



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Herb Cox, Chair
The Battlefords

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Mr. Everett Hindley
Swift Current

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

[The committee met at 10:30.]

The Chair: — Excuse me, folks. Now being the hour of 10:30, I would like to convene the meeting. We have in attendance this morning Ms. Sproule, Mr. Hart, Ms. Heppner, Mr. Hindley, and Ms. Lambert, and Judy Ferguson here today.

So at the beginning we're going to table some documents. I would like to advise the committee that pursuant to rule 145(3), chapters 10 and 27 of the Provincial Auditor of Saskatchewan 2018 report volume 1 were committed to the committee.

Standing Committee on Crown and Central Agencies

The Chair: — Our first order of business today is the consideration of the Provincial Auditor chapters related to our committee, which are the 2016 report volume 2, chapter 50 and the 2017 report volume 2, chapter 50. Ms. Ferguson, if you would care to introduce your officials and make your presentation, please.

Ms. Ferguson: — Most certainly. With me this morning I've got Ms. Kim Lowe. Kim does a whole bunch of different duties in our office, one of which is actually doing our coordination with the legislative committees, and so she's the person that's led the work in terms of the chapter that is here before you this morning. So that's it.

The Chair: — Thank you. That's it. Okay.

Ms. Ferguson: — Do you want us to provide an overview of the chapter?

The Chair: — Yes, if you would, please.

Ms. Ferguson: — Okay, so I'll turn it over to Kim to do that.

Ms. Lowe: — Thank you. The chapters before you this morning do not contain any recommendations. Rather, they provide legislators and your committee with an overview of the overall status of the committee's recommendations resulting from its review of our office's audit work related to CIC [Crown Investments Corporation of Saskatchewan] and its subsidiary corporations, the status of its consideration of that audit work, and the status of the committee's review of annual reports of CIC and its subsidiary corporations.

First, with respect to the committee's review of our audit work related to CIC and its subsidiary corporations. In your review of our audit work, your committee makes recommendations. The committee includes its recommendations in its reports to the Assembly. The committee's last report related to its review of the office's audit work was the eighth report to the 27th legislature. This report was tabled on January 6, 2016. It includes 66 recommendations. By September 30th, 2017, CIC and its subsidiaries had fully implemented 98 per cent of the committee's 66 recommendations and partially implemented the remaining recommendations.

Also at September 30th, 2017 the committee had not yet considered five chapters from our 2017 report volume 1, which are related to four Crown corporations. At the conclusion of this

meeting the committee will have eight chapters from three different reports related to three Crown corporations left to consider.

Second, with respect to the committee's responsibility to examine annual reports of CIC and its subsidiary corporations, at September 30th, 2017 the committee had completed its review of annual reports of CIC and its subsidiary corporations up to and including the 2015-16 annual reports. At the conclusion of this meeting the committee will have completed its review of annual reports of SaskWater Corporation, SaskEnergy, and SaskTel.

Our office encourages the committee to continue to review the chapters in our audit reports and the annual reports of CIC and its subsidiaries within a reasonable time frame. The committee's review of these documents contributes to the committee fulfilling an important part of its role, that is, holding the government accountable in its management of CIC and its subsidiary corporations. And that concludes my overview.

The Chair: — Thank you, Kim. Okay, are there any questions relating to 2016 report volume 2, chapter 50 and 2017 report volume 2, chapter 50?

Ms. Sproule: — I just have a couple questions.

The Chair: — If you would please, Ms. Sproule.

Ms. Sproule: — On the 2016 report page 318, there's a reference to the Assembly. I'm just trying to figure out where this is required . . . It's the reference to *The Provincial Auditor Act* and our role as the Assembly, and the second bullet halfway down the page says:

The Assembly requires the Minister responsible for CIC to notify the Committee [that's us], in writing, about significant transactions of CIC and any of its subsidiaries within 90 days of the transaction.

I'm just wondering, Madam Auditor or Madam Principal, if you could tell me . . . The footnote for that says at the bottom of page:

Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public.

Has there ever been — and that's my question — has there ever been significant transactions of this sort brought to the committee's attention?

Ms. Ferguson: — Yes, there has, but it's been actually a period of time. What we find, the CIC sector, they have a process and actually an internal policy that they communicate to each of its Crown corporations defining what is a significant transaction. They require reporting to CIC board and then from the CIC board it goes to this committee.

So there hasn't been anything that has fallen within that bucket for, you know, a period of years. This requirement came about

in the '90s when there was quite a few changes occurring within the CIC sector in terms of the organization of the CIC sector and basically creation of entities, windup of entities, and where they were very active in that regard. And so since that point in time, things . . . there hasn't been as much activity.

Ms. Sproule: — I suppose then the windup of STC [Saskatchewan Transportation Company], that was very public so it didn't have to be reported by CIC. Would that be . . .

Ms. Ferguson: — Exactly. So they made sure that in that case they made a news release, a public announcement. So again it was in the public purview. So the whole intent . . . My understanding of the intent of that significant transaction reporting is really transparency and to make sure that those types of incidents gets to a public forum which, you know, a legislative public forum which is . . . This is the committee that it would go to.

Ms. Sproule: — Just to be clear, the determination of whether it's a significant transaction is up to the minister responsible for CIC and not this committee?

Ms. Ferguson: — That's right. That's the way that it was constructed. The actual definition was set by this committee. Stacey could probably know more than I do in terms of which year, but I think it was in the late 1990s. And so they, at that point in time, they made it a requirement really of the minister to make that call.

We do find that the policy that CIC has, it aligns with the definition that the committee did approve. And we do see from an audit point of view — and we actually look for it each year — that there is that reporting mechanism that is supposed to be happening. But frankly there's been nil reports.

Ms. Sproule: — Thank you. I don't know if Madam Clerk has anything to add to that.

Ms. Ursulescu: — I can provide a little bit of just history. In May of 1994 there was . . . The fourth report of this committee outlined the significant transaction requirement. And then it was a couple years after that, I think about 1997, that that definition was more clearly defined. And I'm just looking for the date in my history so I'll get back to you, the committee.

Ms. Sproule: — If there's any further information, that would be appreciated. Thank you.

The only other question I have is after today, we're meeting again on June 27th and, Mr. Chair, maybe . . . Will there be anything outstanding after that date, or are we able to cover all the outstanding business by next Wednesday?

The Chair: — We have no other meetings scheduled after that. It'll be at the call of the Chair and the executive committee. There is a couple of other annual reports to be reviewed later, so we'll set a date going forward.

Ms. Sproule: — All right, thank you. That's all the questions I have at this point.

The Chair: — Okay. Seeing the conclusion of the questions,

the 2016 report volume 2, chapter 50 and the 2017 report volume 2, chapter 50 have no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of these chapters. Moved by Mr. Hindley, has moved that we conclude consideration of the 2016 report volume 2, chapter 50 and the 2017 report volume 2, chapter 50. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried.

Now I guess we could take a brief recess at the will of the committee in order to get the new officials in. I'm not sure whether they're out there yet or not. Are they? No. Okay, we'll take a quick recess if we can and then bring in the officials.

[The committee recessed for a period of time.]

[10:45]

Saskatchewan Water Corporation

The Chair: — Okay, we'll reconvene the meeting. Welcome, Minister Eyre, and all of your officials from SaskWater Corp. today. Before we begin, take a moment to explain the format. For the consideration of the Provincial Auditor chapters, I will first recognize our Provincial Auditor, who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once that's completed, I'll recognize the minister to introduce your officials and respond to the chapters under consideration. After the auditor's chapters have been reviewed for each Crown corporation, I will excuse the auditor and then move into consideration of the annual reports.

Any questions about this process? Seeing none, I will now turn it over to Ms. Ferguson to introduce her officials and make her presentation on the 2017 report volume 1, chapter 28. Ms. Ferguson.

Ms. Ferguson: — Thank you very much, Mr. Chair, committee members, Minister, and officials. This morning with me I've got Ms. Kim Lowe. Kim is our committee liaison and assists our office, you know, in terms of getting this organized. I just also want to acknowledge Deloitte. Deloitte is the appointed auditor on this file. They were unable to join us this morning, so I'm going to present each chapter in the order that's presented.

So the first one's short and sweet. You know, I'm very pleased to advise the committee that in chapter 28 of our 2017 report volume 1, it reports the results of our third follow-up of two recommendations that we had originally made in our 2006 report volume 1 regarding SaskWater's processes to maintain its water treatment and transmission infrastructure.

We are very pleased to report that SaskWater has fully implemented both of the recommendations that are in this report. It gathered detailed information on its infrastructure and completed condition assessments for all its critical pumps and motors. Using this information, it developed a comprehensive maintenance plan for its infrastructure, including key elements such as requirements for frequency of inspections, scheduling

of maintenance activities, and assignment of those maintenance tasks. So that concludes our presentation.

The Chair: — Thank you, Ms. Ferguson. Minister Eyre, would you please introduce your officials and make any comments, please.

Hon. Ms. Eyre: — Well thank you and good morning, Mr. Chair, members of the committee. I'd also like to welcome Ms. Ferguson and Kim here today. Very pleased to be joined by officials from SaskWater and from my office: Doug Matthies, president of SaskWater; Eric Light, vice-president, operations and engineering; Jacquie Gibney, vice-president, business development and corporate services; Danny Bollinger, director of financial services; and my chief of staff, Jeremy Brick, are here today.

Mr. Chair, my officials and I are pleased to speak to the recommendations in the Provincial Auditor's reports and in the 2016-17 SaskWater annual report. I will provide a very brief comment as we consider each of the various chapters and the '16-17 annual report today, if that suits the Chair.

So as mentioned, in the Provincial Auditor's 2017 report volume 1, chapter 28, there were two recommendations largely related to developing an appropriate asset management system for the corporation. SaskWater has indeed developed an asset management system which we think will help to ensure the safe and sustainable operations of the corporation's infrastructure and contribute to the reliability of service delivery. I am pleased to note that the auditor is satisfied SaskWater has in fact implemented both of these recommendations.

The Chair: — Thank you, Minister Eyre. Do any members have any questions? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and thank you, Madam Minister and officials, for being here today. Just a quick question around infrastructure and the infrastructure improvements and replacements. Does the corporation have an estimate around deferred maintenance? Do you have a statement of maintenance that's been deferred?

Mr. Matthies: — Mr. Chair, Doug Matthies, president of SaskWater. We do not have a tally sheet, if I could describe it that way, in terms of the projects that we want to continue to upgrade. But as we've reported to the committee in the past, SaskWater really only became profitable in about 2011, and since that time we've been working our way through, I'll say, an accumulation of infrastructure refurbishment that was needed.

And so we've largely been trying to tackle these in tranches. We spoke last time about the work we're doing on the Saskatoon potable east pipeline where we are phasing improvements in a few kilometres at a time over a number of years. We've also spoken in the past about the work we're doing to refurbish the SSEWS [Saskatoon south east water supply] canal system, which is about 130 kilometres or so that we're responsible for that supplies a number of potash mines and small communities. And we've been refurbishing that over a number of years.

So I think we're at a spot where our infrastructure is significantly in better shape than it was just a few years ago because we have been making significant refurbishment investments. But it is going to be a few more years yet where we're going to continue to see elevated expenditures on refurbishment.

Ms. Sproule: — I guess I'm wondering, in terms of the requirements here about the two recommendations that have been fulfilled in terms of condition of that infrastructure and the maintenance plan, is there something you could share with the committee in terms of what the projected needs are for maintenance? Like do you have a record or something in your plans that go forward, maybe in your annual report? I haven't seen it in there, but it seems that this would be an important component of these recommendations, is that you know what needs to be dealt with in the future or what's on your to-do list, so to speak. We were just talking about our to-do lists for our homes, for example, so we all have a long one.

Mr. Light: — All right. Thank you, Mr. Chair. Eric Light, SaskWater, vice-president of operations and engineering. As far as the question, there's a number of things that we do to figure out what our needs are with respect to maintenance.

One of the things that we did on the SSEWS system is we had a condition assessment study done of the entire system and all the structures. And we used that condition assessment to develop a list of priorities. And then what we have been doing each year is we've budgeted a certain amount of money to work from the top priority down. And so we've been just progressing through that list of priorities that came out of that assessment study.

The other thing I would say is that we have been increasing the amount of money that we have spent on maintenance at SaskWater. We were averaging \$470,000 a year in 2004 and 2005. That increased to 1.6 million in 2007 and '08 as far as an average per year. And then we averaged 4.8 million per year from 2009 to 2015. We have an average of 9.1 million in fiscal year 2016-17 to fiscal year 2017-18. So we have been increasing the amount of money that we've been spending on maintenance each year.

Part of the process that we go through as well is, when we're developing our capital budget, we gather together our engineering managers and our operations managers, and they go through each of the systems and identify needs. And then we go through a process of figuring out the priorities so that we can determine which systems are actually going to get addressed in that fiscal year. And then of course we have a running list that would come back the next year, and same sort of an idea as far as what's the priority and working through those things.

The other thing that I would say that is kind of related to this is in our asset management system. The work on maintenance is scheduled by work orders, so we have work orders that are generated from the asset management system. And another thing that I would say around that is the number of work orders that have been completed has doubled from 2014 to 2016, so we were also increasing our efforts in that area as well too.

Ms. Sproule: — Thank you very much. I guess my specific question now is about the recommendation itself, where the

auditor had required or recommended that the water corporation compile reliable information about the condition of the infrastructure. So is that the running list that you just referred to? Is that what was provided to the auditor to say that this has been implemented?

Mr. Light: — So what we did is we identified our critical pumps, motors, and variable frequency drives and determined the condition assessment on that infrastructure. The other thing that we are doing is a history of maintenance which we log and capture in the asset management system. That gives us also another indication of what the condition assessment is. So that's what we did to satisfy the requirements of the Provincial Auditor's recommendation in this area.

Ms. Sproule: — And how often do you do condition assessments?

Mr. Light: — The condition assessments are done on a two- to three-year cycle as far as the specific infrastructure that's done. But the other thing that happens is the maintenance that is recorded in the asset management system also informs a condition if something occurs in the interim. If there's a repair or a vibration issue with a pump, or that sort of thing, that gets logged there and is used as far as prioritizing our maintenance.

Ms. Sproule: — So in terms of maintenance that has been deferred, do you have a budget line in your financial statements in relation to that? Or how do you keep track of what is left to do?

Mr. Light: — Besides the capital management numbers, we also have repairs and maintenance dollars that are in the operating budget. And we're currently at around \$2 million a year that we spend in those areas on smaller — under \$10,000 each — type repairs and maintenance. So that's also something that we're doing in the repairs and maintenance area.

Ms. Sproule: — So there's no deferred maintenance line item in the financial statement. This is just existing current.

Mr. Light: — That's correct.

Ms. Sproule: — Okay. All right. That's all the questions I have for this chapter, Mr. Chair.

The Chair: — Thank you, Ms. Sproule. The 2017 report volume 1, chapter 28 has no new recommendations for the committee to consider. So I would now ask a member to move that we conclude consideration of this chapter. Ms. Lambert has moved that we conclude consideration of the 2017 report, volume 1, chapter 20. Is that agreed?

[11:00]

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on to the 2017 report volume 2, chapter 15. Ms. Ferguson, if you would please make your comments on that chapter.

Ms. Ferguson: — Thank you very much, Mr. Chair. Chapter 15 of our 2017 report volume 2, starting on page 87, reports the

results of the annual integrated audit of SaskWater. We found SaskWater's 2017 financial statements reliable. It complied with authorities governing its activities regarding revenue raising, spending, borrowing, and investing.

It had effective rules and procedures other than one item. We note that it did not have a complete and tested business continuity plan. Since 2012 we had reported the need for SaskWater to implement and test a business continuity plan. A complete business continuity plan includes disaster recovery plans for its business, critical financial, and metering systems. Without a complete and tested continuity plan, SaskWater was at risk of its IT [information technology] systems and data not being available to deliver business-critical services when needed.

We understand that in 2016-2017 it had focused on putting its own IT systems in place, separate from those IT systems it had previously shared with Water Security Agency, instead of actually completing its business continuity plan and testing that. That concludes my presentation.

The Chair: — Thank you, Ms. Ferguson. Minister Eyre, would you please make your comments.

Hon. Ms. Eyre: — Thank you, Mr. Chair. Again as referenced in chapter 15 of the auditor's 2017 volume 2 report, there is one recommendation, namely that SaskWater implement and test a business continuity plan which was last considered by this committee in December 2016. And it was noted at that time that SaskWater had a business continuity plan, although its information technology system was not considered robust enough to deal with a disaster recovery situation. And it was also identified that SaskWater was transitioning to a new IT service provider and would be able to more fully address the business continuity concern once that transition was complete.

