been payable. So I assume you have properties in urban municipalities where you make a payment in lieu of a property tax. So that is separate from this; I understand that much.

But I saw an agreement with the city of Yorkton which was basically SaskPower saying, let us come in and take over the power, and we'll make a payment to you in lieu of that. Unfortunately it was called a payment in lieu of tax, which I think is the wrong name. But that, I understood, was what the new bill is dealing with. And we'll be able to ask you more questions at committee about this when that new bill comes up, but is that different than these agreements referred to in

section 36?

All right, so you have 400-plus of these municipal surcharge agreements.

Mr. King: — Yes.

Ms. Sproule: — And then you have additional agreements called payment in lieu of taxes for something else?

Mr. King: — We refer to them as grants in lieu of taxes at SaskPower. There's 13 different cities that we have agreements with.

Ms. Sproule: — And those are specifically contracts from several decades ago where SaskPower was, you know, nationalizing, I guess, and those 13 communities are the ones that the minister is now shifting over in the new legislation, those 13 agreements?

Hon. Mr. Wyant: — There's 13. So I think that answers your question, noting that there's no direct relationship between those payments and the assessed value of the property.

Ms. Sproule: — Yes. It's inappropriate in title.

Hon. Mr. Wyant: — Yes. It's just a terrible name, right.

Ms. Sproule: — So you have 400-plus under section 36, which you refer to as a municipal surcharge. You have 13 that are called grants in lieu of taxes, which are just under contracts that the corporation entered into. There's no section of the Act that they relate to?

Mr. King: — So yes, that's correct. They're not under the Act. We have contracts for 11 of them. Two of them are voluntary payments where there's no actual contract between us and the city.

Ms. Sproule: — Would it be possible to get copies of those contracts? The only one I have right now is Yorkton. Is that something you can share with the committee?

Hon. Mr. Wyant: — We would just have to review them to ensure that from a confidentiality perspective . . . But apart from that, there wouldn't be any reason not to release them, subject to that caveat.

Ms. Sproule: — Thank you, Mr. Minister. And I just want to understand. I think you indicated that the 400-plus municipal surcharge agreements or arrangements also came about as you absorbed a number of small utilities. Like, would that be the condition for them to write you the letter, is that you are absorbing the small utilities? Or is that something only relating to the 13?

Mr. King: — The condition really is the Act itself. So as the Act states that we're going to make that payment, any town or village that becomes incorporated is eligible to request that SaskPower charge that municipal surcharge.

Ms. Sproule: — So to be absolutely clear then, this is not about absorbing small utilities then, section 36?

Mr. King: — I guess at origin it probably was. But go forward in the current day, basically we look for a town or village to become incorporated. They'll make a request under the Act that they're eligible for it, and we make the payments.

Ms. Sproule: — So do you get a lot of new applications under this section, or are they basically . . . Many of them would be very old, I assume?

Mr. King: — Sorry?

Ms. Sproule: — Under section 36, do you get a lot of new applications for this, or are these fairly old?

Mr. King: — Well there's not a large number of new ones that come in.

Ms. Sproule: — And in the new ones, I guess this is just basically a form of taxation then that you're doing on behalf of the municipalities. Five per cent of power, right? Five per cent of power, if they so desire, you could collect it on their behalf and give it to them?

Hon. Mr. Wyant: — It's compensation for lost profit and taxes and franchise fees that might otherwise been paid, so you can classify it as that. It's really just compensation for income that they would have otherwise received. That's on the municipal surcharge piece.

Ms. Sproule: — You're just saying it's just a statutory provision. There's no reason for compensation outlined in the statute. So even if a village isn't losing or need compensation, if there's no loss — they never had a power company — they could still apply and ask you to raise a municipal surcharge on their ratepayers, on your ratepayers in their community based on 5 per cent of their power bill.

So, Mr. Minister, I know you've indicated a couple of times now this is, you know, to deal with loss of profit, but there's nothing in this section that indicates that that's a requirement for the municipality to be eligible to ask you to do that under this section.

Hon. Mr. Wyant: — I think maybe what I'll do is with respect to the eligibility piece, I think it's probably more appropriate to direct those questions to the Minister of Government Relations who might be in a better position to answer those.

Ms. Sproule: — I certainly will undertake to do that when we're discussing the new bill in committee. I mean this is *The Power Corporation Act* though that's . . .

Hon. Mr. Wyant: — With respect to the Act, we would be happy to answer questions.

Ms. Sproule: — Okay, moving on then. In the Crown payee disclosure report, the most recent one, which I believe came out in the summer of 2016, I believe. I know you can't tell me . . . This is the payments to which payee disclosure policy does not apply. But there was \$340 million paid, I believe, under power purchase agreements in the most recent 2016 Crown payee disclosure report. So of that \$340 million, I mean, is there anything you can share with the committee? How many

agreements are we looking at? I guess that'd be my first question. Do you know how many?

Mr. King: — There's 13 agreements.

Ms. Sproule: — Thirteen agreements for power purchase, okay, that's good enough. Where do we want to go next? Just in terms of finances, maybe if you could provide the committee with an update on the debt-to-equity ratio. I don't know what your most recent figures would be.

Mr. King: — Our financial results for this fiscal year aren't complete. We're still going through our audit right now, but we're expecting the debt ratio is going to be around 75.7 per cent, so basically on line with what it was at the end of last year.

Ms. Sproule: — All right. And just some more clarity, it's Bill 64, I guess, that is the one that relates to the municipal payments and grants, payments in lieu of taxes, I'm sorry. Is it your understanding that once this bill passes, or if it passes, the money that you are now paying to the cities and towns under those 13 contracts, those will now be directed to the GRF [General Revenue Fund]? Is that correct?

Ms. Verret Morphy: — It's Rachelle Verret Morphy, SaskPower. We're currently working on draft regulations in consultation with the Ministry of Justice and CIC, but we're taking direction from CIC on this and the Ministry of Government Relations. And that decision hasn't been communicated to us at this time.

Ms. Sproule: — Were you consulted on the Bill 64 changes that would affect your corporation?

Ms. Verret Morphy: — We were given a draft for review.

[19:45]

Ms. Sproule: — Okay. In the payee disclosure report, there is a recording of the grants in lieu of taxes, I believe the 13. Thirteen, yes. And what was the total for . . . I don't have them totalled up here, but how much are you paying right now under those 13 arrangements?

Hon. Mr. Wyant: — It's \$24.958 million.

Ms. Sproule: — And is that the March 31, 2016? Do you have a number for 2017?

Hon. Mr. Wyant: — That was '16.

Ms. Sproule: — That was '16, yes. So in terms of variability, do these numbers change a lot from year to year, or are they fairly stable?

Mr. King: — They generally increase marginally each year with sales volumes and rate increases.

Ms. Sproule: — All right. All right, let's move on then. Just a few questions on carbon capture and storage. We've been looking at the last two months, and we note that . . . I just have to find the page from your website, which I know I have. Here

it is.

So you have an update, a monthly update on your website — BD3 [Boundary dam 3] Status Update, and we noticed that in February and March the daily average of CO₂ seems to have dropped under 200 000 tonnes. However the volume captured seems to be higher in March. So it just seems an unusual discrepancy. Is there any explanation for that, or are we missing something there?

Mr. Marsh: — No, we did have an overhaul in the February-March period. So there was a period of time when the unit was off-line. Several components were replaced. Capacity of that plant was down because of the operations of the facility and because of the offtakers and all this only required the minimum offtake for certain periods of those two months.

Currently the plant is back up, and it's running very well, and I think just today we were at about 2400 tonnes a day coming off that facility.

Ms. Sproule: — So the March output — tonnes of CO₂ — is the same as February, and yet the volume captured in February was quite a bit lower because of the shutdown, and yet it was quite a bit higher in terms of volume in March. But the daily average capture is the same on those charts. So why is March higher in terms of volume, I think it's volume captured? And then the tonnes captured, I'm not sure, I can't really explain this.

Mr. Marsh: — So according to the records here, in February it was operating 39.2 per cent of the time. In March it operated 100 per cent of the time. February's production was 21 900 tonnes and March's production was 56 400 tonnes.

Ms. Sproule: — On this chart that I'm looking at right now the daily average seems to be a flat line for February and March, but what you're suggesting is March was actually higher. So I'm not sure why there's a flat line there.

Mr. Marsh: — Well again, the capacity of the plant varies due to operating conditions and due to the requirements of the offtaker and, you know, that's going to fluctuate on a daily basis, on a weekly basis, on a monthly basis throughout the year. I can tell you that we are currently back up and operating. For the month of April to date, we've been up 96.7 per cent of the time, and we should be approaching 50 000 tonnes here by tomorrow.

Ms. Sproule: — Okay. So the average daily capture rate hasn't really decreased in March then, despite what your . . . I think there must be an error in this chart because it shows that February and March are the same. So it doesn't make sense, based on what you're telling me, unless I'm missing something.

Mr. Marsh: — I don't have that chart in front of me, but I could have a look at it.

Ms. Sproule: — It's that compared to that. You can take it with you.

Mr. Marsh: — Okay, I'll just answer the question in the microphone. You are correct, the daily average production in

March was down, but remember, the plant was operating 100 per cent of the time. So that's why the overall production capacity is higher, right, because that's just the average daily production. So in February it was higher, or pardon me, from January to February, there was certainly a drop, February to March. But because the operating time for February was only 39 per cent, that's why there was less production in the month of February. So yes, production capacity on a daily basis has come down. And post an outage, we are back up and operating, and as I said, we are currently about 2400 tonnes.

Ms. Sproule: — So in March your average was under 2000 tonnes, but it was running almost at your average. So what's the reason why your daily average is so low in March?

Mr. Marsh: — The reason why the plant capacity is down is because we have operational issues with amine that we continue to deal with in the plant. And these operational issues appear from time to time, and we work hard to correct them. That's what our engineering teams and our operating teams do each and every day.

And these issues happen with all our operating units, and it's important to remember that. That's part of the nature of the operating world. So you have to look at it in aggregate over the course of many months or over the course of a year.

Ms. Sproule: — Thanks, Mr. Marsh. And as I appreciate what you're saying, it's just that we know there's a special focus on this CCS side of things, and of course the fact that it is the only one plant and so we can't get any aggregate numbers across the board on CCS. So you know, bear with me. I just need to ask these questions and just get a good sense of how the plant is operating because it is one of a kind. And so we want to really understand that.

Can you provide some details on the days it was offline in the last few months? Why was it offline?

Mr. Marsh: — Off for routine maintenance and maintenance for cleaning up different components in the different streams. Again there's different amine processes in the plant. There's one for sulphur dioxide. There's one for carbon dioxide. There's heat exchangers. There's pumps, there's valves. They all require periodic maintenance.

Ms. Sproule: — It looks like in February it was down a larger number of days than other months. Was there anything particular in February that caused it to be out more than the other months?

Mr. Marsh: — I've just been reminded there was a planned overhaul for a two-week period, and then when the plant came back up we had an issue with a compressor — nothing to do with, you know, the amine process or the chemistry of the plant. It had to do with a compressor, so we couldn't actually, we couldn't produce because we couldn't do anything with it. And we had to get that compressor repaired, and that was repaired after a few days.

Ms. Sproule: — Thank you. Just moving on to the amine issues that you've been describing, do you have any — I know we got some figures through written questions in terms of extra costs

for amine — do you have any, I was going to say anything for the year, like a fiscal year-end of March 31st in terms of what your amine costs were for the different types of processes that you use? I think in some cases you replace it and in other cases you clean it, if I understand properly. Do you have any figures that you can share with the committee in terms of the costs of that amine process itself?

Mr. Marsh: — I believe we do. Last session I believe we shared with you the cost that we knew at the time and what we were projecting, and I think we were projecting \$20 million in amine expense. So that would be new amine plus the cost to clean up the existing. I think that cost has come in at \$17 million to the end of March.

Ms. Sproule: — And going forward, is that something you would see as an annual type of cost, that 17 million? Or do you anticipate that it will go up or down?

Mr. Marsh: — No, again the objective is to continue to close the gaps on the operating performance wherever we can. So if there's an opportunity to improve the process — either through a new piece of equipment or through a little different chemistry to reduce that amine cost — that's our objective, to get it as low as possible and keep it as low as possible for forever. I don't know what that number is today. Certainly I think the initial design, as I indicated in previous sessions, it was under 10 million for the original budget for this. So yes, this is more expensive than what we want it to be, but we continue to work hard on the problem.

Ms. Sproule: — Are you basically alone in the research on this, or are you able to have lessons learned and best practices from other companies that are using this type of technology?

Mr. Marsh: — Well that's a good question. Thank you. We're actually the second, we're the first plant in the world of this size, we are now the second plant in North America. There's a new facility in Texas that is capturing carbon dioxide from approximately 250 megawatts, so twice as large as the Boundary Dam station. It just came on around Christmastime, so very, very early days for them, but we will be talking with their technical people and they will be working with our technical people over the next months and years.

Ms. Sproule: — Does the Quest plant, the Shell Quest plant in Alberta use amine at all?

Mr. Marsh: — Yes, they do, but that's off of a gas refinery process. So it's quite a bit different than capturing carbon through an exhaust gas from a coal-fired station. So similar technology but totally different scale.

Ms. Sproule: — Okay. Just interesting how this is evolving. Planned shutdowns. Do you have any planned shutdowns for the months coming up?

Mr. Marsh: — Yes, we do. Starting at approximately the end of May going to the first week in July, we have a major shutdown planned, and at that point we'll be replacing components. Again many of these components have long lead times from the manufacturer, so we have to plan this well in advance, make sure the equipment is here, and try to coordinate

that with the overhaul on the generation unit as well. So if we can time them together, then you can reduce the downtime throughout the year. So that's the effort that's going into this planned overhaul now.

Ms. Sproule: — And in terms of your agreement with Cenovus, do you anticipate that there will be penalties paid this fiscal year '17-18?