SaskWater has completed its IT transition, and in December 2017 it ran a simulation of a complete loss of all systems and records at its primary SaskTel data site. Full recovery of all systems and data at the backup site was achieved within five hours.

SaskWater also updated its business continuity plan and conducted a successful test of the plan on March 16 of this year, simulating a loss of its head office facility. Again, the test was facilitated by Marsh Risk Consulting to ensure that an objective assessment was made. And, Mr. Chair, I'm happy to advise the committee that, based on this additional work, that this recommendation has now been fully implemented.

The Chair: — Thank you, Minister Eyre. Do any members have any questions? I recognize Ms. Sproule.

Ms. Sproule: — Just one quick question. And thank you, Madam Minister, for informing us of those updates. It sounds like some progress has been made for sure, and I look forward to the auditor's full recommendation that this has been fully met.

Just to sort of round this out for a layperson like myself, in terms of business continuity, what were the risks? And can you provide us maybe with a scenario where this, without the full

implementation of this recommendation, that there were risks for obviously SaskWater customers and SaskWater's own operations?

Ms. Gibney: — Jacquie Gibney, vice-president of business development and corporate services. Prior to, if we go back a ways to when we were sharing our IT services with the Water Security Agency, what was missing in that service was a fully effective disaster recovery. So when you think of business continuity, we really can't have the business continuity unless we have the ability to get the IT systems up and running.

Their system was such that it would take . . . The estimate coming from them was anywhere from three to six months just to get the system back up and running and then attempt to recover the data. And we'd had two reports — one from KPMG and another one from Deloitte that was done for all the Crown corporations on cybersecurity. And in both of those reports, the second one in fact on cybersecurity, we were no better than ad hoc in terms of the systems that we had.

So we had an outside consultant come in and work with us to develop an IT strategy. Their recommendation was to transition to a new service provider so that we could in fact implement the disaster recovery. So what we have in place now is our data is stored at the SaskTel data centre in Regina. If that data centre goes down, it actually cycles over to the Saskatoon SaskTel data centre. So we're in a really good position now. We can recover all of our systems and our data, and as Doug said, in less than five hours. So that then enabled us to take that information, build out our business continuity plan, which is really then, now that you have your system back up and running, how do you make sure that you can provide those services? So the disaster recovery in the IT was our highest risk.

Ms. Sproule: — I don't have any more questions, Mr. Chair.

The Chair: — Thank you, Ms. Sproule. The 2017 report volume 2, chapter 15 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Ms. Heppner has moved that we conclude consideration of the 2017 report volume 2, chapter 15. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. And that concludes our consideration of the Provincial Auditor chapters related to Saskatchewan Water Corporation. I would ask now for the Provincial Auditor officials to be excused, and we'll move on.

Okay, so we're now going to be considering the 2016-17 chapter for Water Corporation's annual report. Minister Eyre, if you would please make any comments you may have.

Hon. Ms. Eyre: — Well thank you, Mr. Chair. The 2016-17 annual report indicates SaskWater experienced a challenging year and a rewarding year. Specific highlights for this period include signing a major new customer, the city of Melville; working with customers to improve the financial sustainability of a number of water supply systems; responding to the impacts of the Husky oil spill and its impacts on SaskWater's water supply system in the Melfort area; and receiving the results of

the 2016 customer satisfaction survey, which indicated an overall score of 8.64 out of 10, and that 90.2 per cent of respondents indicated they were either satisfied or very satisfied with SaskWater's service.

Financially, the corporation enjoyed a successful year. It generated \$6.5 million in earnings, paid 1.6 million in dividends to the province. The corporation has a healthy balance sheet with a debt-to-equity ratio of 44.7 per cent, which compares quite favourably to the 77.3 per cent ratio that existed in 2002 when the mandate of the corporation was changed to take on a commercial focus. SaskWater is small but it's an important member of the Crown corporation family, serving 62 communities and a number of other customers in the province that collectively represent approximately 80,000 residents.

So I'm happy to see the steady growth that SaskWater's been making and certainly look forward to its continued progress in the future. And with that, I'm happy to answer any questions, Mr. Chair. I'll also table some information, additional information that was requested. I believe it was May 15 that we've undertaken to get information on, so if I could, Mr. Chair.

The Chair: — Thank you, Minister Eyre. Okay. Thank you for those comments. Are there any questions from the committee? I recognize Ms. Sproule.

Ms. Sproule: — Thanks very much, Mr. Chair. Thank you, Madam Chair, and I do want to extend a big thank you to the officials from SaskWater for the fine work. Obviously your customer satisfaction reflects that fine work that your corporation is doing. And so on behalf of the committee, I want to thank you for all the work that you do in providing safe and potable water for all your customers.

This again will be fairly random. I'll bounce around, depending on what I'm looking at. So I apologize if we need to do some chair changing.

Last year, December of 2016, I guess is the last time we met to discuss your annual reports. And one of those discussions we had was with the take-or-pay provision in the contracts for big water volume users, and the minimum payments. I was just wondering, are there new large-volume water users that you've taken on since December of 2016?

Hon. Ms. Eyre: — Thank you, Mr. Chair. So in 2016, the BHP Jansen project was completed, and so the take-or-pay provision therefore became applicable or kicked in during 2016-17.

Ms. Sproule: — All right, thank you. And I think there was a cost-plus arrangement for one of your older customers. Is there any more cost-plus arrangements?

Hon. Ms. Eyre: — Thank you for the question. The answer is no, there has been no change.

Ms. Sproule: — Thank you very much. In that committee there was an announcement about the Melville project, and obviously that's a big score for the corporation. I'm just wondering if you could update the committee on the progress with that project.

Hon. Ms. Eyre: — All right, thank you, Mr. Chair. As I manage a copious paper cut, I will undertake to answer.

So first of all I'll update Ms. Sproule on the Melville project. Again, as she will know, SaskWater and the city of Melville signed the agreement on June 27, '16 and that was to build the new water treatment plant, the supply wells, and a 30-kilometre connecting pipeline. And that system is now being constructed over a three-year period. With commissioning in late 2019, the forecasted total capital cost: about \$37 million.

And in January 2017 SaskWater applied for grant funding under the Clean Water and Wastewater Fund for a \$13.75 million project to construct the water supply pipeline portion of the total project. June 2nd, 2017 SaskWater was advised that its application was successful and that \$10.312 million would be awarded, including 6.875 federally, which was 50 per cent; and 3.437 provincially, which is 25 per cent.

Again, construction of the pipeline portion of the project substantially complete in December '17. Cleanup will be undertaken in June, so this month, and the well control building will be substantially complete, again this month, June. And work is proceeding on the concrete foundation for the new water treatment plant.

Ms. Sproule: — Thank you very much for that update.

The Chair: — Should we record what time this injury occurred?

Ms. Sproule: — These are workplace hazards, yes. Occupational health and safety should be called in.

A Member: — Mission: Zero.

Ms. Sproule: — Yes, Mission: Zero.

My next question is regarding a discussion we had about your competitiveness with other competitors. And we discussed a little bit about the Epcor waste water deal for the city of Regina, and your indication at the time, Mr. Matthies, was that you didn't have . . . your pedigree was short, was the terms you used. So I'm wondering if you feel that you are making progress to be more competitive for some of these much larger projects. Obviously Melville is a large project for the corporation, but how are your plans coming? Or are there plans to become more competitive for some of the larger projects?

Mr. Matthies: — Mr. Chair, thanks very much for the question. I think the key shortcoming that SaskWater had at the time of the Epcor deal was we only were providing waste water services to lagoons, and the Regina project was very much about a mechanical facility. So we have a number of certified operators on staff that have qualifications to operate that type of facility, but we weren't able to point to specific projects that we own and operate that were anything more than a lagoon.

[11:15]

So since that time we've been working with a few customers to try to advance a project where we would actually be building and operating a mechanical waste water facility. These would

be typically for larger communities. At this point I would say that we have not been successful in finalizing those deals. So we are still pursuing them, but we would still find ourselves not able to point to any mechanical facilities that would be helpful in advancing ourselves as a partner in the larger project like the Epcor one.

Ms. Sproule: — All right, thank you. Back in May, last month, we talked briefly about your capital plan for going forward. And, Madam Minister, you mentioned some of the projects that are under way, including the Melville potable water supply system and treatment plant. And then you mentioned something called an irrigation woodlot, at least that's what it is in *Hansard*. But I'm just wondering if you could share with the committee what that project is.

Hon. Ms. Eyre: — Mr. Chair, I'm happy to update the member just about the project that was referenced, namely the town of Biggar irrigated effluent woodlot. So SaskWater's currently reviewing options for the development of a full-scale irrigated effluent woodlot system for that community, for the town of Biggar.

It's been struggling the last few years, you know, to adequately divert the influx of effluent that they've been receiving. And Biggar receives effluent from its own use and an equal amount or more from Prairie Malt and additional water from any runoff from the surrounding area. And the high levels of effluent in recent years have resulted in the exhaustion of all their, or the majority of their storage options.

So again SaskWater is reviewing options in this regard. I think it's important just to highlight that it's developing one option that provides a combination of discharge solutions. So utilizing some Hutterite irrigation, some irrigation to a woodlot in that regard shows some promise, and the solution proposes the removal of the emergency discharge to nearby water bodies, even with Prairie Malt's increase in production.

So SaskWater did an assessment of the area. It determined that an irrigated woodlot is a feasible solution, and capital costs were developed for these three potential sizes of woodlots. And it has submitted a proposal for an irrigated woodlot program to the Investing in Canada infrastructure program, so CIP [Canada infrastructure plan], and also to the Low Carbon Economy Fund.

Ms. Sproule: — Thank you for that. So the effluent itself would be the liquid used for irrigation. So it wouldn't be potable water in the irrigation project, it would be effluent-based?

Mr. Matthies: — That's correct. In essence what we're doing is we're taking water that would be eligible for release under regulation anyway, and rather than try to divert it to existing waterbodies that are sort of at capacity because this is a basin type of area, then what we would be doing is we would be irrigating trees with it, and then the trees would take up and utilize the water. And so we think it has great application in this area because there's certain environmental sensitivities in the area; you have the basin issue.

And traditionally with a lagoon-based system, for example,

you're either looking at an evaporative process where you need a very large holding area — and shallow — to evaporate the effluent away, or you keep it within the lagoon until it meets the regulatory requirements and then you release it into a water body. And so in this case what we're doing is we're releasing the water when it meets regulations to be used for irrigating a woodlot to make use of it.

Ms. Sproule: — In terms of the woodlot itself, would this be a commercial woodlot that would then use the tree material for commercial purposes?

Mr. Matthies: — So there is the possibility for that down in the future. The intent would be you'd be growing the trees for a number of years, and then they would become significant users of it. Over time you would probably start to develop, you know, the ability to sort of rotate some of the trees, so that you have some at various points in their growth pieces so that you never end up with your start situation again, where you've got lower consumption because of the young ages of trees. So you would be staggering them over time. So there certainly is that possibility.

The minister mentioned the application to the Low Carbon Economy Fund as well. One of the advantages of a woodlot as well is also as a carbon sink.

Ms. Sproule: — Are there any other crops, other than trees, that would be considered in this type of project? This is very interesting, so I'm just curious about could it be applied to a crop, some sort of cereal crop or pasture land? Is there any other applications, or is this specifically trees have been identified as the proper diversion?

Mr. Matthies: — So there are some situations where effluent is used to irrigate crops. We've gone to trees because the work that we've done to date has identified that trees are able to take up a larger volume of water, and what we're looking at is getting rid of large volumes.

Ms. Sproule: — Can you share with the committee what types of trees are being considered for this project?

Mr. Matthies: — We have tested several different tree varieties over the years. And I will just invite Eric back to the microphone to elaborate a little bit further.

Mr. Light: — Some of the trees that we have, we actually had a pilot project south of Moose Jaw that we've been running. Before that we actually investigated some woodlots, irrigated woodlots that were in BC [British Columbia] and Washington, and of course this has been used as well in Europe for quite some time. But what our goal is, is what works in Saskatchewan, and so hybrid poplars are kind of the main tree. Willows also were used in our pilot. And then we also had a community forest plot because we were . . . This pilot we were doing with a number of partners and they had an interest in testing other trees as well too.

One of the things that we were trying to figure out is not only the types of trees but also what was the most effective application rates. So we tried different application rates to see what worked the best. And then we also had a weather

station-type system, and we're using that to control how the irrigation works. So we irrigated less when it was wetter, and that sort of thing.

Ms. Sproule: — Thanks. I know in the past we've talked about your curve — and I'm not sure I'm going to articulate it well, but — for greening, essentially, your corporation. And has this project fit in that curve? Is this one of the things that you'd consider, yes?

Mr. Light: — Definitely, for sure.

Ms. Sproule: — Yes, absolutely. Hybrid poplar — I don't know what kind of commercial use it would have, other than maybe biomass or . . . I mean, it's considered a quick-growing tree, but it wouldn't be used for construction or anything like that, I don't think.

So in terms of future use, if you do go with hybrid poplar, and I'm assuming this . . . I don't think of Biggar as an area where trees would be sort of the commercial crop, but is your plan to further this technology in other areas where there are — I'm thinking of feedlots, for example — where there are effluent issues, or other communities may have large volumes of effluent that they need to deal with. So is this sort of a pilot, would you consider, for the corporation, or is this a one-off?

Mr. Light: — I would say, like the work that we did south of Moose Jaw was our pilot, and that this is our, like a full-scale application. And certainly we're looking for different opportunities, as well as Biggar, that we could apply this technology.

Ms. Sproule: — And I think, Madam Minister, you mentioned some funds that are available under, is it a federal-provincial fund? I guess this is just a way for us to access some of those dollars as well. Is that right?

Hon. Ms. Eyre: — Yes. We've applied for the funds, and as I mentioned, Investing in Canada infrastructure program and, as Eric mentioned, the Low Carbon Economy Fund. No decision has been reached yet though in that regard.

Ms. Sproule: — Very good. We'll watch the follow-up of this with interest. It sounds like a very interesting use of waste water.

I'm going to turn now back to the CIC payee disclosure report. I know we talked about it, I think, in December of last year. I can't remember the last time we spoke about it, but I do have one further question on that, and it's just in relation to a couple of the payments that were made under the section E, suppliers and other payments. There's no page number, unfortunately, that I can refer you to. I guess it's page 3. It's at the top, yes. So the one I'm interested in clarifying is, there's four I want to talk about today, but the first one is Crown Investments Corporation of Saskatchewan, \$1.4 million. That's the dividend. Is that correct?

Hon. Ms. Eyre: — Yes, that's correct.

Ms. Sproule: — Okay, thank you. And in terms of Gradworks, it's an amount of \$100,000 basically. What was that for?

Hon. Ms. Eyre: — So effectively CIC ran Gradworks, as you know. The students were employed then by SaskWater, and the contract was with CIC, so CIC paid the students.

Ms. Sproule: — Yes, thank you. Inspirit Enterprises received an amount of \$80,000. It was difficult to find information about this company online, so I'm just wondering if you could share with the committee what services were provided for that \$80,000.

Hon. Ms. Eyre: — So Inspirit Enterprises is a safety consultant concern. So they've been hired by SaskWater for a number of projects in that capacity: so for the Wakaw storage expansion; the Zelma dam upgrade, so with BHP as part of the SSEWS — soose is how it's always pronounced — yes; Melville non-potable pipeline and WTP [water treatment plant]; and then the Bunge force main replacement; the Bradwell diversion canal, the surface liner replacement; and the Wakaw backup power. And then a few other assorted ones, miscellaneous ones, for 4,000.

Ms. Sproule: — Where are they located out of, this company?

Hon. Ms. Eyre: — I believe in the Regina area.

Ms. Sproule: — Thank you for that. Okay, now I'm going to turn to the water quality report. And we had a bit of a discussion about this when we were considering vote 140 just last month about precautionary drinking water advisories, and we see there were 11 issued in 2017.

And this is further to the question I asked you, which you tabled a reply today on. I have an individual who's come to me with some concerns about potable water being delivered by an independent company. And I just want to pull those comments up in terms of his concerns and SaskWater's connection with that project.

[11:30]

If I'm understanding it correctly, this particular company, Lost River Water, purchases water from SaskWater. So you're the supplier, and in this letter — here it is — you indicate that there's 2 million cubic metres that are being allocated to private suppliers. And the list is long — rural water pipelines, co-operatives, Hutterite colonies, trailer courts, regional parks, cottage area developments, campgrounds, rural subdivisions, and other similar small users.

So in this particular case, it's a rural subdivision, an acreage, and the company got a contract to sell potable water. When you are selling water to these individual companies, what sort of risk analysis do you determine that they indeed have the capacity to deliver potable water safely to those residents?