Mr. Marsh: — Under the current agreement, there's a possibility that we could have some shortfall payments. Again, as you've indicated for March, some of the daily production rates were under the minimums that we had agreed to with Cenovus, so for those days there's a small charge. But in aggregate over the course of the year, we're expecting a net positive for CO₂ sales and continued improvement in performance.

Ms. Sproule: — When you say net positive, that means the amount that you've contracted with them to purchase, the CO₂ minus the penalties. But the penalties, I think . . . When you originally signed the agreement, were you anticipating those penalties to be present on a monthly basis or on a regular basis?

Mr. Marsh: — No, it's my understanding when the contract was put together that those penalties were not contemplated in the original calculations. So you know, again improving the plant performance is the best way to eliminate any shortfall payments to Cenovus. And that's our objective, is to continue to improve the operation of that facility.

Ms. Sproule: — Just a few questions now. We know the Premier has gone to the United States several times and even recently to discuss CCS with various stakeholders and government officials. Has SaskPower been involved in any of those trips to the United States with the Premier? And have you had any contact with stakeholders in the United States or interested parties as a result of the meetings that the Premier has been conducting?

[20:00]

Mr. Marsh: — No, I have not been to the United States with the Premier. I have been to the United States with the delegation from the Canadian Electricity Association, talking about electricity issues, cross-border issues, with various agencies in the United States; Department of Energy, previously Environmental Protection Agency, talking about issues like cybersecurity, which affects both sides of the border.

With respect to carbon capture, in the last two years I've given a couple of speeches in Washington at separate conferences and have engaged folks in discussions. And you know, always a lot of positive interest in carbon capture; everybody's watching what this plant is doing and we continue to engage where we can.

Ms. Sproule: — In December we got some information on OM & A [operating, maintenance, and administration] costs for the facility. I mean, we've already talked about it, but do you have the estimate for the OM & A costs for March 31st year-end?

Mr. King: — Okay, so the estimated OM & A costs on the

carbon capture facility are \$14.7 million for '16-17.

Ms. Sproule: — Great. Thank you very much. Just a few questions now on the test facility down at . . . is that at Shand? I can't remember if it's at Shand. Yes. Can you provide us with some details on who is utilizing the facility at this time?

Mr. Marsh: — Do you want me to provide details on who's using it? At the current time, nobody is using the facility this month. At the end of March, the contract with Hitachi ran out, and their equipment is in the process of being replaced with other equipment in that station. We continue to engage with another party, and we're very close to an agreement to have another firm come in and do testing at that facility. As soon as we have a contract in place, I'd be happy to announce who that firm is.

Ms. Sproule: — Thank you. Where does the test facility costs, where does it show up on your books right now? Is it a separate line item in your books?

Mr. King: — No, it would be included with the rest of our costs. So whether it's capital, it's depreciation, or whether it's OM & A costs, those would all be grouped in with the rest of our expenses.

Ms. Sproule: — Is there any way you could provide the committee with specific details as to the capital value, how much it's amortized, what the O & M [operating and maintenance] costs are? Is that something you can provide the committee with?

Mr. King: — Yes, absolutely.

Ms. Sproule: — Okay. We had information that it shows up as a loss of \$70 million on your books. Is that something that would be close to?

Mr. King: — No.

Ms. Sproule: — No?

Mr. King: — No, that would not. That would be close to the capital cost. So it wouldn't show up as a loss. That would be what we had capitalized when we originally built it.

Ms. Sproule: — And when your board approves capital expenditures, what's the limit that has to be reported to the board? Like, is it \$10 million in terms of overruns, and then it has to be reported? Or how does your board get informed about construction, say, of the test facility? Because I understand there were cost overruns, but they were reported at \$9 million so that they didn't have to be approved by the board.

Mr. Marsh: — I'm sorry. I'm not familiar with that. We have a very rigorous process. All capital projects are approved by either the executive, depending on the dollar amount. If it's over a \$20 million threshold, it has to be approved by the board.

So the capital project initially for this project was approved by the executive and the SaskPower board of directors. And any cost overruns, certainly if they were under a threshold, they would have been approved by the president of the day. And at

the end, we would have informed our board at the end because that's how it works. So if it's within the president's signing authority, he would sign it, and then it would be reported as an information item to the board.

Ms. Sproule: — Okay. Do you know if the board requested an audit on the facility?

Mr. Marsh: — No, the board did not request an audit on this facility, but an internal audit was done on this facility, as it is done on most of our large capital projects. It's a normal routine thing for our internal audit department to do.

Ms. Sproule: — Okay, can you share with the committee what the results of that internal audit were?

Mr. Marsh: — Our internal audit looks at mostly process issues around construction, around operation of the facility, on how approvals work their way through the system, how change orders work their way through the system. The internal auditor then provides recommendations on what management is expected to do to deal with some of these issues, and we have undertaken to correct and make changes to our process wherever those recommendations showed up.

Ms. Sproule: — Thank you. Any updates on plans for BD4 [Boundary dam 4] and BD5 [Boundary dam 5]?

Mr. Marsh: — At the present time, we continue to work on the analysis for the evaluation of a carbon capture plant on BD4 and BD5. I have indicated that we would be in a position to be taking that to our board probably later this year. So we're targeting a December timeline right now to get all our analysis done and the decision item prepared in a form that we could take to our board.

Ms. Sproule: — Okay. In terms of the rate increases, can you tell us how many more — not rate increases, load increases — how many more megawatts you anticipate you will need in the next 10 years?

Mr. Marsh: — I can't tell you that off the top of my head. I don't have that information. How many megawatts we'll need in the next 10 years? I do know that by 2030, my recollection is we will need about 5400 megawatts of capacity to operate the system. Currently we're about 4500 megawatts of capacity installed to operate the system today.

Ms. Sproule: — And the 900 megawatts then, in that area, what is your plan to generate those 900 megawatts?

Mr. Marsh: — Well currently we have the Chinook power station which is a natural gas combined cycle station, 350 megawatts due to come online in 2019. We are looking at the next combined cycle gas facility. We are continuing to look at site selection for that facility. That would probably come into play in the 2023, 2024 timeline. We look at . . .

Ms. Sproule: — You are constructing that one, right?

Mr. Marsh: — We are the owner. We have contracted with Burns & McDonnell, an engineering procurement contractor, to actually manage and oversee the construction of that facility

and they are currently on site. We've just got a report today that they are about 17 per cent complete on site work. So as the ground thaws out, they're starting to move.

Ms. Sproule: — And where is the location?

Mr. Marsh: — It's north and west of Swift Current. So north of . . .

Ms. Sproule: — So north of Chinook?

Mr. Marsh: — Pardon me, Chinook.

Ms. Sproule: — Oh, that's Chinook?

Mr. Marsh: — That's Chinook, yes.

Ms. Sproule: — I thought you were talking about another one.

Mr. Marsh: — The next one that's scheduled to come in, in the 2023, we haven't determined a site for that yet. We're just in the very preliminary stages of looking at the feasibility for that one.

Ms. Sproule: — And what amount of megawatts are you hoping to get out of that one?

Mr. Marsh: — That would be a similar size — 350 with the potential to perhaps have another unit beside it, so there might be eventually 700 at that particular facility. Now in addition to gas, we also are moving down the path, as I indicated, with wind and 1600 megawatts of wind between now and 2030 based on current projections.

Ms. Sproule: — And solar would be negligible, I suppose?

Mr. Marsh: — Well currently we have approval from our board for 60 megawatts of solar just in the next five years. Again if the market price for solar comes in where all indications are pointing, we could be building more solar in the future; that's for sure. We're getting very good indications that market pricing is going to be very competitive and prices are coming down everywhere in North America.

Ms. Sproule: — Thank you. So if we have Chinook at 350, a new one at 350, and a possible secondary plant of 400, that's 1100 for natural gas, 1600 for wind, and 60 for solar. So I'm looking at 2760 in terms of new construction. If I understand correctly your existing capacity, the deficit between that and what you anticipate you will need is 5400, is about 900 megawatts. So if I take that off of there, you will actually have a lot more new generation than you need.

Mr. Marsh: — No, not than what we need. If we build wind, we have to build a substantial amount more. We have to install more capacity for wind to be able to allow for the intermittency of wind. Because we only can . . . Wind has a capacity factor of 40 per cent, so we need to install . . . We'll have installed, I think, about 7000 megawatts total by 2030, but we can only count on that 5400 megawatts because the wind does not blow all the time. So we will have 7000 megawatts installed. So that's how we get to that higher number.

Ms. Sproule: — All right. Thank you very much. And if I understand correctly, if you need capacity and there is no wind, that the natural gas plants can fire up fairly quickly. Is that correct?

Mr. Marsh: — That's correct.

Ms. Sproule: — Okay.

Mr. Marsh: — Yes, we have a number of them in the fleet today, so we have the opportunity to ramp it up and back off. When the wind starts to pick up, we can back the gas off and generate from the wind turbines.

Ms. Sproule: — All right. Thank you. This is a question for the minister. We know that you have a Legislative Secretary in place for renewable and sustainable energy. And could you just let the committee know what work she has done on this file?

Hon. Mr. Wyant: — Well she attends a number of meetings with me. She has a number of discussions with a number of stakeholders, sometimes with me and sometimes not. But she does provide some research support to some of the issues that we're dealing with, within the minister's office.

Ms. Sproule: — Would you be able to table any of her work products that she's done on this file?

Hon. Mr. Wyant: — I'll go through what I have in my office. If there's anything on paper to file, to table, then I will do that. Typically our discussions are verbal, and I don't get official reports from my Legislative Secretary.

Ms. Sproule: — Thank you. Skipping on now to rate increases, do you have any intentions of applying for rate increases in this fiscal year?

Mr. Marsh: — We're currently reviewing our financial situation, but, yes, we will probably be submitting an application for a rate application sometime in 2017. We do not anticipate there will be any rate increase that will take effect in 2017. We're looking for an early 2018 date for any potential rate increase. We still have to work through the numbers to figure out what that might look like.

Ms. Sproule: — Okay, thank you. Are you able to tell us how much money has been brought in as a result of the rate increases from last year, July 2016, and I guess this year, January 1st? Do you have figures on what you anticipate will be the annual . . .

Mr. King: — Just in general, every 1 per cent we ask for gives us about 23, \$24 million. I haven't calculated exactly what the . . .

Ms. Sproule: — Annually?

Mr. King: — Annually yes. So again these rate increases were staggered. We have nine months at 5 per cent, and we'll have three months at three and a half per cent.

Ms. Sproule: — Okay. All right, thank you. Any update on smart meters and Sensus and how that's going?

Mr. Marsh: — Not much change since we spoke back in December. We are moving forward with testing on our commercial and industrial meters only in 2017. So that would be customers like oil field customers, some commercial accounts, SaskEnergy facilities, other SaskPower facilities. Most of these meters are three phase, and they're located in rural areas of the province. That testing will continue and, subject to the results of that testing which we expect to have no problem with at all, we'll be moving forward with about 40,000 commercial and industrial meters later this fall and into 2018.

We do not expect to move forward with any residential meter program until 2018. We have much more work to do. The meter itself is still in development with Sensus. We are testing variants of residential meters from various manufacturers, and that testing program will continue until we're ready to bring forward the final meter product.

[20:15]

Ms. Sproule: — Thank you. I just want to go now to the lands that you purchased at the Global Transportation Hub. We've talked about this a little bit before, but in the 2013 annual report you indicated that you were going to be constructing a new facility, the logistics warehouse complex, and that that complex would centralize 27 facilities within 12 sites throughout Regina and White City. And at that time, they were described as being currently housed in isolated and obsolete facilities, so I'm just wondering, are you still using those isolated and obsolete facilities?

Mr. Marsh: — Yes, we are. The facilities haven't changed, and that doesn't refer to all of them, but some of the obsolete ones are ones that are in dire need of repair. We have leaking roofs, and we have very poor energy efficiency in some of our warehouse buildings and office buildings and fleet buildings in the downtown core. So those are definitely in need of replacement sooner than later.

Ms. Sproule: — Have you done any repairs to them since 2013?

Mr. Marsh: — Oh yes. I mean obviously if there is a leak, we patch the leak. We're not doing any extensive repair because we know that at some point we may be out of those facilities.

Ms. Sproule: — So how are they isolated? What does that mean?

Mr. Marsh: — Well they're in various locations, so it means we have to have staff in 26 or 27 different locations, some of that owned space, some of that leased space. We are attempting to do what we can to consolidate our footprint with the space we have until we make a decision on and the timing of going forward with a facility out at the GTH [Global Transportation Hub].

But when the decision was made in 2013 to acquire the land, at that time the economy was still moving. In 2014 when the price of oil started to go down and we had to begin to look at options in 2015 to contract our capital spending, to contain our budgets — that happened through 2015, 2016 and now into 2017 — we made the conscious decision to defer moving forward in this

project, and we continue to do work in the background.

We're looking at a different way to phase it in, so it can come in at a lower price, perhaps staged over a number of years but still move forward on it. The timing right now is still not known, but that's our current plan.

We currently have issues again with our head office building, as you're aware, that we continue to develop a plan for and that will be brought forward as well at the right time. But in an effort to keep our cap spending, our capital spending contained, focus on our core business, our electrical grid, we're making conscious decisions to defer and live with what we have.

Ms. Sproule: — Thank you. If you could or if it's possible to get the amount that you spent on the upgrades since 2013 of those isolated and obsolete facilities, do you have a . . .

Mr. Marsh: — We don't have them with us today, but we could get those, yes.

Ms. Sproule: — Okay. Thank you. On the same paragraph, you did talk about the refurbishment of the company's 50-year-old head office began. That's now on hold? Is that correct?

Mr. Marsh: — The project is not on hold. We continue to work on a plan and a schedule. We continue to work on ways to contain the costs for any kind of renovation project and develop the business case before we bring that forward.

Ms. Sproule: — Could you provide the committee with any costs that have been associated with that to date and what you're anticipating in the plan? Or is it too early?

Mr. Marsh: — The costs have not changed considerably than the previous estimates that I think were made public a couple of years, so we're still in the \$140 million range. But when the final plan and decision item is brought forward, we'll have a firmer number at that time.