Mr. Light: — So when we sell water to a rural water utility, we are . . . the water that we sell is regulated by Water Security Agency. And so when we pass that on, at the point of delivery to that rural water association, the water must meet the water quality regulations. And we operate under a permit to operate from Water Security Agency. The same thing occurs as that's passed on to the rural water users association. They would have a permit to operate that's issued by Water Security Agency, and

they have to meet the requirements of that operating permit as far as testing and demonstrating that the water is safe.

Ms. Sproule: — In terms of . . . you referred to a rural water utility. Those would be publicly owned, I assume, utilities that are regulated as well in a number of ways through the municipal authorities. And then you referred to something called the rural water users association. Would a private company like Lost River Water have to be a member of that association?

Mr. Light: — No, they don't have to be a member. I guess my reference was more an organized group that is an association. There is a rural water users association, but I was speaking more in terms of an organized group of users that has an association for distributing water.

Ms. Sproule: — Yes, in this case I don't believe there is an organized users' group. This was just an individual private utility, I guess, that is purchasing water from SaskWater just outside of Saskatoon.

I know that there was a complete depressurization that happened earlier, possibly due to a power outage; it's not clear yet, and the user is investigating this currently. But in the event . . . You report all of the depressurization events that are related to your pipelines. I don't know if . . . They're not a subsidiary, but they're definitely a user of SaskWater. What sort of . . . I'm worried about perhaps liabilities to your corporation if one of the people that's purchasing water from you is not responsibly dealing with its requirements, and Water Security Agency has basically said they're not looking at that. So is there any concerns from SaskWater's perspective if one of your customers is not delivering potable water safely to its residents?

Mr. Light: — So in this case, Lost River Water is responsible for ensuring that the water that they are delivering is safe and meets the regulations. I would have to say that I'm not too clear or understand the comment that the Water Security Agency isn't part of that process because my understanding, they would be, you know, responsible for making sure that Lost River is fulfilling the requirements of their operating permit.

Ms. Sproule: — If I understand correctly — and again, I'm just getting this reported to me — WSA [Water Security Agency] was asked to take a reading, and they said no, they wouldn't take a reading of the water pressure. Apparently the psi [pounds per square inch] should never fall below 20 pounds per square inch and the tests that the individual has obtained are regularly under 20 psi. So it creates a real safety issue.

And on other instances, I just have notes from our conversation but it seems like . . . I don't know if Water Security Agency doesn't have enough people to be able to help out but there's a real frustration on the part of this individual that his safety — and the people in that acreage — is at risk. And in particular, there was a complete depressurization that has been basically disputed or ignored, but he has readings that show that this actually occurred. He has spoken with officials from SaskWater, has felt like there was an offer of help to make sure that this system is safe for the people that are using it.

And this is obviously a safety issue so I'm just wondering, as a Crown corporation, you know, I don't know what the concerns

would be from your perspective but you are supplying the water to that customer and there's evidence on the part of the individual that lives there that there's some serious safety risks. He's tried to get the health region involved; he's tried to get Water Security Agency involved, and I think feels very frustrated that there hasn't been an adequate response.

So I understand your role is basically, this is a customer of yours, but if there is public health and safety concerns that arise because of these depressurizations or the continual low psi . . . I guess I'm just alerting you to this and wondering if this is something that you could help these citizens out with because they're at risk.

The Chair: — I'm a little unclear, Ms. Sproule. Is this maybe not an issue for WSA, for Water Security Agency, rather than this meeting?

Ms. Sproule: — It is definitely an issue for WSA, Mr. Chair, and you would know as you were minister responsible for both of these agencies. I'm just wondering from a liability perspective for this particular Crown, because they are supplying potable water to this customer who's then applying . . . Is there anything this Crown could do . . . [inaudible interjection] . . . Yes, thank you.

Mr. Matthies: — Mr. Chair, I think the couple comments I would make is, SaskWater's responsibility for the water that we produce and distribute ends at the point of delivery to the customer connection, and thereafter it is the customer's responsibility. And in this case, if I've understood the discussion correctly, it is a user on one of our customers' systems who is having the issue.

Specific to depressurization I would observe, and as the member has observed in our water quality reports, they are not rare. They are not plentiful but they happen, and power outages is a significant contributing cause. And typically when there is a depressurization related to a power outage, there is an established protocol that you have to go through. You get the power back up; you have to go through a testing protocol, and you have to have two positive tests before you can remove a precautionary drinking water advisory.

So those processes are in place and are regulated by the Water Security Agency. The security agency's focus would be certainly on the quality of the water. Pressure, I'm not sure that would be something that they would be specifically targeting a measurement for, except that if you get low pressure then you have the risk of contamination in the system. And so that's why there is a testing protocol that is required for all users, that you have to be able to demonstrate you're taking the tests and that your water quality is meeting those standards.

Ms. Sproule: — Would there be any circumstances in terms of the relationship with your customers where, if you became aware that there was not proper testing protocols, that depressurization had occurred without proper follow-up, those kinds of things, would you ever consider cutting off a customer? I mean that would be very drastic I suppose because people need potable water. But would you have the ability to say, we can no longer deliver potable water to you because you are a risk? Or is that something you would look to Water

Security Agency to do?

Mr. Matthies: — The Water Security Agency has the hammer to impose that type of decision. If a particular water provider is not operating in a safe manner, they can basically pull the permit. And if it is a customer that we provide, then they have to maintain a valid permit. And if that permit has been pulled, we would no longer provide that service.

Ms. Sproule: — Thank you very much for that. Just turning to the financial report itself, or the annual report, I have a number of questions, but do we really only have five minutes left?

The Chair: — I'll give you seven.

Ms. Sproule: — Seven. Thank you. It seems to be a popular number. Just want to focus myself a little bit.

Maybe looking . . . I guess maybe we should look today at some long-term debt. On page 85 of your annual report, just looking at some of the maturity dates and amounts for those maturity dates of some fairly significant loans. So 10 million is coming due in March of 2041, and 9 million due in December of 2030. Those make up almost half, or I guess, maybe about 40 per cent of your outstanding long-term debt. What were those two amounts intended for, or used for, I guess?

Mr. Bollinger: — Danny Bollinger, director of financial services at SaskWater. The \$9 million issue was for the Mosaic Belle Plaine project. And the 10.718 million was for a number of projects. We have about 1.3 million for the Mosaic project. There was 1.3 million for the Regina non-potable water supply system, east system.

We had a number of projects that were allocated to Saskatoon, approximately 2.4 million. There was another 1.8 for the SSEWS. We had some smaller projects, about 2 or 300,000 being on our Echo system, our Gravelbourg system, and our Codette Lake system. As well, we had approximately \$3 million of that allocated to the Wakaw-Humboldt system.

Ms. Sproule: — Okay, thank you. In terms of debt repayment, obviously you've done this so you wouldn't have concerns about the ability to repay, but when there are significant amounts outstanding for those particular years, how do you manage that?

[11:45]

Mr. Bollinger: — You have a requirement from the Ministry of Finance to contribute to sinking funds towards these issues. We contribute annually towards them in order to ensure we have the ability to pay them off when they come due.

Ms. Sproule: — And are those interest rates locked in then for the term?

Mr. Bollinger: — Yes, they are.

Ms. Sproule: — Okay, thank you. At the bottom of the page, there's long-term debt repayments in the next five years, and then thereafter there's the \$37.9 million. In terms of thereafter, that's what's spread out over the entire schedule here.

Mr. Bollinger: — Yes.

Ms. Sproule: — Okay, thank you. Do I have time for . . . How am I doing?

The Chair: — Good.

Ms. Sproule: — Okay. Page 79 in finance income, that's finance income and expenses note, note 5, debt retirement fund earnings. And I assume that it would be your sinking funds. They seem to have gone down quite a bit, although I recognize it's a 15-month period as opposed to a 12-month period. Can you explain for the committee why those earnings have dropped so much?

Mr. Bollinger: — Okay. The debt retirement fund earnings are earnings on our sinking funds. Those funds are managed by the Ministry of Finance. They actively trade those within their portfolio. We have a sort of a share-based amount of the portfolio, and so our income is completely based on their ability to trade those and get . . . Some of them are profitable, some of them are not, but that's within the Ministry of Finance's responsibility.

Ms. Sproule: — Do you have any choice as to whether you use Finance as your investment company, or could you do this out-of-house, out of the government services?

Mr. Matthies: — Our arrangements are strictly through the Ministry of Finance, and we have our borrowing authorities established in our legislation and with Finance. We would have some capacity to go externally, but at this point we don't see that it would be a cost benefit to be worthwhile.

Ms. Sproule: — Okay, thank you. One last one? Thank you. I'd like to follow up on some of these, but I know time is limited.

Page 69 is the statement of cash flows, operating activities. I note that cash for operating activities overall is down \$20 million, which is a fairly large drop in terms of cash. It seems to flow basically from the change in non-cash working capital items. So I'm just wondering if you could give us a brief explanation of why there's such a significant drop in cash from the previous annual report?

Mr. Bollinger: — You're correct. The difference from cash from operating activities did fluctuate within those non-cash working capital items. Primarily that was from our trade and other receivables, and the major decrease was a year-over-year balance at that year-end was for the BHP project was the significant amount that changed within that period. At the end of March of 2016 that project was still . . . Yes, construction was still in full swing, and we had large receivables from them. They've obviously paid those, and that amount has gone down.

Ms. Sproule: — All right. Thank you very much to everyone this morning. I understand time is up, but I really appreciate the forthcoming answers and the information that the committee has been provided for this year's annual report review.

The Chair: — Thank you, Ms. Sproule. Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. I notice that the

corporation owns, well I think it's about three water treatment plants that provide potable water to one community, and I think all three are in the Regina east area. Could you explain your methodology in setting the price for the water to those communities? Is it on a per-community basis or is it a price that's applied to across the board? What methodology do you use in determining the cost to the communities?

Hon. Ms. Eyre: — Thank you, Mr. Chair, for the question from the member. So these are all independent, the White City, Edenwold, and Cupar are all independent, not connected, and so therefore rates are tied to the customers that way, rather than as a whole.

Mr. Hart: — So each community would have its own price, depending on costs and so on? Is that what you're telling me?

Hon. Ms. Eyre: — That's correct.

Mr. Hart: — I thought perhaps that's the situation. You know, there's certainly no qualms about the quality of the water, but there is some discussion about the cost and so on, but I mean that's a matter . . . Now I guess maybe just expanding on that a bit, is the price set on a per annum basis or over a period of two or three years? And I'm guessing that, is there a . . . or obviously I would hope there would be some consultation with the individual communities, you know, when the prices changed.

Hon. Ms. Eyre: — Okay thank you, Mr. Chair, for the question from the member. So SaskWater engages in customer engagement with a view to discussing and obviously, you know, conferring about and consulting about rate changes. And generally communities have preferred the multi-year scenario so to ease budget planning, which makes sense. And so that's generally been the model that they have preferred and the one that SaskWater has accommodated.

Mr. Hart: — Thank you. Thank you for that answer. Just following up on Ms. Sproule's questions and comments regarding the woodlots and utilizing waste water for trees and so on, I found that rather interesting. And you know, I certainly think that I agree with Ms. Sproule that that's something that I think not only the water corporation but other communities, you know, perhaps could be looking at and utilizing that sort of system.

I might offer an opinion on the variety of trees. The hybrid poplars are fairly short lived, and perhaps you may want to consult with some folks that are quite knowledgeable in that whole area to perhaps incorporate . . . I mean the hybrids serve a purpose. They grow quickly and will use a lot of water, you know, at the start of a project, but you may want to incorporate some longer lived trees and so on. I just offer that. I'm drawing on some of my previous experience at the PFRA [Prairie Farm Rehabilitation Administration] tree nursery on that. So thank you, Mr. Chair.

The Chair: — Thank you, Mr. Hart. The following document is now tabled, and that is CCA 58-28, Saskatchewan Water Corporation: Responses to questions raised at the May 15th, 2018 meeting.

I would now ask a member to move that we conclude consideration of the 2016-17 Saskatchewan Water Corporation annual report. Mr. Hart has moved that we conclude consideration of the 2016-17 Saskatchewan Water Corporation annual report. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. That concludes our business with the SaskWater Corporation. Madam Minister, do you have any final comments you'd like to make?

Hon. Ms. Eyre: — I would certainly like to thank you, Mr. Chair, for presiding today, members of the committee, Ms. Sproule for her questions, and Hansard of course as ever. And much appreciated everyone's time here today, of course my officials as well.

The Chair: — I would like to also thank your officials. And Doug, I'd like to just go on record here of you alluded to the oil spill in 2016, and I'd like to thank you and your officials and all of your staff for the great work that was done. Of course I was fairly closely involved at that time with boots on the ground, and you did an excellent job. So I'd just like to go on record as saying, thank you for that. And thanks to the committee. We'll now recess until 1 p.m.

[The committee recessed from 11:56 until 12:58.]

The Chair: — Now being nearly 1 o'clock, we'll reconvene. So welcome back, everyone. Before we do begin this afternoon, I'd just like to take a moment to remind the committee members and the officials of the format that we're going to be following this afternoon.

Firstly I'll recognize the Provincial Auditor, who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once that's completed, I'll recognize the minister to introduce their officials and respond to the chapters under consideration. After all the auditor's chapters have been reviewed, I will excuse the auditor and then move on to consideration of annual reports.

Any questions about this process? Seeing none, I will now turn it over to Ms. Ferguson to introduce her officials and make her presentation of the 2017 report volume 2, chapter 47. Ms. Ferguson, please.

SaskEnergy Inc.

Ms. Ferguson: — Thank you, Mr. Chair, members, Minister, and officials. With me this afternoon is Ms. Tara Clemett. Tara's the deputy provincial auditor responsible for the health division, which includes actually SaskEnergy and a number of other entities. And also behind is Ms. Kim Lowe, and Kim is our committee liaison. So without further ado, I'm going to turn it over to Tara to present the chapter.

[13:00]

Ms. Clemett: — Chapter 47 of our 2017 report volume 2, on pages 309 to 310, reports the results of our second follow-up of SaskEnergy's process to secure its SCADA [supervisory control

and data acquisition] system. The chapter includes no new recommendations for the committee's consideration.

Our 2013 audit found that SaskEnergy did not have effective processes to secure its SCADA system, used to control and monitor distribution of natural gas. We made seven recommendations. Our 2015 follow-up found that SaskEnergy had implemented five of the seven recommendations.

We are pleased to report, by August 31st, 2017, SaskEnergy implemented the two remaining recommendations. SaskEnergy strengthened the configuration of its SCADA system network and implemented real-time SCADA system monitoring and reporting of security information and alerts. That concludes my presentation.

The Chair: — Thank you for that. Minister Eyre, would you please introduce your officials and make any opening comments you may have.

Hon. Ms. Eyre: — Well thank you, Mr. Chair, and committee members. Thank you again, Ms. Ferguson and your officials from the Provincial Auditor's office, for being here with us this afternoon.

SaskEnergy is here, as stated, to bring a final report on recommendations for the supervisory control and data acquisition system known as SCADA. SaskEnergy President and CEO [chief executive officer] Mr. Ken From is unfortunately not able to be here with us today. He sends his regrets. But I would like to take a moment to introduce SaskEnergy officials who are here with me this afternoon: Mr. Mark Guillet, vice-president, general counsel, and corporate secretary; Ms. Christine Short, vice-president of finance and chief financial officer; Mr. Derrick Mann, behind me, vice-president, engineering, integrity, and construction; Mr. Scott Terlson, executive director of operations; and Ms. Jill Schmeltzer, manager of SCADA and automation.

Mr. Chair, SaskEnergy uses the SCADA system to remotely monitor and control its compression, pipeline, and storage facilities around the province, 24 hours a day, 7 days a week.

As an example that demonstrates its critical importance for our infrastructure system, SCADA was first there, the first to detect a major problem this past January with a transmission pipeline northwest of Melfort that supplied natural gas to several communities. SCADA alerted staff of a major issue which then assisted in a faster reaction by helping to determine the location and the extent of the outage which impacted over 3,500 households during dangerously cold winter temperatures. That's just one example of how we rely on SCADA and the SCADA system to keep Saskatchewan people safe and warm during the winter months.

In 2013 the Provincial Auditor made, as reference, seven recommendations to improve security processes to protect SCADA against risks. SaskEnergy took these recommendations very seriously and worked toward implementing them as quickly as possible. By March 2015, SaskEnergy had implemented five of the seven recommendations, with the remaining two continuing to be in progress at that time or partially implemented. And I'm pleased to advise the Office of

the Provincial Auditor and the committee that those two outstanding recommendations were in fact verified as fully implemented on August 1, 2017.