Ms. Sproule: — At the same time in that report you indicated that an amine trace analysis lab was built at your technical services and research building. Did that lab get developed and is it currently being used?

Mr. Marsh: — Yes, the lab did get developed, and it's my understanding that it is being used.

Ms. Sproule: — Where is the technical services and research building?

Mr. Marsh: — It's at the Science Centre. SaskPower owns and operates that facility. We have an office complex and labs there. We have a high-voltage lab and the amine test lab and a metallurgical lab.

Ms. Sproule: — So the Science Centre in Regina?

Mr. Marsh: — Yes.

Ms. Sproule: — On campus or where is that?

Mr. Marsh: — No, it's right along Wascana Creek just . . .

Ms. Sproule: — Oh, the Science Centre.

Mr. Marsh: — The Science Centre, yes. Yes, it's formerly called . . . Well for us, we call it the technical services and research centre. That was the former name for it. But it's right at the Science Centre.

Ms. Sproule: — Okay. Thank you. In your next year annual report, that's '13-14 . . . Oh, I'm sorry. It's from the GTH '13-14 annual report. They said that SaskPower announced plans to develop 500,000 square feet of property at the GTH:

SaskPower purchased 145 acres of land at an approximate cost of \$25 million . . . 1,100 SaskPower employees will work at the new site, which is expected to be completed sometime in 2018. Construction . . . [was] expected to begin in October 2015.

My question on this is, at what stage of the transaction did you become aware that GTH didn't even hold title to the land you were going to purchase? GTH never held the title, and yet the money was paid to GTH. So I'm just curious about that.

Mr. Marsh: — We'll just clarify some facts. Just excuse me for a second. It's our understanding we purchased the land directly from the GTH. We had an independent appraisal done of that land prior to purchase, and that land purchase went through the normal approval process at SaskPower.

Ms. Sproule: — But GTH never held the title. It was Sask Highways that had the title. So why was money paid directly to the GTH? GTH never held the title to that 145 acres. It was always in the name of Highways if you look at the transfers. So I'm just curious why GTH got the money if Highways was the holder.

Mr. Marsh: — Okay, that's . . . We will check that fact, and we'll confirm that with you.

Ms. Sproule: — All right, thank you. Back to the annual report in '15-16, '15-16 annual report, there was a statement that said . . . This is from your report: "The planning activities for the proposed logistics warehouse project were put on hold in early 2015 . . ." So that's the date that you were informed in your annual report, early 2015. However, in *Hansard* on April 20th of 2015, so this is a couple years ago, the minister at the time said "SaskPower is still working in terms of design work . . ." And I'm just going to share with you this quote from the minister:

I think SaskPower looked at it as a good base to operate out of for Saskatchewan and for Regina particularly. I think there's something like six or seven locations eventually that will be closed within the city of Regina or sold perhaps in the city of Regina, shut down and moved out to that operation out there. They see again things like the free-flow access as an important consideration, access to the bypass that is being constructed. All of those things are a good thing for them, taking operations outside of the city . . .

So that's the quote from *Hansard*, and this was in April of 2015. So the question is this. If planning activities for GTH

build were put on hold in early 2015, why was the minister of the day still advising committee in late April of 2015 that SaskPower was still working in terms of design work and that Regina facilities were going to be shut down?

Mr. Marsh: — Well, as I've indicated in my previous statements as well, we put that particular project that we were contemplating at the time on hold. And we've gone back to the drawing board to look at a smaller footprint and to see if we can contain the cost, reduce the footprint of the building, reduce the cost in light of the downturn and the economic environment. So the original concept had . . . Again, to consolidate people and all the equipment from 26 buildings in the city into one facility, it became rather large and the cost was looking prohibitive in the face of all the other capital that we had to spend.

And again, our first priority is making sure the lights stay on in the province and making sure the infrastructure is sound. Buildings come secondary, obviously, and so we've taken another approach to how we're going to go forward with this particular project. And we've been working quietly in the background to establish what this new facility might look like and how we can phase it in. But you know, we continue to work on it over the time since 2015.

Ms. Sproule: — I guess the question is, why did the ministers indicate that you were still working in terms of design work on that when you had already decided that you weren't going to, you know . . . It was going to be put on hold?

Mr. Marsh: — Well again, the initial concept that we had was being put on hold because it was growing too large and too costly. And so we went back to the drawing board to try to find a smaller-sized building that would suit our purpose. So that's the work that was continuing on, and it has since 2015.

Ms. Sproule: — What is the footprint of the smaller building you're now contemplating?

Mr. Marsh: — I don't have the square footage in my head but, you're right, I think the initial estimates were to have 1,000 to 1,100 people move from different locations in Regina. So we're looking at phasing it in; so perhaps the first phase might only have 300 people. We don't know yet. We're looking at which option can work the best and how we can fit it in to our capital program. And then we have to take it through our approval process, so that takes some time.

Ms. Sproule: — Certainly. In terms of ultimate goal though, would that still be your goal, is to move between 1,000 and 1,100 workers out to that site?

Mr. Marsh: — We're revisiting that initial premise as well. That may not be feasible at the end of the day, and so we have to evaluate other options. And really it's about getting the cost down to a point where we feel comfortable we can bring it forward for approval through our board and then ultimately through cabinet.

Ms. Sproule: — In terms of the land footprint, are you still looking . . . I think you had mentioned last time we spoke or a couple of times ago that you were looking at perhaps releasing some of that land for sale as well. Is that still your intention?

How many acres?

Mr. Marsh: — That's still an option, but I don't know how many acres would be released. It would depend on how we start the project and how we plan to phase it in. And ultimately if we only need half the number of people there in the final design, then I think we'd be looking at releasing some of that land. And we'd like to be able to make that decision as soon as possible, but we have the electric system priorities right now, and that's really our focus.

Ms. Sproule: — I'm glad that's your focus. I like my power. In terms of the plan to put it on hold, do you know when that was exactly determined? It'd be before April of 2015?

Mr. Marsh: — I can only make a best guess. And I took over in the acting role in October of 2014, and I think it was early 2015. I'm not sure of the exact date.

Ms. Sproule: — Was the minister involved in those discussions to put it on hold?

Mr. Marsh: — No. That's an internal decision that we make at SaskPower. Again, the discussion would have been really about the size of the project and the fact we're continuing with some of the design work. So that's why he would have made the statement that he made.

Ms. Sproule: — Have any of those six or seven SaskPower locations that he referenced in Regina been closed or sold at this point?

Mr. Marsh: — Not that I'm aware of. I think most of them are still occupied.

Ms. Sproule: — And simply because you still need them because you haven't made the move.

Mr. Marsh: — Correct.

Ms. Sproule: — Okay. I think we've . . . I've got to pull another quote here. We've often talked about the timing of the purchase of that land, which was around the same time that the GTH then had the funds it needed to purchase the east parcels of the west bypass area. And I'm just going to share some quotes from *Hansard*, for example, that we have.