The recommendation that SaskEnergy configure its SCADA system network to protect it from security threats is fully implemented. SaskEnergy has completed the installation and configuration of the required servers and firewalls as of November 2016 to meet the specifics of this recommendation.

The second recommendation, that SaskEnergy monitor the security of SCADA, has also reached full implementation as of December 2015. The SCADA system has been integrated with the corporate security information event management system, which is monitored 24 hours a day, 7 days a week.

SaskEnergy has plans to further improve its processes and its controls around security risk assessments and management systems. On an ongoing basis, SaskEnergy will provide the framework to continue to monitor and improve security over its critical infrastructure.

SaskEnergy appreciates the attention to detail and the scrutiny that the Provincial Auditor's office brings to these important safety and security functions. And so we would sincerely like to thank the Office of the Provincial Auditor for their careful consideration of the SaskEnergy and SCADA system, and certainly please let us know if there are any further questions on the matter. Thank you, Mr. Chair.

The Chair: — Thank you, Minister. And I'd just like to request the officials to please identify yourself the first time you speak, should you be answering questions. Do any members of the committee have questions? I recognize Ms. Rancourt.

Ms. Rancourt: — Thank you. I do have some questions with regards to the SCADA system. You indicated that because of the full instalment of the program and having it indicate the issue in Melfort, which was wonderful, what would stimulate an incident that would be recognized by the SCADA system?

Hon. Ms. Eyre: — Thank you, Mr. Chair, and for the question from Ms. Rancourt. So SCADA would monitor and be able to detect situations on a ... you know, everything from compressors to overpressurization situations. And so because it's monitored 24-7 it's extremely sensitive in that regard in what it can pick up and the range of issues that it can identify. And another example would be with Prud'homme in 2014 where there was a cavern ... it was a fire issue, and again SCADA picked up on that right away.

Ms. Rancourt: — And so how many incidences have been reported in the past year?

Hon. Ms. Eyre: — So over the past year only the Melfort situation would be regarded as on the serious side of the range. Otherwise there are of course, as the member will know, a range of day-to-day monitoring issues that's simply part of running a system such as SaskEnergy runs. So that would also be registered and available through SCADA monitoring. But not on the serious side, so Melfort being the only significant one over the past year.

Ms. Rancourt: — And where is the security system monitored from?

Hon. Ms. Eyre: — So that would be out of the gas control centre here in Regina, the main centre.

Ms. Rancourt: — And would this be SaskEnergy employees who work with the system?

Hon. Ms. Eyre: — Yes, it would.

Ms. Rancourt: — That's all the questions I have with regards to this.

The Chair: — Thank you, Ms. Rancourt. The 2107 report volume 2, chapter 47 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Ms. Lambert has moved that we conclude consideration of the 2017 report volume 2, chapter 47. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. And that concludes our consideration of the Provincial Auditor chapters for SaskEnergy. And I would excuse Ms. Ferguson and her officials and we'll move on.

Okay, we'll move directly into considering the annual reports and financial statements of SaskEnergy and its subsidiaries, which include the 2016-17 SaskEnergy annual reports, the 2016 SaskEnergy Incorporated and subsidiaries financial statements for the year ended March 31st, 2017. Minister Eyre, please make any comments that you may have.

Hon. Ms. Eyre: — Well thank you, Mr. Chair. I won't introduce the same officials. They remain the same as well as my chief, Jeremy Brick, is also here. Again thank you for the opportunity to discuss the '16-17 annual report and the financial statements. So just some brief remarks to share that will address some of the highlights from the '16-17 fiscal year and then obviously would be pleased to answer any questions that the committee may have.

So in '16-17 SaskEnergy delivered on its mandate to supply affordable natural gas to its growing customer base in a safe, reliable way. Income from operations was \$70 million and our debt-to-equity ratio was within the long-term target range. This resulted in a dividend of 29 million declared to Crown Investments Corporation. Customer growth levels of 4,000 new customers were behind these solid operational and financial results.

Not surprisingly, as safety is top of mind throughout SaskEnergy's corporate culture, \$91 million was dedicated to system integrity efforts in '16-17. These dollars supported many programs including the service tee upgrade program in communities across the province and enhanced underground leak surveys which helped to achieve the lowest leak rate in corporate history. SaskEnergy also increased promotion of important safety and damage prevention initiatives involving the Sask 1st Call safety patrols, Sask 1st Call mobile app and website, increased supervision around digging work at pipeline crossings, joint Crown line locates, and enhanced contractor

and public awareness. These combined efforts contributed to a significant reduction in underground damage incidents of 11 per cent over the previous year and 35 per cent from 2013.

Major investment was made by SaskEnergy to connect industrial and commercial customers in key Saskatchewan sectors including potash mining, enhanced oil recovery, and power production. Transmission volumes had 7 per cent growth with an increased demand of 22 petajoules in 2016-17, while transmission and storage revenue increased by 11 per cent to 134 million.

Despite the pressures that come with growth, SaskEnergy achieved \$4 million in efficiencies through process changes, Crown collaboration, and new technology. SaskEnergy also invested 198 million in capital programming to maintain a safe and reliable distribution and transmission pipeline network and to continue expansion of its system and provide the infrastructure that is required to meet current and future growth requirements. It's also important to note that SaskEnergy maintained competitive commodity and delivery rates for its customers despite these external pressures.

So a few additional 2016 highlights include SaskEnergy achieved its best-ever employee safety performance, which built on our commitment to keep our employees and the public safe. There were important environmental efficiencies that were also achieved, with SaskEnergy exceeding its target for compressor emission reductions by 20 per cent. By implementing compressor station leak detection and repairs, this measure saved nearly 160,000 in lost gas annually and reduced greenhouse gas emissions by 18 000 tonnes.

Over the past decade, including the '16-17 fiscal year, Saskatchewan experienced strong economic and population growth, and SaskEnergy has played a major role in supporting that development. As can be expected, many pressures follow when there are high levels of growth, industrial expansion, and increase in population. In light of this, when we review past annual reports, it's apparent that SaskEnergy has met the challenge with forward-looking plans that have served the need of the company and the needs of the province.

So before we get to the committee's questions, Mr. Chair, I'm going to table some information which we had undertaken to obtain, I believe it was on May 15. And then we'd be happy to answer any questions.

[13:15]

The Chair: — Thank you, Minister Eyre. Thank you for those comments. And do any of the members of the committee have questions? I recognize Ms. Rancourt.

Ms. Rancourt: — Thank you. So thank you for coming again, officials, and we've been meeting quite regularly the last few months, which has been really a pleasure. And so having a little bit of a break from session, I've had an opportunity to review the annual report and I have to say that I believe it was really well written and there's a lot of information there. So it really gives a good outline of the corporation and their vision for the future and some of the challenges that they've been having as well.

And so it's unfortunate that Mr. From couldn't be here. I believe this would've been his first annual report, from some of the previous ones I've been reading. And so I have some questions with regards to his message within the annual report, so I'm hoping you'll be able to answer some of that. My first question is, in his report he indicates that there's "... a variety of new factors [that] affect the natural gas industry in potentially disruptive ways." I was wondering if you could elaborate on that.

Hon. Ms. Eyre: — Well thank you for the question. And again a number of things, I think — obviously I can't speak for Mr. From, but I think that what he's alluding to, obviously, are, as the member referenced, some of the changes to the landscape over the past few years. And some of these have been significant. The number, the amount that we now import from Alberta, of course, is one. The fact that prices have fallen significantly, and so some of the realities around that and the economy of that have obviously been front of mind for SaskEnergy and for the gas sector, oil and gas sector.

And again I think specific to Saskatchewan — well within the province, of course, and some of these I referenced in my opening remarks — the increase in population growth. The increase, in some cases, in industrial need has had an effect on SaskEnergy and the services that it provides. A huge increase or significant increase in customer demand for natural gas, that's absolutely rising, and as I say, industrial and population growth.

So those are factors that he would be noting, of course, and also around transportation. So as the member will know, Mr. Chair, there have been changes in pipeline operations in Alberta that have caused a certain amount of disruption, and that was over the past year. But just in terms of transportation and some of the issues that that has then put Saskatchewan in, and in terms of Alberta, and that increase in transportation, you know, as having to then import so much more than perhaps was previously the case, has changed things quite significantly. And I'll ask Mark to add anything else that he feels should be added at this point on that.

Mr. Guillet: — I'm Mark Guillet. On Mr. From, unfortunately I can't speak directly for him, but if you look at his messaging in the annual report, he was referencing that, you know, he'd been away from our organization for nine years prior to him retiring and then coming back. He was in charge of our gas supply area and was involved in dealing with the purchasing. And when he came back he'd seen, you know, and through his experiences outside, had brought back some other knowledge to us in our organization.

But one of the big changes that had been happening, as the minister had indicated, is that the amount of supply now that we're bringing in, at the time would have ... Prior to his departure, we were not being a net importer of natural gas to Saskatchewan, whereas now our volumes, because of the increased demand that we've had in Saskatchewan, has been increased significantly over the past number of years, and the supply gone down in Saskatchewan. You know, our importing of natural gas from Alberta and British Columbia, predominantly from Alberta, we're now importing about 65 per cent of our natural gas.

As the minister had indicated, there's been some transportation issues that had come up in this year when Mr. From came back, in Alberta, which is being faced by industry in total. So there's some issues regarding transportation and getting gas into it. So that's some of the disruptive ways and some of the issues that he would have been alluding to, I believe, in his messaging.

Ms. Rancourt: — Thank you. And so what were some of the plans that were put in place to manage operating costs?

Hon. Ms. Eyre: — So thank you, Mr. Chair, for the question from the member. So just I'll begin by talking a little bit about some of the efficiencies, which of course are an ongoing part of SaskEnergy's doing business and how it does business, and highlight some of those. And then perhaps I'll ask Christine to add anything else on that she feels is necessary.

But in '16-17 SaskEnergy achieved, as was referenced in the opening remarks, \$4 million in efficiencies by continuing to make incremental changes that add up to larger savings. And they included Crown collaboration efforts such as the advanced metering infrastructure project, billing initiatives with SaskPower, increased use of mobile compression, targeted internal business process changes, leveraging of technology, with continued savings from the new customer information system, and again a range of revenue initiatives.

And some of the \$48 million in efficiencies since '09 have included, again the AMI [advanced metering infrastructure], joint servicing, again mobile compression is referenced, damage prevention efforts, increased paperless billing, procurement process changes, overtime management, distribution service upgrade program. So those have gone into just the ongoing efforts of SaskEnergy. And Christine, if you'd like to add anything else.

Ms. Short: — Thank you. Christine Short. Yes, I mean SaskEnergy is very cost conscious. We have been very diligent in managing our costs over the last several years, recognizing that, you know, costs to maintain our very expansive distribution and transmission system continue to add cost pressures. But SaskEnergy has always been very diligent and very efficiency focused, very innovative, looking for different ways to deliver service. So those are some of the areas that we focused on in addition to what the minister has already suggested.

Ms. Rancourt: — So what were the higher third-party transport costs related to?

Hon. Ms. Eyre: — So that goes back again to what was referenced earlier about the net importing from Alberta and the fact that because of that transportation and those transportation tolls, there is that cost that's incurred by virtue of that new reality with Alberta.

Ms. Rancourt: — And can you explain in more detail what was meant in the statement, and I'm going to quote, "... regulations and codes related to climate change mitigation could have long-term implications for SaskEnergy's business."

Hon. Ms. Eyre: — Well it's simply . . . Again we can't speak for Mr. From directly, but he would be referring to just the

overall regulatory intensification that we're seeing. There are NEB, National Energy Board, requirements for SaskEnergy; there's a regulatory intensification increase in regard to that. Obviously what we're seeing from the federal government, the prospect of carbon and other regulations involving and impacting those environmentally affected areas and so on. And so it would be part and parcel of, as I say, just the regulatory intensification that the industry is seeing. It's just a reality of doing business today.

Ms. Rancourt: — And while being on the discussion of climate change mitigation, on page 24 there's some information with regards to the greenhouse gas emissions. What is being done to improve greenhouse gas emissions?

Mr. Mann: — Derrick Mann. A few of the projects that we endeavoured this year that we're talking about around greenhouse gases are, just to give some hard examples, something called SlipStream where we add some equipment on some of our compressors that vent natural gas, small amounts but it adds up. We have a lot of compressors. So we had a few different locations around the province where we added this newer technology on there to basically capture and reuse that natural gas so it's not being vented. So those two projects alone saved 1300 tonnes of CO₂ per year equivalent.

We had another what we call instrument air conversion, where we've got controllers and things that actually operate valves and equipment on our pipeline. A lot of those historically were ran off of natural gas; so again, when they operate there's a small amount of venting that happens. We've went into one of our stations and removed those and put in different types of devices. And again that project saved 2000 tonnes of CO₂ equivalent here.

So those are types of things that we're implementing across our company, trying to always look at where we can get our best savings, from an environmental perspective. Those also are obviously a financial savings too to there.

Ms. Rancourt: — So when you look at the chart on page 24 when it talks about the targeted amount for 2017, the actual amount was quite a bit less than what the targeted amount was. But the actual amount of 2017 was less than what the actual amount in 2016 was. Can you explain the reason why there was less greenhouse gas emissions in 2017?

Hon. Ms. Eyre: — That would actually signify fewer emissions. So it's actually an improvement, not the reverse.

Ms. Rancourt: — So why would the targeted amounts be going up in the next few years? Should that number not be going down?

[13:30]

Hon. Ms. Eyre: — Okay. Well thank you for the question. And to the member, Mr. Chair, so again we exceeded that amount. If it's 425, which is what's being pointed to, that was what was expected, and it came out lower. So the numbers going forward there are what were targeted or expected when the plan was drawn up, but they are also expected to fall off and drop off and improve in that regard over time.

Ms. Rancourt: — That would be wonderful if we could continue to have that reduction. Thank you. Can you elaborate on the statement, and I'm going to quote again from the president's message: "To succeed within a constantly-evolving business environment, SaskEnergy will require organizational alignment and a continued focus on our core operations."

So the key points I kind of highlighted here is if you could explain a little bit more about what the organizational alignment means and what he means by "core operations."

Hon. Ms. Eyre: — So in reference to the core obligations or, you know, in terms of what Mr. From will have been getting at there, of course it relates to transmission and distribution being the core responsibilities and preoccupations, if you will, of SaskEnergy as a corporate entity based on, you know, the customer demand. So that's what he will have been alluding to.

Ms. Rancourt: — And the organizational alignment, what would that be focused on?

Hon. Ms. Eyre: — I think that all that is being referenced there is simply about improving, as far as possible, a team approach within SaskEnergy and between SaskEnergy and TransGas, and so again just optimizing customer delivery. Optimizing the we're-one-team approach, it's, if I may, slight corporate-speak for let's all work together, and that's the alignment that he's referencing.

Ms. Rancourt: — Thank you. So next my questions are going to be focused on the financial and operating highlights in the annual report. Like I said before, I think this is a really quite detailed outline, which is very helpful. But one area that I had some questions on was with regards to the other revenue. That is down from previous years, and I was wondering what is included in the other revenue category.

Ms. Short: — In the other revenue category we have our gas processing fees and natural gas liquid sales, is primarily what's in there. And the low natural gas prices and natural gas liquid prices have really reduced the amount of throughput through the processing plants. So that's resulted in the lower revenue in the last few years.

Ms. Rancourt: — And the other area too is with the other losses. That's quite substantially higher than previous years. So what caused this increase in the other losses?

Ms. Short: — So from an accounting perspective, we look at all our assets to determine if there's any evidence of impairment. And as I mentioned, with the lower natural gas prices, the value of our non-core storage assets were not as high as they had been in the past. In past years we generated a significant amount of revenue using those non-core storage assets. With the decline in the natural gas prices, we have not been able to take advantage of opportunities, so we are required from an accounting perspective to look at the value in use. And basically it looks at the potential, future cash flows to support the book value that we have on our books. Based on the forward prices, those prices did not support our book value, so we were required to write that asset down.

On the same token, as we move forward, if those prices were to

change and go up, we have the ability to write that up again. So it is a non-cash accounting adjustment. At a point in time when we prepare our financial statements, that analysis is required.

Ms. Rancourt: — Thank you. And under the operating summary — transmission, the storage caverns, was there any storage caverns sold recently? There's a reduction in them this year than previous years.

Mr. Guillet: — In this fiscal year there was . . . Actually what this is referencing is there was some decommissioning of some storage caverns that we have, that they're not being used anymore. So those were not sold. We have some caverns in Regina that have been decommissioned. So that's what's reflected in the financial statements here.