In May of 2014 our leader, our current leader, said, "I often think it would have been an interesting conversation to watch the Minister for the GTH convince the Minister for SaskPower that he should place millions of dollars . . . [with the GTH]." And the minister said, "The SaskPower officials, through the CEO Robert Watson, approached the GTH themselves . . ."

[20:30]

And then again in committee in April of 2015, Mr. Wotherspoon asked to the minister: "Did you separate any of your responsibilities in representing the taxpayer or the public through the GTH as minister and then as Minister of SaskPower?" And then the minister said:

I'm not . . . sure what you would mean . . . SaskPower

officials approached myself as minister to take a look at it and say they think this is a pretty good opportunity for them. . . Looking at it and assessing it with the SaskPower folks, it certainly looked like a good opportunity as well. Then of course moving to price it with a normal pricing structure with the GTH at that point in time . . . [he goes on to say] I think it also made some sense in terms of the GTH, of course not providing any significant discount or anything else like that but pricing it similar to what they would be pricing it to any other company that they might look to sell to.

So the point here of these two separate conversations — May 12th, 2014 and April 20th, 2015 — is that it represents two very different scenarios. In 2014 the minister denied that he had anything to do with the initiation of the transaction, but in 2015 he indicated that SaskPower officials approached him to take a look at it. And together they decided it was a good opportunity, and then they moved to price it with the GTH.

So my question for you is, whose idea was it to buy this land, and when did they pitch it, the idea, and to whom? And when was it first presented to the minister of the day and by whom?

Mr. Marsh: — I can only answer one question because I was not involved at that time. The previous president and the CEO would have had conversations with the minister. I only am aware, as an executive member, that we started the process to look for a consolidated facility back in 2010, 2011 period. We took two to three years to look at our options. We examined options in the north part of the city where we currently have our region operating centre up there. We also own land in that particular area, but it was outside the city limits. It was undeveloped land. There's no sewer. There was no water. We would have had to get those facilities. And as time went on, my understanding is as the GTH was developed, we had an opportunity to buy land. I was not involved in any of those discussions at the time, so I cannot comment.

Ms. Sproule: — You were the vice-president of operations at the time.

Mr. Marsh: — Correct.

Ms. Sproule: — The chief operations officer?

Mr. Marsh: — Yes.

Ms. Sproule: — So you weren't involved in any of those discussions?

Mr. Marsh: — I was involved only at executive committee meetings where it would have been brought up as an option, but our properties department handles all the facilities upgrades around the province. So if there's a requirement for a new building, it's our properties department that works to assess, hire consultants and contractors, and develop a proposal.

Ms. Sproule: — Do you know if at any point your corporation was aware that CN [Canadian National] had received 300 acres at no cost and Loblaw's had purchased land at \$5,600 an acre approximately? You paid \$170,000 an acre?

Mr. Marsh: — I was certainly not aware. I can't comment on anybody else at the time.

Ms. Sproule: — Are you aware of whether there were appraisals done by your company for the value of the land?

Mr. Marsh: — Sorry, there were appraisals?

Ms. Sproule: — Were there appraisals?

Mr. Marsh: — Yes, there were appraisals done. We have appraisal from a third party.

Ms. Sproule: — Could you share that appraisal with the committee?

Mr. Marsh: — We will look into that. I'm not sure that's possible. But I can tell you that we paid less than the appraised value for the transaction to purchase that 145 acres of land.

Ms. Sproule: — So you paid less than the appraised value in 2013 for 120 acres at GTH, but the government paid more than the appraised value? Okay, that's not your worry. I'm just thinking out loud.

I just want to talk a little bit about Partner Technologies Incorporated. I noticed in this year I think it was \$22 million of work that . . . or under the Crown payee disclosure report there was around \$22 million. I have it here if I could just pull it up. Yes, \$28 million worth of work done in the last fiscal year ending March 31st, 2016. And we've also done some research and note that Partner Technologies is a very significant contributor to the Sask Party in terms of political contributions, around \$30,000 in the last 10 years. What is your arrangement? And I think they've done over \$200 million of work with SaskPower in the similar time frame. When you arrange with Partner Technologies to do work, is that through a bidding process, or is it a direct contract process?

Hon. Mr. Wyant: — Perhaps I'll begin by answering the question. Mr. Marsh can chime in. SaskPower's had a long-standing business partnership with PTI [Partnership Technologies Incorporated] going back to the late '80s. And that company provides equipment and repair work on mini-transformers in the power grids, so the relationship's been a long one. Currently there's a five-year partnership with SaskPower, and there's been an option to extend the contract for several years, and then it would be open for a competitive tender to procure those services. But currently we're involved in a five-year partnership with the company. But we've had a long-standing relationship. It's been a good Saskatchewan company, employs over 100 people, so we're pretty proud of the relationship we have with them.

Ms. Sproule: — That five-year partnership, what five years is that in relation to?

Hon. Mr. Wyant: — I'm not sure when the contract would expire, but we'll certainly get you the details of the expiry of the contract.

Ms. Sproule: — That would be appreciated, thank you. And if I understand correctly, when that five-year partnership has ended,

you will be opening it up to a competitive bid?

Hon. Mr. Wyant: — That's my understanding.

Ms. Sproule: — Okay. And the current five-year partnership, was that a competitive bid as well?

Mr. Marsh: — No, it was not. It was an extension to an existing contract.

Ms. Sproule: — And that existing contract, was that done by way of a competitive bid?

Mr. Marsh: — At some point in the recent past, we had evaluation done of the value that we were getting from this firm through . . . a third-party evaluation that would look at market and look at the long-standing contracts we had with this company to make sure that we were getting good value for the dollars we were spending. We've had different contracts in place with Partner Technologies over the years. But I cannot say exactly when this one started. We can find that information for you.

Ms. Sproule: — Thank you. And the third-party evaluation that you had done, what was the result of it?

Mr. Marsh: — What I just confirmed, that we were getting value for the contract dollars that we were spending on Partner Technologies.

Ms. Sproule: — All right, thank you. Just reviewing now from the Estimates, the schedule of debt, schedule of borrowing requirements, and maybe just a brief update in terms of where you are currently in debt. Your estimated public debt in 2017 was 5.7 billion, and it went up under the forecast, so maybe we could start there, and if you could share with the committee why there was an increase of the estimates for last year to your current forecast.

Mr. King: — Okay. Do you have the book in front of you?

Ms. Sproule: — I have page 141. I'm looking at 141 in the Estimates.

Mr. King: — Yes, 141. Okay. You have the book with you. If you go to page 145, it shows the actual borrowings for the year as opposed to the total debt. I think it's just easier to understand.

Ms. Sproule: — I have every page but that one. I'm sorry.

Mr. King: — Oh, do you? It's also on page 143.

Ms. Sproule: — All right.

Mr. King: — You've got 145?

Ms. Sproule: — Yes, I do.

Mr. King: — Okay. So you're asking the question between the estimated '16-17 and the forecast '16-17?

Ms. Sproule: — Yes although that's a different . . . Oh yes, it's

in millions. Okay. Yes.

Mr. King: — Yes. Those are the numbers. Okay. So the change there has been due to a few factors. And when we look at our debt and our borrowings, basically we're looking at the cash flows that we bring in for the corporation through our operations and then less what we need to pay out through debt repayments and for our capital.