Ms. Rancourt: — Were they all in Regina?

Mr. Guillet: — The ones here in Regina, yes. And then we also had the one location in Prud'homme where we had that one fire.

Ms. Rancourt: — Thank you. So I'm going to move to the corporate highlights. What was the cost to replacing the 36,000 gas meters?

Hon. Ms. Eyre: — So it was undertaken over a number of years, and we don't have the actual number here. But we'll get that for the member, Mr. Chair.

Ms. Rancourt: — Thank you. So what programs are being provided that promotes more paperless billing?

Hon. Ms. Eyre: — Well thank you, Mr. Chair, and I believe that the member asked a bit about this when we met a month ago, so just to briefly recap then. So since January 2014, SaskEnergy — as the member, I believe, knows — discontinued the cashiering services that was at nine of the rural offices, followed in 2017 in Regina and Saskatoon at the service centre locations. That was undertaken.

On the other hand there has been an increase . . . I believe we have now 21,000 over this period, this reporting period, of increases in terms of customers using paperless bills. So while we have discussed this in the past and so on about the service centre locations, those have resulted in savings of over 150,000 annually. But on the other hand, we've seen this increase in paperless billing to, I believe, it's 21,000 — I can check for confirmation from officials — which has also benefited SaskEnergy and the bottom line. And I'll just ask Mark if there's a dollar figure on that.

So sorry, Mr. Chair. 181,000 in new annual savings that were achieved by switching approximately, as I said, 21,000 customers to paperless billing.

Ms. Rancourt: — But my question was, what type of programs are being provided that promotes more customers to be on the paperless billing program?

Mr. Guillet: — What's being done as promotion is more so on the direct contact with customers. So when customers are calling into our CSRs [customer service representative], they are verbally trying to promote them to go to paperless. There's

no financial incentives that are being offered. It's more so that direct, one-to-one contact with the customers as they're calling in and when they're setting up new accounts to promote the paperless billing.

Ms. Rancourt: — When was it discontinued for customers to have the option of having paper and paperless billing?

Hon. Ms. Eyre: — So, Mr. Chair, there has been no discontinuation of paper billing. There just remain the two options.

Ms. Rancourt: — But in the corporate highlights here, it says, "... through the discontinuation of the billing option that allowed customers to receive both paper and paperless bills." I was wondering when that program was discontinued.

Hon. Ms. Eyre: — Mr. Chair, we don't exactly understand what that means. Not the question of the member, but the way it was expressed. Because those two options do remain.

Sorry, Mr. Chair. So just to clarify, it's both I believe then that the member is referencing. So that is no longer an option, that you can receive both. My apologies.

Ms. Rancourt: — And do you know exactly when that was discontinued?

Hon. Ms. Eyre: — Sometime during that year. We just don't have a specific date for the member.

Ms. Rancourt: — So 91 million towards system integrity initiatives. How does this compare to recent years?

Hon. Ms. Eyre: — So, Mr. Chair, the member highlights that system integrity spending of 91 million, again the initiatives within that, I'll just mention, include a continuation of the service upgrade program that's across the province, enhanced leak survey of processes, and that resulted in the lowest leak rates in SaskEnergy's corporate history. And that is, there's an increase in terms of the SaskEnergy system integrity budget being 109 million, so an increase in '17-18 which is the highest ever, and an even higher system integrity budget of more than 131 million will be actively managed going forward into '18-19.

Ms. Rancourt: — How many pipelines do you have across the province?

[13:45]

Mr. Guillet: — For our system we actually don't count the lengths of pipe or the numbers of pipe. What we typically do is we reference them in the basis of kilometres. On the transmission side, we have, you know, those ones we do track in that way, there are about 1,100 TransGas transmission pipelines. But our total pipeline infrastructure that we have across the province is approximately 85 000 kilometres of pipe. Of that, 15 000 kilometres is of transmission pipe, and the balance, being 70 000, is approximately the total kilometres of distribution pipe that we have in the province.

Ms. Rancourt: — So what is the policy for replacing aging

infrastructure?

Hon. Ms. Eyre: — Thank you, Mr. Chair. I'm going to first of all say, I think it's a bit of a tricky proposition to start to get into this idea of aging pipe and policy about aging pipe. And I'll just start by saying, first of all, I mean, that the system integrity systems that we have in place and that SaskEnergy has in place are proven extremely high-quality, high-standard systems. There are inspections that we could talk about all day in terms of just the enhanced tools that are used and in terms of gauging, which is how these things are actually analyzed and scrutinized. It's in terms of looking where there's an issue. It's not the age of the pipe.

And I'll reference two things. That first of all, a properly maintained natural gas pipeline system can be expected to last over 100 years as long as, you know, depending on design standards, material used, maintenance techniques, you know, environmental conditions of course, but that proper scheduled maintenance work, the annual system inspection, that has provided safety for the pipeline network.

And it was interesting. I came upon a comment by an official from a few years back, in this exact context, and I thought it was interesting that he said, obviously we have to in no way ever jeopardize public safety or anything of that nature. And I quote here:

We stay within what those pipelines were built for, but we were fortunate, some of the infrastructure that was built right back to the '70s had been built with a future in mind, [and he goes on to say] that there would be capacity there. And that that was a very astute decision by the individuals who made those moves because we've been able to utilize those pipelines ever since.

And to do all kinds of incredibly highly technical things around, you know, compression, pressure change and so on.

And what he was highlighting was the foresight of those who laid the pipe and designed the pipe as it was laid out in, you know, even back to the 1970s in terms of the things that have been allowable and enabled on the system since then.

So again, I think it's dangerous to go into the area of age over safety integrity in the systems that are in place, which, as I say, we could discuss all day because there are such extensive integrity management processes in place.

Ms. Rancourt: — For sure, it's not an easy thing to come across, but there must be some type of policy or some type of way to determine how there's going to be replacing of aging infrastructure, and something that might be following best practice within the country. So what would be SaskEnergy's policy with regards to replacing aging infrastructure?

Mr. Guillet: — There's not a policy that we have in our organization. What we do is we try to follow what best practices are. We have a group of individuals in our integrity management group, and that is what their focus and their job is. Number one is safety. Our organization is focused on safety and that's the most important fundamental of our organization. So that includes public safety. That includes safety of our system,

safety of our employees.

And when we're looking at a pipeline, our integrity group is focused on dealing with looking at factors . . . As the minister had indicated, we use sophisticated tools, in-line inspection tools which will go into our transmission pipelines. Those types of units can go into the gas pipeline and travel down the pipeline, and it has electronic means of reading what the integrity of that pipe is, the steel pipe.

So there's not an expiry date on the pipe. It's what you're looking at is like what year that pipe was built, what mill it was put through. When those tools go through, it can determine if there's any features on the pipe that we need to have a look at. Then we have programs that'll actually, once you've analyzed all of that data coming from that in-line inspection tool, we will actually go out and do what's called an integrity dig. So they'll do a visual inspection and determination on basis on that.

Our individuals in our company are also involved with other organizations to understand best practices in dealing with that and learning that type of data. So we spend and focus a lot on that particular issue, and you had already referenced the dollars that we spend on our integrity area. That's all that fits into that, so it's not a simple question of, is there an expiry date on a steel pipeline.

As the minister indicated, there's pipeline that we've been able to, that could last for 100 years. We've had some pipe that we dug up on an inspection, and when our individuals actually dug it up to have a look at it, hydro-vac'd and had a look at that pipe, it looked like brand new. And it was 50-, 60-year-old pipe. So it all depends on a whole host of factors that you look at. What's the soil that it's into? We put those inspection tools through to have a look at it.

And we stay on top of industry and other industry experts and dealing with our counterparts across country, also in some international pieces in North America where we look at these issues. And we stay plugged in with all those folks. So that's what we do. It's not a policy of an expiry date on steel.

Hon. Ms. Eyre: — And I'll just add, Mr. Chair, that as far as we can glean and to the best of my information, certainly, there are no jurisdictions that base it on pipeline age. That's simply not . . . I mean if the member is referencing best practices, best practices is what we've got.

And I will just add, I mean SaskEnergy's comprehensive annual safety and integrity programs, we'll just go through some of them to indicate and reinforce what SaskEnergy does and what is done in terms of integrity management. Leak surveys — SaskEnergy's entire pipeline system is surveyed aerially for leaks every year. Targeted ground surveys are also performed on a yearly rotation. Transmission pipeline in-line inspections, visual examinations, interior pipeline inspections performed by the specialized smart PIG [pipeline inspection gauge] tools, they're conducted on all pipelines eight inches or greater in diameter, performed on a regular rotation, again inspecting approximately 1200 kilometres a year. On average all pipelines are inspected in-line every seven years, never exceeding 10 years.

24-7 remote monitoring of our pipeline system through our gas control system; distribution service connections upgrades, more than 17,000 upgrades since 2011 with another 2,400 planned in this coming year in '18. Other regularly scheduled safety and integrity work include scheduled integrity digs as has been referenced, engineering risk assessments, and pipeline replacements and re-routes as needed. So the system is absolutely safely and integrally managed.

Ms. Rancourt: — Thank you. What was the cost of replacing the pipelines to accommodate the Regina bypass?

Hon. Ms. Eyre: — Thank you, Mr. Chair. So that process is just being wrapped up and has just recently been in its last stages, so there's no specific number as of yet.

Ms. Rancourt: — And who'll bear the costs of accommodating the Regina bypass? Will it be SaskEnergy? Will it be the corporation?

Mr. Guillet: — The bearing of the costs on dealing with the moving of the pipeline as a result of the bypass, the normal process that's involved is that if there's another party who's requesting and moving of our pipeline, that cost is borne by them. However if there's an upgrade to the pipe or there's some other specific upgrade or reroute that we are requesting, we'll bear that cost on that portion. But the vast majority of that cost would have been covered by the Ministry of Highways for the Regina bypass.

Ms. Rancourt: — Thank you. And since I only have one more question . . .

Mr. Guillet: — Sorry, Mr. Chair. Mr. Chair, just one correction on that. It's actually, it wouldn't have been directly from the Ministry of Highways. It would have been the Regina bypass group that would be paying for that, the RBDB [Regina Bypass Design Builders] group.

Ms. Rancourt: — Since I only have one more question . . . And I've got lots more to ask but I think it's really important to ask, what is SaskEnergy doing to improve workplace diversity targets?

Mr. Guillet: — SaskEnergy has set a number of diversity targets and for . . . We've exceeded those targets on Aboriginal content in our labour service contracts by nearly 2 per cent of the total to 15.7. That's up from our 2016-17, so we've seen some improvements in that area. We've always, when we're trying to deal with our hiring purposes, we try to encourage and deal with the diversity pieces and to encourage that in our organization. However in the last couple of years because of fiscal restraint matters and things like that, we have not been doing a lot of hiring. We have lowered our number of FTEs [full-time equivalent] in our organization so those numbers will have seen a little bit of slight decrease from where we want them to be, but that is still an important piece of our organization and is one of our balanced scorecard metrics that we deal with, is on diversity.

Ms. Rancourt: — In closing I want to again thank the officials for being here today. It's really important to have these discussions and I want you to know that we're very thankful for

all the work that you guys do to run the corporation in the province here. On days like today when it's plus 30, we might not appreciate what SaskEnergy does in our province, but I know when it's minus 30, we definitely do appreciate all the hard work that you guys do to ensure that the corporation's running smoothly and cost-efficiently. And I thank you for all the hard work that you do, so . . . And thank you for answering the questions. And I look forward to the next time we get to meet.

[14:00]

The Chair: — Thank you, Ms. Rancourt. I would just like to now table document CCA 53-28, SaskEnergy responses to questions raised at the May 15th, 2018 meeting. Table that.

I would now ask a member to move that we conclude consideration of the following annual reports and financial statements: the 2016-17 SaskEnergy annual report; the 2016-17 SaskEnergy Incorporated and subsidiaries financial statements for the year ended March 31st, 2017. Ms. Heppner has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with SaskEnergy. Madam Minister, do you have any closing comments?

Hon. Ms. Eyre: — Well simply to thank you, Mr. Chair, members of the committee, Ms. Rancourt for her questions, Hansard, of course. And I agree it is important to have these discussions and meetings. And I would most of all, under the circumstances, like to thank officials and SaskEnergy and reiterate what Ms. Rancourt said about the important work they do for all of us, particularly around safety, Mr. Chair.

The Chair: — I would also repeat that thanks. And thank you to Ms. Rancourt — very timely questions. And we'll now take about a seven-minute recess to allow the new officials to come in.

[The committee recessed for a period of time.]

[14:15]

Saskatchewan Telecommunications Holding Corporation

The Chair: — Okay, we'll reconvene the committee. I'd just like to welcome Mr. McCall, who's substituting this afternoon for Ms. Sproule. Welcome. And welcome, Minister Morgan, and your SaskTel officials. We'll be considering one Provincial Auditor chapter and then the annual report of SaskTel and subsidiaries.

So we'll begin with the Provincial Auditor chapter. Ms. Ferguson, please introduce your officials and make your presentation on the 2017 report volume 1, chapter 13, please.

Ms. Ferguson: — Thank you, Mr. Chair. With me this afternoon to my immediate left is Mr. Trevor St. John. Trevor's a principal in the office and he works on the SaskTel audit. Behind is Ms. Diana Adams. Diana is a partner with KPMG.

KPMG is the appointed auditor on the SaskTel portfolio. And Ms. Kim Lowe is our committee liaison. Trevor will be leading our presentation for the chapter that's before us.

Mr. St. John: — All right, thank you. Chapter 13 of our 2017 report volume 1 on pages 181 to 192 reports the results of our audit of SaskTel's processes to purchase goods and services for its fibre optic network upgrade and other network hardware. This chapter includes four new recommendations for the committee's consideration.

In 2016 almost one-quarter of SaskTel's purchases were for equipment and related services for the fibre optic network upgrade and other network hardware. SaskTel spent 131 million on these purchases in 2016. We concluded that for the 12-month period ended December 31st, 2016, SaskTel had, other than in the four areas reflected in our recommendations, effective goods and services purchasing processes related to the fibre optic network upgrade and other network hardware.

I'm going to focus my presentation on the four recommendations we made. In our first recommendation on page 186 we recommend that SaskTel provide written guidance for resolving supplier performance issues. A majority of SaskTel employees work with suppliers to some extent, although we found that SaskTel used an informal process to monitor and address supplier performance. While its purchasing policy requires monitoring of supplier performance, it does not outline what performance communication is required to be provided back to suppliers or to SaskTel management. Not having written guidance for resolving supplier issues increases the risk that staff not treating suppliers consistently. In addition, written guidance would facilitate consistent communication to suppliers about performance problems and implications of providing SaskTel with poor performance.

In our second recommendation on page 190 we recommend that SaskTel, for each competitive purchase, log the names of staff evaluating proposals for potential suppliers. SaskTel did not consistently keep track of the names of individuals who evaluated bids of suppliers against the evaluation criteria. For 8 of the 12 competitive items we tested, SaskTel did not document the names of staff involved. Documenting the names of staff involved in the evaluations decreases the risk of a perceived bias or a conflict of interest. Also it provides a clear record of who made the supplier selection.

In our third recommendation on page 190 we recommend SaskTel implement a process to obtain appropriate level of approval when expected dollar values of purchases of materials increase after initial approval. We found SaskTel does not require its staff to reconsider the appropriateness of approvals when quantities or costs increase the expected dollar value of the purchase of materials. So for one item we tested, while SaskTel initially obtained the appropriate approval based on the expected dollar value of the materials it planned to buy, it did not obtain a higher level of approval when it increased the purchase quantity and therefore increased the expected dollar value of the entire purchase. Not reconsidering the appropriateness of approval obtained for increases in quantity and materials and related costs increases the risk of inappropriate purchases and non-compliance with SaskTel final authorization policy.

In our last recommendation on page 191 we recommend that SaskTel track supplier feedback to inform purchasing process improvements. We found that SaskTel does not track the occurrence of debriefing sessions with suppliers or the resulting discussions. For all 12 competitive items we tested, SaskTel communicated with unsuccessful and successful suppliers within a reasonable period. SaskTel advises unsuccessful suppliers that they can request a debrief session and this allows unsuccessful suppliers to both receive and provide feedback on the purchasing process. Documenting that feedback from suppliers would provide SaskTel with more information to improve its best value purchase decisions and improve its purchasing process.

So that concludes our presentation.

The Chair: — Thank you. Minister Morgan, if you would please introduce your officials and make any opening comments, please.

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'd like to thank you and all the committee members for allowing me the indulgence of completing a scrum before I came in. As the Minister Responsible for SaskTel, I'm honoured to be here to provide some brief opening remarks. I want to thank the members of the committee for joining us for what I hope will be a good discussion.

Today I am joined by SaskTel officials. I am joined by Doug Burnett, acting president and CEO; Charlene Gavel, chief financial officer; Darcee MacFarlane, vice-president, corporate and government relations; Jamie Patterson, associate corporate counsel; and Scott Smith, senior director of finance; as well as my chief of staff, Clint Fox and my MA [ministerial assistant] Molly Waldman. These officials will be available to answer questions that you may have about the annual report or SaskTel's financial statements.

Mr. Chair, the last time that SaskTel was before this committee to discuss SaskTel's financial reporting was in December of 2016. Since that time, SaskTel has achieved many great things as they continue towards achieving their vision to be the best at connecting people to their world. In the '16-17 fiscal year, SaskTel delivered exceptional value to their customers and the people of Saskatchewan. Revenues exceeded \$1.2 billion and the company had a net income of \$134 million, a modest but notable increase from the previous year's total of \$126 million.

The year was certainly not without its challenges but, despite increased competition, the company remained focused on its strategic goals and kept its promise to invest over \$300 million in capital spending.

In terms of highlights, SaskTel continued to expand its high-speed broadband footprint in the province; they introduced DSL, which is the acronym for a digital subscriber line; high-speed internet which is in 13 new communities; and launched the fibre to the premises program in Estevan and Weyburn. Through wireless capital expenditures, SaskTel was able to grow its high-speed fusion service which enabled more rural residents to take advantage of a high-speed internet connection. In 2016-17, SaskTel added fusion to nine towers and concluded the year with more than 700 communities served

by the network.

In terms of solutions for Saskatchewan enterprises, SaskTel also took steps in the year to better empower businesses of all sizes to meet the demands of the digital economy. The launch of the new tier 3 data centre in Saskatoon as well as the acquisition of an existing centre east of Regina significantly increased the ability of SaskTel to house crucial data files from a wide range of business and government clients.

Increased demand for other software and computer services also helped SaskTel to offset declining revenue from their traditional lines of service. For instance, software and consulting service revenues increased to \$7.9 million in 2016-17, up point five million dollars from 2015-16, a sixteenfold increase compared with the previous year.

All of these achievements drove strong financial results and were safely built on top of SaskTel's commitment to putting customers first. SaskTel's CX [Customer Experience] First initiative, which was formalized in 2014, ingrains SaskTel's focus on their customer in all aspects of the company's day-to-day operations. SaskTel employees make it their business to build trust with our customers and to incorporate accountability into all of their actions.

The initiative was a driving factor behind the Provincial Auditor's approving remarks about SaskTel in her 2017 review of the company's procurement process. Her review found that SaskTel, in general, had effective purchasing processes for goods and services that would satisfy both stakeholder and customer expectations. Although she noted a few areas for improvement, I am pleased to report that since the report's publication in May 2017, SaskTel has taken action to comply with each of the auditor's four recommendations.

SaskTel employees are proud to work for a company that genuinely cares about Saskatchewan people and the communities it serves. By firmly embracing change and seizing opportunities for growth, they have helped to ensure that SaskTel remains well positioned to continue delivering strong results in the years ahead. I will now turn it over to the members present for discussion.

The Chair: — Thank you, Minister Morgan. Any comments pertaining particularly to the four recommendations that you would like to make initially?

Hon. Mr. Morgan: — No, Mr. Chair, the recommendations were made by the auditor and I think the auditor spoke briefly to them as I was coming in, and I think the officials from SaskTel have addressed those. I don't know whether . . .

Mr. Burnett: — No, but I would like to say thanks to the Provincial Auditor's office. I would say that our teams worked extremely well together. We viewed it to be a very thorough audit and that the recommendations, we thought, were strong and added to what we believe is already a very good procurement process at SaskTel. So we're in agreement with all four of the recommendations. We've taken steps to implement all four, and I believe management letters, if they haven't already been sent back, are being sent back to your office. So thank you.

The Chair: — Thank you for that. I will now open up for questions. Mr. McCall.

Mr. McCall: — Thanks very much. Mr. Minister, officials, welcome to the consideration of these items before the committee. So I guess just for the good process, do you care to go through each of the four recommendations, briefly describe the steps that have been taken to come into compliance? And then I think we could deal with them in terms of motions I'm sure that various of my colleagues are interested in moving at this point. But if you'd care to do that.

Mr. Burnett: — Sure, I'd be happy to do that. So they may not be in the same order that Trevor went through them, but . . . So one recommendation pertained to keeping a list of the names of the folks that do the ratings. So after we've issued an RFP [request for proposal], of course we collect those documents. We have put together, in advance of actually putting out the RFP, a committee and that committee is then responsible for bringing in and evaluating the various bids based on the matrix that would have also been put in place in advance of the document going out.

What we were failing to do was to actually track the names of the individuals that were in the rating meeting. So typically it would be a meeting not unlike this where the group would get together. They would each talk about the various aspects of the matrix and each of the bids, and they would then rate that aspect of the bid individually. And then they would have a discussion about it and then ultimately put together the totality of their bids and come up with an overall rating.

So what was lacking in the process was the fact that when we went back to make sure that we were following the process properly, we didn't know who was doing the ratings. We couldn't keep track of who was doing the ratings, and so the recommendation was on a go-forward basis to actually keep track of the individuals that were doing the ratings. So not, you know, in the scheme of things not a difficult thing to fix at all, but certainly a valuable lesson learned there.

[14:30]

Mr. McCall: — And that is the practice? Is there a date at which that was formally adopted or anything you'd care to get on the record?

Mr. Burnett: — It's the practice today. When we actually implemented it, I couldn't say, but it was relatively quickly after the audit.

The Chair: — Would you like to speak to recommendation no. 1 as well, please?

Mr. Burnett: — Sure. So recommendation no. 1 was that we review the performance of the supplier and that we track that information for our employees, and that we then use that information to be able to better manage the performance of the supplier.

I can tell you that in advance of this recommendation, there was an informal tracking of supplier performance, just not a formal process for documenting it and then sharing it and making sure

that we were using it to properly try and improve the performance of the supplier. So this was really about formalizing the process that was there.

So today now we have a documented process of evaluating the supplier, collecting feedback on the supplier, and then keeping it in the procurement office so that it is available to be used to address issues that are actually live at the time or for future evaluations.

The Chair: — Thank you for that. And do you want to continue on with 3 and 4, please?

Mr. Burnett: — So the third one was a suggestion that we needed to ensure that we are always putting in place appropriate authorization levels. The way our process works is that most purchases are authorized based on a dollar value, and depending on the dollar value, a different level of management needs to authorize the purchase.

In the warehouse in the procurement group, quite often what happens is that they would get the appropriate authorization initially, but then they would find that they needed another 100 of whatever that widget was and not necessarily pursue the doubling of the value of the purchases. And so now we have a process in place to make sure that, to the extent that the initial authorization is exceeded by subsequent purchases, that they pursue the appropriate next step in authorization.

The Chair: — Mr. McCall.

Mr. McCall: — Just a quick question on this. It's referenced on page 191 of the auditor's report under the section 4.7.6. It states, "SaskTel advises unsuccessful suppliers that they can request a debrief session with SaskTel." Just by way of curiosity, what frequency are those debrief sessions requested?

Mr. Burnett: — I would say they're pretty infrequent. They are at the request of the unsuccessful supplier, and they're few and far between.

Mr. McCall: — Okay. Like, never?

Mr. Burnett: — No, they do occur, but I would say it would be in the minority of instances.

Mr. McCall: — On an annual basis, fewer than a dozen?

Mr. Burnett: — I'd be hard pressed to give you an actual number.

Mr. McCall: — Okay.

Mr. Burnett: — Yes.

Mr. McCall: — All right.

Mr. Burnett: — It really depends on the number of people that bid on each procurement and the nature of it. And yes, so it isn't a regular occurrence, but there are requests.

Mr. McCall: — Okay.

Hon. Mr. Morgan: — I think the goal on any acquisition of procurement, whether it's done by a Crown or by government directly, should be that the RFP or the bidding process should have clearly defined criteria so that it's not tilted towards any one proponent, or that it's transparent and workable.

And that's sort of the first part of it is having the criteria and the processes there, and then a fair analysis of the thing, and then where an unsuccessful proponent asks for — or even a successful proponent — a meaningful debrief on it afterwards so they understand why they didn't get it, what they might do to improve their performance for the next time they bid on something. And it prevents the allegations or the accusations that something was untoward about the process. Because I think maintaining the integrity of that process is absolutely critical to having confidence in our Crowns.

Mr. McCall: — Thank you for that.

The Chair: — Thank you, Mr. Minister. And if you would like to address recommendation no. 4 please.

Mr. Burnett: — So the fourth recommendation was really about supplier feedback on the process and tracking that feedback. So we have now implemented a process where we have a repository where we can capture suppliers' feedback about things that did or didn't work well about the process, and the procurement group goes through that on a regular basis and makes what they think are appropriate changes as a result of that feedback.

The Chair: — Thank you for that. Are there any further questions? Seeing none, the 2017 report volume 1, chapter 13 has four recommendations, as we've heard, for the committee to consider. What is the wish of the committee? I recognize Mr. Hart.

Mr. Hart: — Mr. Chair, I move that the committee concurs with the recommendations and notes compliance.

The Chair: — With regards to items . . .

Mr. Hart: — Recommendations 1 to 4.

The Chair: — 1 through 4.

Mr. Hart: — Yes.

The Chair: — Thank you. All those agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. And that concludes our business with the Provincial Auditor for the day. Thank you very much for your attendance, and your officials. We'll now just move on to the next segment.

Okay. We will be considering the annual reports and the financial statements of SaskTel and its subsidiaries, and this includes the 2016-17 SaskTel annual report; the Saskatchewan Telecommunications financial statements for the year ended March 31st, 2017; Saskatchewan Telecommunications International Inc. financial statements for the year ended March

31st, 2017; DirectWest Corporation financial statements for the year ended March 31st, 2017; SecurTec Monitoring Solutions Inc. financial statements for the year ended March 31st, 2017; and Saskatchewan Telecommunications pension plan annual report and financial statements for the 15 months ended March 31, 2017.

Minister Morgan, do you have any further comments?

Hon. Mr. Morgan: — I do not, Mr. Chair. And the officials are ready and eager to answer questions.

The Chair: — Thank you, Minister Morgan. Do any committee members have any questions? I recognize Mr. McCall.

Mr. McCall: — One or two, Mr. Chair, one or two. But thank you again, Mr. Chair, committee colleagues, and minister and officials. Again welcome to the consideration of these items before committee. There may be a certain déjà vu all over again quality to certain of the discussion that we've had in various . . . in terms of the briefing that was provided on the annual report itself or the discussion we were able to have during estimates this past short month ago. But that being said, we've got some things we'd like to get on the record here and look forward to a good fulsome discussion with the minister and officials.

But I guess for the period under consideration here with the annual report, 2016-17, it was a period of certain public considerations, deliberations on the part of the then premier of the province, and of course that's the leader of the government and everybody gets to come along for the ride.

But SaskTel in particular came in for question as to some kind of equity offering or partnership or some kind of magical deal that would allow equity to be moved out of . . . to be monetized, to be privatized. And at the same time the head office would have been secured, the workforce would have been increased, the services would have been improved, and on.

In pursuit of that, I was wondering if the minister or officials could describe the efforts that were taken on the part of the government to see what partnerships or what strategic alliances, what work was undertaken both in the seeking of partners or possible people interested in buying portions of the corporation or different of the subsidiaries of the corporation. What work was undertaken on possible sale?

Hon. Mr. Morgan: — I'm going to let the president give maybe a more detailed answer. The last time this matter was before committee, the minister was unaware of some communication that had taken place between corporate officers and elsewhere, and I think provided a clarification or correction letter a day or two after appearing in committee. My understanding is the information that was contained in that was complete.

The cabinet has not given a direction to look for strategic partners or otherwise. I think as you are aware, this is a high-tech business with a lot of commercial activity, so some things happen on an unsolicited basis. But there was certainly no direction given by cabinet.

As you're aware, legislation was introduced to provide a

definition of the word “privatize” to allow for a sale of up to 49 per cent of a Crown corporation’s equity and still fall within the Crown protection legislation. After that was passed . . . And I can tell you that when it was passed it wasn’t directed at any particular Crown. It was, if discussions come about, how might it take place or whatever. But there was no specific target corporation or anything.

But after that legislation was introduced and passed, we went back to our constituencies and we certainly heard from members of our constituencies — and I suspect you heard the same things — that people had concerns, that it wasn’t simply a matter of providing clarification about what a sale of a certain percentage was.

It was a strong feeling on the part of the public that the Crown corporations in this province, the key utility ones, are to be there for the benefit of the public, for the long-term benefit of the public. And if there was to be a divestiture of any portion of it, that people should come back to the public before . . . that that shouldn’t be something that should be announced; it should be something that should be debated, legislated or otherwise.

So it was a message we certainly heard, took seriously, and as you’re aware, legislation was recently passed where that piece of legislation was repealed in its entirety. So that’s the direction that came from government.

There wasn’t any, at least none that I’m aware of, at cabinet. But I will let the president indicate what his knowledge . . . and I understand there’s nothing under way at the present time.

Mr. Burnett: — Yes. No, that’s correct. And maybe it would be best for me to talk about this both from the context of since I took this position and prior to taking the position. If I start with the former — since I took this position, which was on June 27th — there has been zero communication or discussion of any proposals or any sale or any partnerships pertaining to divesting any portion of SaskTel, through my office or with me directly or to my knowledge.

Prior to my assuming the office, I am aware of two proposals that were under discussion with the former CEO. I believe that those were shared with the board. Beyond that, I can’t tell you if they were shared with anyone else. And I was not a party to those discussions; I can simply tell you that I am aware that there were discussions with two different parties about options that could be considered. It would be an overstatement to call them any kind of an offer, but simply a document that might begin the discussion for looking at what might be the art of the possible.

[14:45]

Mr. McCall: — Thank you very much for that. I guess, so in terms of what is possible and what was considered in the two instances, is the official able to identify to the committee who were the proponents in those two instances?

Mr. Burnett: — I don’t believe I can. I think that the names of both of those organizations are probably . . . need to be held in confidence as competitive-type information. I can tell you that we have actually had freedom of information applications for

this information and have come to the conclusion that under that Act the names and the bulk of the content of those documents is protected as competitive information.

Mr. McCall: — Thank you for that. One of the questions that we’d canvassed in committee previously was around whether or not the corporation had undertaken work to consider the federal tax implications in terms of divesting up to 49 per cent ownership of, in this case, SaskTel. Can the minister or officials describe for committee what work was undertaken in that regard?

Mr. Burnett: — Again I can tell you that some work was undertaken, that we did contract a legal firm to give us an opinion just on what some of the implications of divesting some share of SaskTel would mean, including the tax implications. I don’t believe that work was finalized. I think that work was ongoing when it was decided that it wasn’t required any further. So some work was sought on that and never concluded.

Mr. McCall: — Okay. But is there an informed opinion that was able to be taken into consideration by SaskTel or the board or the government of the day in terms of what the tax loss federally would be if you went above the, I believe it was the 15 per cent threshold of ownership?

Mr. Burnett: — To my knowledge there was no informed opinion as to what that amount might be.

Mr. McCall: — In terms of the work that was done on the tax implications, is that available publicly, or does the corporation contend that that is commercially sensitive information?

Mr. Burnett: — Yes it too is, in our opinion, commercially sensitive information that wouldn’t be available under the freedom of information Act.

Mr. McCall: — In terms of the go-forwards, and again I would differ somewhat with the minister, in that SaskTel came in for very specific consideration under the implications of then Bill 40, and certainly under the public statements and musings of the premier of the day in terms of looking for a divestiture of equity, of selling part of the corporation or its holdings, different from any of the other utility Crowns. In terms of what the go-forward is, this was put forward as a response to the risk assessment with, it was conducted by the Goldberg & Associates group in June of 2016, I believe it was.

In terms of responding to the risk assessment conducted by Goldberg, what is the state of confidence with the corporation and the government in terms of being able to respond to the ongoing risks that present in terms of being an ICT [information and communication technologies] provider in the 21st century here in this part of the world?

Mr. Burnett: — Again, I can speak to that. So the Goldberg report really identified risks in three categories: regulatory, financial, and competitive. The company actually did produce a response, and I think it is all posted. So this is pretty much public information.

Generally speaking, the regulatory risk that was identified by Mr. Goldberg was that with Manitoba Telecom being sold, is

that there was one fewer regional player, and it might then open the door to the federal regulator looking to incent a fourth carrier, a national fourth carrier.