So in 2016-17, we est'd \$448.5 million, and from there we expected to earn an income of \$181 million. We expected to have about \$369 million of additional cash flows through non-cash items such as depreciation, changes in working capital, changes in allowances, which would have brought our total cash from operating activities to \$550.5 million. Taken away from that, we had obligations of \$100 million in debt repayments that we expected to make, and we had capital expenditures of \$899 million. So that would have brought us to that total of \$448.5 million.

In reality, in the forecast when we brought that up to date, our net income had dropped to about \$90 million. Our cash flows from other operations was \$429 million which brought us to \$518 million in total cash provided by operating activities. Debt repayments ended up being \$160 million. So we had \$100 million of planned debt repayments and \$60 million was in short-term debt that we were able to repay during the year. And our capital expenditure number ended up at \$908 million, for a total of 550 million.

Ms. Sproule: — Thank you. If you go back to page 141, though, this is the total public debt forecast.

Mr. King: — Okay.

Ms. Sproule: — And I suspect those numbers play a lot into that total. If you could just confirm that was basically the difference between what your estimate was and what your forecast is.

Mr. King: — Yes. Those are basically it, except these numbers also have sinking funds netted against them. So the math won't work out exactly, if you're trying to work it through. But that's what they're intended to show. That's the balance, and what we referred to was the amounts borrowed during the year.

Ms. Sproule: — Oh yes, and there's the estimate for sinking funds. So your estimated gross debt for 2018 will be \$6.9 billion, right? Okay, that's good for now. I'm going to keep moving on.

Last December when we spoke, we talked a little bit about the recent equivalency agreement that the Minister of the Environment had arranged — well actually it's signed by the deputy minister — with the senior associate deputy minister for Environment Canada. We had a little bit of a discussion then about your role in relation to the work that the Ministry of the Environment was doing, and I brought it up in Economy Committee with the Minister of the Environment on April 11th, a couple weeks ago. And he basically is saying that — I wanted an update on the equivalency agreement, and that's where I'm going to head here with this question for SaskPower — but he said there's a number of things going on:

... a number of other topics of finer discussion with different ministries across the nation, in all provinces, where there may or may not be potential for equivalency agreements, including coal-fired where we signed the intent to go into that. And those details are being worked on with Environment to some degree from the emissions side, but also with SaskPower as they have the actual coal mines ... They are the electrical generator here in the province of Saskatchewan.

And then he goes on to say:

With respect specifically to the equivalency agreement in the province of Saskatchewan, it's being worked on quite closely now, but fair to say that SaskPower would be leading a lot of the work on the details, as they have the coal-fired electrical generators in the province. Our concern from Environment on the equivalency agreement is with respect to the emissions that come out the other end of that.

So I'm just wondering if you could give us a bit of an update, and before I ask you that question I'll also refresh your memory. On November 23rd, Mr. Wyant, you indicated in committee here that: "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."

So yes, I guess a little bit of clarity perhaps on your relationship with Environment and who is doing what and what progress has been made since the agreement was signed on November 22nd.

[20:45]

Hon. Mr. Wyant: — Well I think it's fair to say that the comments that Minister Moe made were correct, I think. The discussions are being led by the Ministry of Environment. Certainly a lot of the detail is being provided by SaskPower because we're the operator of the electrical generation in the province. So I think that's essentially what he meant, that the negotiations are being led by the Ministry of the Environment but ... [inaudible] ... also said that significant amount of detail to come from the corporation. And he actually says that in his quote.

Ms. Sproule: — Sorry, I didn't hear what you said.

Hon. Mr. Wyant: — Well he actually said that in his quote, that leading a lot of the work on the detail and that detail's been given to the Environment who's leading the discussions with the federal government.

Ms. Sproule: — I'm really having trouble hearing you. When my microphone is on, I can't really hear you, Mr. Minister, because it doesn't come out clear.

Hon. Mr. Wyant: — Try again?

Ms. Sproule: — Yes, please.

Hon. Mr. Wyant: — Okay. So he does say in his quote that SaskPower would be leading a lot of the work on the detail. We provide the detail to the Ministry of the Environment. They're

the lead on it with respect to the negotiation of the equivalency agreement. So it's the detail that we provide, and of course we would because we have the electrical generation capacity.

Ms. Sproule: — I'm wondering if you could give me some detail on the detail. What is being provided at this point in time? What sort of details are you working on, and how is that going?

Mr. Marsh: — I have no detail on the detail. All I can tell you is it really is about how different emissions profiles would look under different operating regimes. So if we operated our plants this way, there'd be a certain emissions profile. And if we operated differently, it would be ... [inaudible] ... And that information is being provided to help them frame the conversation with the federal government. With respect to details on what that looks like, I don't have them there.

Ms. Sproule: — Is your work now complete, or are you still working on that? Do you have a lot more work to do? When do you anticipate your work will be completed?

Mr. Marsh: — My understanding is the work continues. I do not know when it will be finally completed. I'm understanding they're getting close, but that's the only feedback that I've had in the last few weeks.

Ms. Sproule: — Do you think it'd be fair to say that your end of the research will be completed within this fiscal year?

Mr. Marsh: — Mr. Yeates has just informed me that the current thinking is that the federal government will be enacting that equivalency agreement through their gazetting process in the fall. So hopefully by the end of the year we should see something.

Ms. Sproule: — And then at that point, I don't know how much information you've received from the ministry, but when will they be then in a position to enact *The Management and Reduction of Greenhouse Gases Act* and the regulations? Because when we spoke in December, you indicated that that will have to be proclaimed, enforced, and the regulations established before you can meet your obligations.

Mr. Marsh: — I'm not sure what the timing is on that piece of legislation either. It is the first time through a process like that. We assume that it will be enacted in provincial legislation as soon as possible after the equivalency agreement. So whatever timing ... That could be the spring of 2018. But certainly I think the expectation on our part and the Ministry of Environment's part, I can't speak for them, but I believe that's what we're working towards.

Ms. Sproule: — Thank you very much. I'm just looking now at the budget itself, 2017-18, page 65. And it said there that:

... net income is forecast to fall \$94.6 million from mid-year [for government and business enterprise], mainly due to lower net income at SaskPower, SaskTel Saskatchewan Liquor and Gaming Authority and Workers' Compensation Board.

Can you share with committee why the government is expecting lower net income for SaskPower in this fiscal year?

Mr. King: — Yes. One of the biggest impacts has been on a drop in our revenue as the low forecast has come down this year from what we had planned previously. And that's come across in basically all sectors.

Ms. Sproule: — Okay, I'm just looking now on page 42. And yes, we see there, at the bottom of the page, there's a summary of net income from GBEs [government business enterprise] from 2014 to 2018, the last four years. We see in the '14-15, just looking at SaskPower alone ... Sorry, let's look at the '16-17 budget and forecast. There's a significant change in your net income from \$181 million to \$89 million. It's a very significant drop, and yet you're budgeting this year again up at \$179 million. Looking at '14-15 you have \$57 million net, '15-16 only \$18 million net, and this year you're forecasting \$89 million net. So what is it that you are seeing in next year that you anticipate that will actually double your net income?