Of course in Saskatchewan SaskTel is a fourth carrier, the risk then being if there were incentives out there to create a national fourth carrier, that that would mean there'd be five competitors here in Saskatchewan. That has not materialized. I would say the regulator still has an appetite for a fourth carrier, but they are dealing with SaskTel as a fourth carrier in Saskatchewan. So that's a risk that has been out there for a long time and one that we've been aware of. I don't believe it has changed at all as a result of the sale.

The second risk was really the financial risk. And that was really based on they'll have a regional headquarters in the neighbouring province of Manitoba. And this really, I would say, has not really materialized to any extent either.

In fact if anything, SaskTel has worked hard to negotiate different supply agreements as well as our network reciprocity agreement, the agreement which is the basis of how we share our respective networks. We have now finalized revisions to those agreements, and I would say that that has, if not eliminated, certainly muted any additional risk of having Bell right on the border. The competition that we see from Bell primarily in the cellular side of the business has not increased significantly, and I would say the competitive actions that we see today are the same as we saw prior to the sale.

And the financial risk that was identified by the Goldberg report was really, could one regional — or virtually one regional — company continue to operate in a nation full of national carriers? Again we have managed to negotiate supply agreements, particularly with Bell, but we've also exchanged spectrum with Telus. And we think that we have done a number of things to mitigate the problems that you might experience in procurement in particular, you know, as a result of our size.

So those were the three areas that were identified in the report and, generally speaking, I would say today I think we've taken steps to minimize them. We also, every year we complete an enterprise risk review, and so to the extent that those kinds of issues continue to be in the air, we certainly have those covered and are taking steps to mitigate them through that process.

Mr. McCall: — Thank you very much for that. Just to tie off this section of the discussion, in terms of just if the minister or officials could restate the position of the government and the corporation today in terms of, you know, anticipating or considering privatization in part or in whole, the future of the various subsidiaries. Are there any sort of general statements that the minister would care to either restate or make at this time?

Hon. Mr. Morgan: — We entered into the process to repeal the legislation, including the definition of privatization, with the specific intent of restoring and maintaining public confidence that the key Crown utilities would be maintained as publicly owned items. The position was taken for that reason and now continues. As you're aware, the process started prior to the change in leadership within the party. We now have a new Premier, who was at the helm when the legislation was

amended, a House amendment to include windups as well, just out of abundant caution. So he certainly shares that view as well.

Mr. McCall: — Thank you very much for that, Mr. Minister. I guess, turning to the report itself, I'm just progressing on through if we could. And again, great-looking report, chock full of information and, you know, good work. I know there's a lot of work that goes into these things. So in terms of representing all the various and exciting things that the corporation is doing, this certainly provides a great read, great representation. So my compliments for that.

But I guess just a sort of lightning round on the questions. On page 6, in terms of the — and the minister had referenced this in his opening remarks — but the tier 3 data centre east of Regina, does the minister or officials have any updates on the status of that venture?

Mr. Burnett: — Sure, I'd be happy to speak to that. So the tier 3 data centre just east of town was purchased from Fujitsu. We feel that we were able to get an extremely good deal on it. We built, as you may know, another data centre in Saskatoon. The cost of that data centre, just to give you a sense, was probably about two and a half times what we ended up being able to purchase the Fujitsu data centre for.

We are quite pleased with it. The capacity is beginning to fill up to the point where we anticipate that within the next three to four years we will need to add additional capacity to that centre. It is, as you may know, what we call a tier 3 data centre. So there are different levels of data centres, tier 3 being the top. Tier 3 simply means that it has redundant power; so if one power system goes out, a different power system will kick in. And same with air conditioning, if the air conditioning goes down — it's critical to keep the equipment cool — a different one will kick in.

So those are what we consider to be the very best data centres around, and of course customers will pay a premium to be in those data centres. So we have a tier 3 data centre there as well as in Saskatoon. And from our perspective, they are doing very well for us.

Mr. McCall: — And I guess just to build on what you're saying, in terms of is there any plan for additional centres to be located, a further two or three data centres, or would you be building out either at Regina or Saskatoon? What approach would be taken as further capacity is required?

Mr. Burnett: — That data centre that you're referring to east of Regina was purchased with some additional land, so it does have the capacity to be built out, and so expansion plans would be to expand that plant. Saskatoon, I think its capacity is . . . Maybe its life is a little longer, and so I really can't speak to what the plan would be there.

Mr. McCall: — Thank you for that. One question occurs, both in terms of international affairs but certainly work that the corporation had undertaken in conjunction with the Connecting Canadians program and the expansion of broadband in the North: could the minister or officials describe the state of play with that particular venture, what work remains to be

undertaken, or if it's completely concluded or if you could provide us some indication thereof.

Mr. Patterson: — My name is Jamie Patterson. I'm associate corporate counsel with SaskTel. So we completed a number of our fibre initiatives in the North, which completed long-running projects to spend that money to complete connections to those communities. And then we've got an additional 6.6 million that's recently been contributed by the federal government for us to continue to improve our southern provincial regional ethernet, which is really the backbone of the internet. It's the big pipe that gets you the information that you want at your home. So that's what we've been able to do in the last couple of years.

Mr. McCall: — And you're meeting your targets. You're hitting your timelines appropriately? Very good.

I could be not recalling this correctly, but in terms of the involvement of Huawei, in terms of there was some kind of project that Huawei Canada . . . What is the state of their involvement? And if you could just discuss the project that they've been involved in, which I believe was focused in the North as well.

[15:00]

Mr. Burnett: — Sure, so we use Huawei as a supplier of radios and antennas. You may be referencing a little bit of the controversy both here and in the States around using Huawei and some of the concerns about the security issues that that may bring about. For us, we use them as a peripheral equipment provider, not a core provider. So they do provide us with radios and antennas that are on many of our cell towers, that type of equipment.

A Member: — We're also using them for handsets as well.

Mr. Burnett: — Correct, yes. I'm just corrected that we also do sell, carry the Huawei handset, but we do not use their network core equipment, which I think is the primary concern. And I believe in the States it may actually be prohibited to be used as core equipment.

Mr. McCall: — And again if I'm recalling the discussion in the United States, on the one side you've got Donald Trump that thinks it's a great thing. On the other side you've got people like Senator Tom Cotton saying that this is cause for concern. I guess anything categorically you'd like to state in terms of concerns that may arise around the work with Huawei.

Mr. Burnett: — I can only tell you that as a customer of Huawei, we find them to be a superb supplier. We've done a fair bit of work with them. We look forward to doing additional trials with them. We aren't truly a research-type firm, so working with the likes of Huawei does give us an opportunity to run some pilots that we may not otherwise be involved with. And as I say, we are cautious to — at least at this point — ensure that we use them on the periphery of the network and not in the heart of the network.

Mr. McCall: — Thank you very much. You've not provided the minister with a handset from Huawei or anything. Has that

. . . [inaudible] . . . He's not going *Manchurian Candidate* on us or anything?

Hon. Mr. Morgan: — I'm actually curious about the handsets and I know somebody who bought one last week and said it's a really good product, so I'm intrigued by . . .

Mr. McCall: — Okay, thank you for that. I guess moving along in the annual report, page 21, increasing broadband penetration, in terms of the 2016-17 achievements, the LTE [long-term evolution] wireless network expansion across Saskatchewan was completed and attaining coverage of 99 per cent which, you know, by any measures is a tremendous accomplishment. As per the business of politics though, it's not enough to, you know, dwell upon the 99 per cent. Of course I've got to ask you, so where's the 1 per cent that's not covered?

Mr. Burnett: — Well maybe I could comment even broader than that. The 1 per cent would primarily be in very isolated locations, locations that you just can't get to even by satellite or by wireless radio, so it would be the very most remote areas of Saskatchewan.

The 99 per cent too, I think it needs a bit of caution in that there is coverage to 99 per cent. What's important also is just the strength of the coverage. And you know, we would acknowledge that there is good coverage throughout many parts of the province and coverage that deteriorates to the point where we still need to continue to improve it.

So although 99 per cent of the population would have coverage, we wouldn't say that 99 per cent of the population have great coverage.

Mr. McCall: — Thank you for that. I guess on a bit of a tangent in regards to this, I believe not too long ago, I think it was the member from Melville-Saltcoats that served as the Legislative Secretary to SaskTel responsible for looking into dropped coverage, which I understand gets particularly dicey outside of the city of Swift Current.

So I don't know, could . . . That Legislative Secretary I think has been since replaced by another Legislative Secretary. I'm not sure if that's the same sort of mandate or mission for that Legislative Secretary, but could the minister or officials describe the work that was undertaken by the Legislative Secretary on this file.

Hon. Mr. Morgan: — The previous Legislative Secretary, Warren Kaeding, did a lot of work travelling across the province, meeting with municipalities, identifying where there were gaps in coverage, and has made a number of recommendations to the corporation as to where those things could be improved.

The new Legislative Secretary that's in place will do a continuation of that work and work with SaskTel. I'm going to let Mr. Burnett speak about the capital plans for this year as they are. And then the other thing that the Legislative Secretary will be working on will be the fusion project and trying to increase internet access, but the immediate issues are addressing gaps on roadways and places where the coverage has not been, where a lot of the citizens think it should be.

Mr. McCall: — Okay. Just if you could, was the work product from the Legislative Secretary, Mr. . . . the member from Melville-Saltcoats. I don't want to get in trouble with the Chair here . . .

A Member: — No, you can say names here.

Mr. McCall: — I can say names? All right. Warren Kaeding. Always happy to, you know, name a fellow Warren for the record. But in terms of, was there a report provided? And is that . . . can that be made public? Because we're always of course interested to see the great work that's being done.

Hon. Mr. Morgan: — There probably will be at some point in time. I don't think there's anything available at the present time.

Mr. McCall: — Nothing available at the present time? So was it a verbal report or how did this go?

Hon. Mr. Morgan: — I would regard it as a work in progress.

Mr. McCall: — Well thanks for that and good luck with the work. Could the minister identify who the new Legislative Secretary is, for the committee.

Hon. Mr. Morgan: — Hugh Nerlien.

Mr. McCall: — All right. So in terms of his work, he's going to be meeting with municipalities. It's not going to be like the Verizon commercial where he's walking around and he's like, can you hear me now? Like how is this going to undertake?

Hon. Mr. Morgan: — I certainly hope not. No, I'll give you an example of the type of thing that he might do. As SaskTel has identified tower sites, they've identified them using a model of where population bases, where there would be a need for it. And they work in conjunction with the various partners to determine where there would be electricity to power the tower and where there would be access to cable. In some cases what would be an optimum site for SaskTel doesn't work for a municipality; they may have a bylaw that precludes it or other concerns. So part of his role would be to try and work with the municipalities, try and work with many community partners.

I think MLAs [Member of the Legislative Assembly] have a role to be responsive to the public and to try and identify what those issues are and to report those back to SaskTel so they're able to say, okay, we don't want to put this tower in this particular location in a municipality, in a town, but to move it to an outskirts or some area where they're able to maintain the coverage.

Mr. McCall: — Well thank you for that. And again we'll continue to look for continued success on that front.

Moving along, page 22 in terms of the, again, carrying on under the 2016-17 achievements. The partnership with Netflix offering their popular service to Infinet-enabled Max TV customers. If you could just give us a brief description of the details around that agreement and terms, length of agreement, any sort of forks in the road that you see coming with that particular . . .

Hon. Mr. Morgan: — Are you worried that you might miss an episode of *House of Cards*? Yes, I'll let one of the officials . . . We're joined by Darcee MacFarlane.

Ms. MacFarlane: — I'm Darcee MacFarlane, vice-president of corporate and government relations. I can't give you the length of the agreement but really what it was was to improve the customer experience. Prior, you had to actually subscribe to Netflix separately from our Max TV product. It was not offered. Now there's actually a channel on our Max TV product in the fibre serving areas that you can actually directly access Netflix as part of your monthly Max subscription.

Mr. McCall: — Thank you for that. And I guess it begs sort of a question that often comes up for me in terms of discussions with SaskTel, and the drive that I like to take down north Alberta, past where the Mr. Video used to be, past where the Blockbuster Video used to be. And in terms of what Max has meant in terms of an ongoing profit generator and diversifying that offering and keeping up with the times for the public, and the way that Netflix can be a big challenge for the offerings of Max TV.

What is the state of that relationship? Are you finding . . . Like as we have cord cutters for land lines, in terms of the offering around Infinet, is there a state of confidence in terms of mitigating that loss of customer base that are going straight to Netflix and not worrying about having the channel on Max? Could you give us a bit of a discussion on where that's at?

Mr. Burnett: — So maybe I can pick up, after Darcee here. We are seeing a decline in the traditional Max TV on cord cutters and those types of things.

This August we will be rolling out an over-the-top TV product called Max Stream and it will be available to a far broader range of customers. In fact I think we had something in the neighbourhood of about 100,000 potential customers. And so we really become just an aggregator of content, whether it's Max or Disney content, and we will pull it together and it will look very similar to what you see when you put, when you turn on Max. So you'll be able to turn on Max Stream . . . sorry, when you turn on Netflix. You'll be able to turn on Max Stream. It will look just like Netflix in terms of being able to select your . . . whatever movie you want, go back and watch things that you missed, all of those types of things, and it will be over the top.

It will be significantly cheaper than the Max TV that we offer today. It will be mobile so that you can watch it on your TV, on your phone. So we think it will be a very competitive product and it will look and feel much like the Netflix of today.

Mr. McCall: — In terms of the OTT, the over the top, are you buying it off the shelf from a vendor or where . . . what sort of track record does this approach have in other jurisdictions or with other providers?

Mr. Burnett: — So we work with Ericsson on the actual software and the content we aggregate.

Mr. McCall: — Okay. Are you aware of other jurisdictions that have experience with this particular approach?

Mr. Burnett: — I believe Bell has almost the identical offering.

Mr. McCall: — Okay. Well again, good luck with that. And I think it's always like right on the cutting edge in terms of the challenges that SaskTel has to contend with in an ever changing, rapidly changing environment and trying to stay that one step ahead. So anyway we'll look for that and best of luck with it.

Mr. Burnett: — We think it's a very exciting offering actually, so I encourage everybody in the room to give it a try if you . . . once you get an opportunity.

Mr. McCall: — Well maybe I'll get it as a wedding gift for someone. All right. All right.

A Member: — Better than a T-shirt, that's for sure.

Mr. McCall: — Boom. Boom. All right. Well we'll see. Who knows what gifts the future holds.

But in terms of again moving on through the reports, in terms of the work around the new Mosaic Stadium here in Regina, SaskTel was the provider for ICT services with the stadium. If you could talk about the value of the contract and various of the particulars attached thereto, we'll get Darcee up here for . . . [inaudible].

[15:15]

Ms. MacFarlane: — It's Darcee MacFarlane again, vice-president, corporate communications. We were the sole, exclusive communications provider with the Riders. We negotiated with them, both on the technology side and also on the sponsorship side, so there's basically two contracts. One is actually through the city of Regina and that's on the technical side. The other one is the sponsorship side, which is through SaskTel and the Riders. So there are the two contracts.

So we did . . . We're quite proud of it, and we've got videos too on the website, if you all want to go and look. We do have a very good video on the construction of Mosaic Stadium and the technology, state-of-the-art technology that we have put in there for the fan experience. So that was . . . And again, I don't have the exact numbers with me, but the technical side was about that \$12 million mark, I believe. That was with the city of Regina.

The sponsorship side is a 13-year agreement with the Riders — 13th man; we thought it appropriate — that is \$350,000 a year for substantial benefits. I'm not sure if you've all been to the new Mosaic Stadium, but I feel that we're just as recognized as Mosaic. We have the main entrance; we have signage all over the place. So it's a good sponsorship.

Mr. McCall: — Thank you for that. Whipping right along, on page 23 the growth revenue and profit from the business market — and certainly that's where we come into Mosaic — but in terms of opportunities for the corporation, what's the current sort of involvement with the health sector in Saskatchewan? And with the shift to the provincial health authority, what sort of opportunities present for the corporation with that

realignment of a significant sector of the Saskatchewan society and economy?

Mr. Burnett: — Well I can tell you we're working very close with eHealth to try and realign their various facilities. In terms of quantum, that I don't know. But we are, I think, the sole provider to eHealth in terms of lining up their network and communications requirements.

Mr. McCall: — So as we move to the provincial health authority, and as previous components — be it the Sunrise or be it the Regina Qu'Appelle Health Region — as they move to consolidate their tech component, what involvement does SaskTel have with that? And is that going to change from as things currently exist or are configured and moving to the one big health region?

Mr. Burnett: — Well the configuration is changing, so we work with eHealth to understand how they want it configured. We then recommend ways to achieve what it is that they're wanting to do and what facilities they will require, and then we help them to procure those facilities and to install them.

Mr. McCall: — Okay. And the minister or officials unable to provide a dollar figure as to the value of that work?

Mr. Burnett: — Yes, I'm not able to provide a dollar figure.

Mr. McCall: — Okay. Thank you for that. In terms of page 26, the financial perspective, just with the targets, both under revenue and the consolidated revenue targets of . . . In terms of, are we meeting . . . Is there a confidence level on meeting those targets? Will those be realized as actuals?

Mr. Burnett: — Which targets are you referring to? The '16-17?

Mr. McCall: — In terms of revenue/gross margin, total revenues, and telco business market revenues, under the 2017-18 target column there's 1.3 billion and 373.9 million under those headings. Are we on track to meet those targets?

Mr. Burnett: — Yes, the final numbers are not quite finalized, but I can tell you that '17-18 has been a very good year and that we will be very close to those targets.

Mr. McCall: — Okay. Again whipping right along, in terms of page 29, under operating results, under the heading of other income, under the consolidated net income statement, 2017 from 2016, other income went up from 4.1 to 10.1 million, I believe that is. What accounted for that jump under other income?

Ms. Gavel: — It's Charlene Gavel, the chief financial officer speaking. Within other income, gains and losses on assets, changes in terms of capitalization policies, and things like that go into that category. So there's a few additional items that happened in the '16-17 year that didn't happen in the previous year.

Mr. McCall: — So accounting changes essentially account for those . . .

Ms. Gavel: — Some accounting changes, how we capitalize assets.

Mr. McCall: — Okay. All right. It wasn't that you sold off the minister's Netflix account or anything like that? Okay. In terms of the next page, page 30, in terms of the net income statement . . . And you'd referenced this earlier, Mr. Burnett. But the budgeted net income figure, do you have an actual amount for that? Or is that still in the process of being calculated?

Mr. Burnett: — For '17-18?

Mr. McCall: — Yes.

Mr. Burnett: — '17-18's actual number is not finalized yet.

Mr. McCall: — Okay. But again, you have confidence in terms of meeting that projected number.

Mr. Burnett: — Meeting or being very close.

Mr. McCall: — Okay. In terms of, again, next page under revenues, wherein wireless revenues increased by 24.7 million, 5 per cent from the 2015-16 number, "A large portion of this increase relates to the renegotiation of a wholesale contract with other carriers." Could you describe what took place there?

Mr. Burnett: — So we share our facilities with Bell and Telus. So they ride on our network. SaskTel builds the network and then we lease the network to them. We lease it under an agreement called the network reciprocity agreement. It's reciprocal in that it also spells out the rates on which we roam on their networks.

So as part of renegotiating that, we managed to get a one-time payment for what we described as overcharging on their part for a number of years, as well as a significant reduction on the rates that we paid on their network. And so we realized something in the order, I think, of about \$14 million bump as a result of that renegotiation.

Mr. McCall: — Well keep on driving a good bargain. And good luck getting those kind of results with the feds as well.

Mr. Burnett: — We might need help with that.

Mr. McCall: — Well in terms of the . . . Under the wireless, again the same sort of question on the revenue targets, confidence in meeting the target of 1.3 billion for the budget.

Mr. Burnett: — Again those numbers aren't finalized, but I can tell you revenue is down significantly. So you can take from the fact that we are close to our net income target that we have done significant work on the costs side of the business.

Mr. McCall: — Thanks for that. In terms of capital management, long-term debt is up; short-term debt is down. Just any sort of observations on what's driving that approach, that mix of the debt portfolio.

Mr. Burnett: — It really it is our capital program and the long-term expenditures that we have, programs like fibre to the prem in particular. But as you know, it is a capital-intensive

business and the long-term build, that fibre build for example, started in 2010, is projected to go to 2022. I fully expect that it won't end in 2022 so that mix is probably . . . it's changing in part as a result of getting different rates, better rates, and just the nature of the investments.

Mr. McCall: — Thank you for that. In terms of the, on page 39, the consolidated statements of financial position, and just one sticks out. The province of Saskatchewan equity moves from 796.3 to 954.7. Any explanation or observations as to the jump in those numbers?

Mr. Burnett: — I'll have to look to our experts to . . .

Mr. McCall: — We're always happy to get Scott involved as well. Something for everyone. Can't all just be Darcee.

Ms. Gavel: — This is related to our pension fund. And there was an actuarial gain in this year and that goes into that category, the defined benefit pension plan.

Mr. McCall: — Okay. So in terms of the actuary, tell me more. I always find the actuaries generally kind of mysterious, so if you could just explain a little bit more as to what happened.

Ms. Gavel: — So every year when we do the financial statements for the pension plan, the gain or losses go into this category of the holdco [holding company] financial statements, given that Tel will be responsible for that plan overall. So the plan is very well funded and it's in a good position. In the statements, there was an actuarial gain based on the position of the funds, the liabilities and the assets, and that's where the gain is reflected.

Mr. McCall: — Okay. Thank you for that.

Ms. Gavel: — Well, what I would also add is that net income was higher and overall the dividends we paid in this year were lower than the previous year.

Mr. McCall: — Okay. This will relate to the previous question, but moving through the notes on the consolidated financial statements, under note 17, long-term debt, again I'm presuming that this is related to things like fibre to premises, but if the minister or officials could describe the move to greater long-term debt on the part of the corporation.

Hon. Mr. Morgan: — I think the simple answer is that the corporation has wanted to do a substantial capital increase in both the last two years for fibre to premises, for cellular build-out. So a lot of that was done with borrowed money, and as a result, the financial statement would show the increase in long-term debt.

Ms. Gavel: — That's correct.

Mr. McCall: — That's note 18, page 68. I note that under US [United States] equities, both under the asset category and in the investments under securities lending program, the one has gone from 19.353 million to zero. Under the securities lending program, it's gone from 7.5. Is there any sort of conscious approach to the United States equity market, or that's just what the money folks are telling you is the best bang for the buck.

What's happening there?

[15:30]

Ms. Gavel: — I can answer that. So the pension plan board has various investment managers and an investment policy and targets. So those are rebalanced on an ongoing basis. So it would've been based on recommendations of various investment managers and approved by the board. And there's categories that we try to ensure there's a balance and certain maximums and minimums of certain categories. So this is a result of some of those decisions that have been made.

Mr. McCall: — And it just happens to coincide with the United States' aspect or it's just . . .

Ms. Gavel: — It wasn't a conscious decision for any of those reasons.

Mr. McCall: — Okay. Thank you for that. I think we're ready to move on into the STI, the SaskTel International report. But again thanks for the great opener, set the table nicely. But moving into SaskTel International, in terms of there's a reference made to a second implementation with another long-term client. Just for the record, if you could state who that client might be.

Mr. Burnett: — We did enter into a long-term contract in the Bahamas to provide professional consulting services there. So it would be with the new cellular company in the Bahamas.

Mr. McCall: — In terms of person years of work, or value of the contract, are you able to say anything in that regard?

Mr. Burnett: — The value of the contract, possibly not, but the value in terms of years, I believe the contract has now come to an end. We have maybe just one or two folks there, so it would've been about a two-, two-and-a-half-year contract.

Mr. McCall: — Thanks for that. Carrying on in the next paragraph, there's reference to a large consulting project in the Caribbean to support the design, build, and operation of a 4G cellular network. Is that the same Bahamas project?

Mr. Burnett: — That is.

Mr. McCall: — Thanks for that. And I guess just overall, how many employees are currently with SaskTel International and what sort of payroll is involved?

Mr. Burnett: — SaskTel International has about 50 permanent employees and about half a dozen non-permanent employees.

Mr. McCall: — Thanks for that. And the payroll is as reported on page 1, 6.6 million. That's correct?

Mr. Burnett: — That sounds correct.

Mr. McCall: — Okay. In the notes — again to the financial statements under note 8, trade and other payables, page 11, payroll and other employee-related liabilities — what are the employee-related liabilities accounted for here?

Ms. Gavel: — I believe those would just be accrued benefits at the end of the period, taxes payable, those kinds of things that haven't gotten paid up March 31st.

Mr. McCall: — Thank you. And under note 12, customer accounts receivable, how many accounts are there with, or clients are there with STI?

Mr. Burnett: — It varies from time to time, but likely in the ballpark of 20, 25 clients at any given time.

Mr. McCall: — Thanks for that. That's it for my STI questions. I will not dwell on the Bahamas or anything like that, to the minister's chagrin, I am certain.

Hon. Mr. Morgan: — I want you to know that I have never gone down for a site inspection nor have been tempted to go down. I think I appreciate your humour on it, but when you do work in what's regarded as an exotic location, it brings a question of whether there's adequate scrutiny on it. And the travel requests, I sign them.

Mr. McCall: — So Nerlien hasn't signed up for some kind of . . . he's not taking the show on the road or anything?

Hon. Mr. Morgan: — He's not going to the Bahamas. Not with my signature on it.

Mr. Burnett: — Just as a bit of an aside, you might be interested to know that we had at least one family wanting to come back, and all of the folks that were there had to live through a hurricane, a significant hurricane. So it wasn't the beach weather that you're used to.

Mr. McCall: — I'll take that in the spirit it was intended. All right. In terms of DirectWest, the employment levels with DirectWest, 109 local full-time employees for the report. Is that number sort of on a steady track or is that declining or what's the state of affairs with the DirectWest?

Mr. Burnett: — I can tell you as of April 30th it was 109. But they will likely be looking to reduce the size of the organization over time just given the way the revenues are falling or tailing off, going the way the paper directory is going. So they're constantly looking for productivity improvements and ways to downsize, but as of April it was 109.

Mr. McCall: — Okay. And again as referenced, and certainly total revenue down about \$3 million from the year previous, is that sort of a steady trajectory? And again the mature print business not being what it used to be, I was happy to get my phone book in the mail yesterday. I'm still in it; I'm still a somebody.

A Member: — I'm in it.

Mr. McCall: — I know my friend from Martensville is happy to . . .

Hon. Mr. Morgan: — I think that's a Steve Martin movie, about being in the phone book.

Mr. McCall: — With apologies to Steve Martin and committee

colleagues. But in terms of the, in all seriousness, in terms of the balance between the print side of the business, additional marketing, any sort of general observations on the challenges on that particular horizon?

Mr. Burnett: — What DirectWest has seen is that they were able to hold on to their revenue, their print business, for significantly longer than the rest of the industry. So if you look at some of the, you know, yellow pages, some of the other large companies, their decline has been much more precipitous than has DirectWest's been. They are now starting to see it increase, and I would say it isn't, it hasn't been a straight line. So far the trajectory seems to be increasing, unfortunately. They have done a very good job of replacing it with digital marketing initiatives and bundling the two, which has helped to hold some of the print marketing. They're going to continue to do that. They have most recently invested in digital billboards, which is a perfect fit for this business and another avenue for advertisers to contract into and another thing that they can bundle.

So it is a business that we think is going to see continued decline. Our thought is that we will continue to try and manage it down. We think it's probably too late to look for a buyer for that business, but in the meantime they have done, I would say, quite a good job of minimizing the loss in revenue.

Mr. McCall: — Any guesses as to where DirectWest will be in five years?

Mr. Burnett: — In five years we think that they will still be in the business. In 10 years, not so sure. It will depend on whether or not any of these other initiatives, how they pan out.

Mr. McCall: — Well thank you for that. SecurTek, again 141 FTEs. Is that largely a stable number?

Mr. Burnett: — 141 is down as of April to 133, so it has reduced some.

Mr. McCall: — Any explanation as to why that is so?

Mr. Burnett: — They have seen some synergies in combining monitoring stations and I expect that they're realizing the savings from that.

Mr. McCall: — Is their collective bargaining agreement in an open period?

Mr. Burnett: — Well it is closed now till March of '19. But it's simply closed for two years here as a result of neither party putting in a notice to bargain. So it truly expired two years ago and neither party has filed a notice to bargain and so it closes again year over year. It will come up again in March of '19.

Mr. McCall: — I guess the . . . So in terms of the same question for the rest of the corporation and its holdings, if you could just . . . And sorry for bouncing around in the questions.

Mr. Burnett: — It's the very same, the exact same with DirectWest. And SaskTel's has been in existence, will expire in March of '19 as well. SaskTel International, primarily those folks are covered by the SaskTel agreement.

Mr. McCall: — Thank you for that. The pension plan. How many members are there in the old plan at present?

Ms. Gavel: — On page 4 of the annual report, at the end of 2017 there was 1,961 members of the plan; 32 employees are currently working at SaskTel that will be part of that plan at the end of '17.

Mr. McCall: — Okay. And again in terms of, you'd referenced the actuarial adjustment earlier in terms of the health of the plan. Any challenges to be considered as regards the continued health of the plan?

Hon. Mr. Morgan: — The fund is in a solid or slightly over-funded position at the present time.

Mr. McCall: — Okay. So in terms of valuations for the plan, I'm presuming there's a valuation that took place in the past year. Is that correct?

Ms. Gavel: — Yes, that's correct.

Mr. McCall: — Okay. And another one to come three years from now?

Ms. Gavel: — That's correct.

Mr. McCall: — Okay. In terms of the benefits under the plan, any observations on the part of the minister or officials as to how it compares to other telcos in this circumstance but, you know, ICT corporations? How competitive is the plan?

Hon. Mr. Morgan: — I'll answer it a bit. The plan was capped in 1977. No new employees were taken into the plan at that point in time. It was a defined benefit plan. And I can't say how competitive it is because it's not part of the competitive things that would draw an employee to the plan. And there are now only 30-some of the people that were members at that time that are still employed, and the rest of the members of the plan are all retired and receiving benefits.

[15:45]

So the goal for SaskTel at the present time is to ensure that the fund is adequate to pay out the benefits to the existing retirees and the remaining 31 as they retire and exit the workforce. So I don't think that plan would be a factor to a new employee coming. There is an existing defined contribution plan that I'll certainly let the officials speak to that would be more relevant to an employee wanting to come over.

Mr. Burnett: — Maybe just a couple other points on the defined benefit plan. When that plan was repatriated under SaskTel, we actually agreed to make, I believe the number was \$14 million worth of improvements to the various aspects of the plan at the time. So I think that the plan itself is fairly healthy.

One of the changes that we did agree to was to give automatic indexing to a maximum of 2 per cent. So it's based on the consumer price index to a maximum of 2 per cent which is, I think, a little different than some of the other plans which requires legislation. So I would say it's a reasonably well-established plan. Very few folks, as the minister has

indicated, left in it that are active.

Mr. McCall: — I know the Chair may be disappointed to hear this, but I'm pretty much out of questions at this stage of the game . . . [inaudible interjection] . . . My colleagues are kind of bereft as well. But at this point I'd like to say thank you very much to the minister and officials, and through you to the hard-working men and women of SaskTel that do a great job for the province in so many different ways. So thank you for this discussion, for these important matters, and thanks to my colleagues. Feel free to not bring any further gifts or anything like that, but anyway, thank you to colleagues and to you, Mr. Chair, for this consideration this afternoon.

The Chair: — Thank you, Mr. McCall, for your timely questions. We appreciate that. I'd now ask a member to move that we conclude consideration of the following annual reports and financial statements: the 2016-17 SaskTel annual report; the Saskatchewan Telecommunications financial statements for the year ended March 31st, 2017; Saskatchewan Telecommunications International Inc. financial statements for the year ended March 31st, 2017; DirectWest Corporation financial statements for the year ended March 31st, 2017; SecurTek Monitoring Solutions Inc. financial statements for the year ended March 31st, 2017; Saskatchewan Telecommunications pension plan annual report and financial statements for the 15 months ended March 31st, 2017.

I would ask someone to make . . . Ms. Heppner has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. And that concludes our business. Mr. Minister, if you have any closing comments, please.

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'd like to thank you, all of the committee members, the staff from Hansard, the building staff, and the officials who were here today. And I do note it's one of the nicest days of the year, and I'm sure people would have other things to do than be in a building with no windows or no outside exposure. But I want to thank not only the officials that are here that have spent a lot of time preparing for this, but all of the workers at SaskTel and all of our government workers who serve the province every day in an incredibly professional and competent way. And we thank all of them. So thank you, Mr. Chair.

The Chair: — I would echo those comments as well, Minister, and thank Stacey certainly for the preparation work she does for me and all of the Hansard people and your officials here today. So that does conclude our business with SaskTel, and we've offered our thank yous. So seeing that we have no further business today, I would ask a member to move a motion of adjournment. Mr. Hindley so moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned to Wednesday, June 27, 2018 at 8:30.

A Member: — In the morning?

The Chair: — In the morning, a.m. Thank you, everyone.

[The committee adjourned at 15:49.]