Mr. King: — Well two of the bigger items are the rate increases that we implemented during the year. So we had the 5 per cent that came on July 1 that we received revenue for nine months this year. We'll receive it for 12 next. And we also have the three and a half per cent rate increase that we received for only three months this fiscal year, and we'll get it for 12 months the following year. So that full eight and a half per cent, we will receive for the full 12 months. We're also anticipating load growth of about 2 per cent for the coming fiscal year, and that's driven mainly in the industrial and oil field sector.

The other thing that we've been going through is a number of restraint measures, looking at our OM & A expenditures, managing those costs down. As well as looking at our capital expenditures, we're looking for further reductions in our capital spend for the coming fiscal year.

Ms. Sproule: — In terms of some of those restraint measures, did you factor in your plans to reduce employee wages by 3.5 per cent? Is that taken in when you calculated your net income?

Mr. King: — We've taken in account reductions in wages and salaries into our budget, not necessarily that three and a half per cent reduction, but reductions from budget have been included.

Ms. Sproule: — Could you maybe share with the committee what your budget reductions are for salaries?

Mr. King: — So for this fiscal year, in terms of our FTEs [full-time equivalent], we ended up 165 FTEs below our budget from what we had set for the year. And what we're looking to do in the coming fiscal year is to maintain that type of a restraint.

In terms of our wages and salaries, we ended up the year — these are preliminary numbers — but about \$22 million under budget for the current fiscal year, and the bulk of that is those FTE decreases.

Ms. Sproule: — Sorry, I missed that sentence, the last sentence.

Mr. King: — The bulk of it is due to the FTE reductions.

Ms. Sproule: — Okay, thank you. In terms of the grants in lieu

of taxes that you're paying, the 24 million or \$25 million in 2016, is that what you've budgeted for this fiscal year as well, is the same kind of amount? I think under the new bill that has been introduced, it's actually within the purview of the government to increase or decrease that amount and pay directly to the GRF. Do you have any indication from the government whether they intend to do that?

Hon. Mr. Wyant: — There's been no indication or any direction given to SaskPower with respect to that matter. And again, that's probably properly a question that might better be put to the Minister of Government Relations, but there's been no direction.

Ms. Sproule: — All right. Thank you. I know I've got a little bit of time left here.

This is a picayune question from your third quarter report for December 31, 2016. It's on page 3 of the highlight of summary of results, and I'm just wondering if you could explain this to me. So it's on page 3. It says, SaskPower reported \$3 million of unrealized market value net losses in the third quarter compared to \$10 million of net losses in the third quarter of the previous year, and that represents the changes in the hedges. Could you just maybe explain that a little bit for the committee?

Mr. King: — So with those market value losses or unrealized market value losses or gains, the bulk of them are the result of fixed contracts that we have for our natural gas program.

So SaskPower has a natural gas hedging program, where we lock in the price of our natural gas on a certain percentage of our anticipated needs. And so as the price of natural gas, the future price of natural gas moves up and down, we'll have unrealized gains and losses. So they are a gain or a loss on paper, but there's no cash going out until the actual contract itself settles. So in essence, the way of us fixing the price of natural gas, and then what happens is the unrealized piece recognizes gains or losses that are potential into the future.

Ms. Sproule: — All right. Well, Madam Chair, I believe that is the extent of the questions I have at this point in time.

The Chair: — Are there any other questions from committee members? Mr. Bradshaw.

Mr. Bradshaw: — I'm just curious how you could tell me . . . Like you say that you want to meet your goal of 50 per cent renewables share by 2030, and I just quite can't . . . I don't quite have that through my head yet as to exactly how you're going to do that.

Mr. Marsh: — Currently on a capacity basis, we have about 25 per cent of our generation capacity comes from renewables today. So 20 per cent is hydro, and about 4 per cent, 4 to 5 per cent is wind energy with the installed wind capacity we have in the province.

As we add wind facilities to the province, as we look at the potential for smaller hydro stations, we will be adding 1600 megawatts of wind plus some hydro to the mix which will bring our installed capacity up to 7000 megawatts, as I said earlier. And that will allow us to have about 50 per cent of our

generating capacity from renewable sources — so hydro, wind, the potential for some solar, perhaps a little more solar than the 60 megawatts we currently have approved for, and the potential for small amounts of biomass and perhaps geothermal, depending on how the market comes in.

And yes, the other aspect of that is demand site management, so that energy efficiency programs on the load side helps to reduce the overall capacity requirement. And it's considered to be an environmentally sustainable way to offset generation production.

So we are currently obligated to achieve a 30 per cent reduction in our greenhouse gas emissions by federal regulations, so as an electricity sector moving down this path, finding options to the greenhouse-gas-emitting coal and gas generation stations that we have today. So that's, you know, that's one of the reasons why we undertook the carbon capture plant.

As we look at the next decisions on coal, we have to clean them up to be as good as combined cycle gas so the emissions will drop by almost 60 per cent. But the target . . . We're doing this to achieve that greenhouse gas emissions target mandated by the federal government. We're going slightly beyond that to achieve 40 per cent reduction in our sector in the province, 40 per cent reduction in greenhouse gas emissions. And the numbers just happen to work out very close to that 50 per cent renewables on a capacity basis.

So we've got currently the project by Algonquin in the Blue Hills area, about 175 megawatts of wind which is currently in development. We have another 200 megawatts of wind that is currently going to the market.

[21:00]

And over the next 12, 13 years, every year or two we'll be looking at adding additional wind to get to that 1600 megawatts. When we do, based on the operating characteristics of our system, we will achieve that 40 per cent reduction in greenhouse gas emissions.

So it's installed capacity. The generation sources that will be delivering electricity to our grid will come . . . 50 per cent of the installed capacity will be from renewable sources — hydro and wind, predominantly.

The Chair: — Having reached the allotted time for our committee this evening, I'll ask if the minister has any closing remarks he'd like to make.

Hon. Mr. Wyant: — Just a couple of matters, Madam Chair. First of all, I'd like to thank you and the patience of the committee for sitting through tonight. And I do want to thank Ms. Sproule for her very respectful questions. Thanks very much. And especially thank Mr. Marsh, Mr. Yeates, Mr. King, and Ms. Verret Morphy for being here tonight to help answer questions. And of course thank Hansard for their support tonight as well.

The Chair: — Ms. Sproule.

Ms. Sproule: — Likewise, I appreciate the opportunity to say

thank you to yourself, Madam Chair, committee members, Minister Wyant, and certainly the officials tonight who are always prepared and give really good answers to the questions that we're seeking. So thank you very much for that, and thanks to Hansard.

The Chair: — In that conclusion, I'll ask a member for a motion to adjourn. Mr. Phillips.

Mr. Phillips: — It's my job.

The Chair: — It was a tie.

Moved adjournment. Is that agreed?

Some Members: — Agreed.

The Chair: — Carried. This meeting is adjourned until Wednesday, April 26th, 2017 at 3:45 p.m.

[The committee adjourned at 21:01.]