



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 08:31.]

The Chair: — Good morning, everyone. Being now the hour of 8:30, we will commence the meeting. I would just like to thank the members of the committee and recognize them. Ms. Sproule is here this morning; Mr. Bonk; Mr. Hart will be joining us momentarily; Ms. Heppner; Mr. Hindley; and Ms. Lambert are here.

Before we begin, I would just like to table two documents: CCA 54-28, Crown Investments Corporation of Saskatchewan: Responses to questions raised at the May 2nd, 2018 meeting; and CCA 55-28, Saskatchewan Opportunities Corporation: Sale of the Prince Albert Forest Centre. Those documents are tabled.

So this morning the committee is going to be considering the annual reports and financial statements of CIC [Crown Investments Corporation of Saskatchewan], STC [Saskatchewan Transportation Company], SGI [Saskatchewan Government Insurance], and SOCO [Saskatchewan Opportunities Corporation].

Crown Investments Corporation of Saskatchewan

The Chair: — We will start with the CIC and we'll be considering the following reports and financial statements of Crown Investments Corporation of Saskatchewan and its subsidiaries.

These reports include the 2016-17 Crown Investments Corporation of Saskatchewan annual report; CIC Asset Management Inc. financial statements for the year ended March 31st, 2017; First Nations and Métis Fund Inc. financial statements for the year ended March 31st, 2017; the 2016-17 Gradworks Inc. financial statements for the year ended March 31st, 2017; 2016 Saskatchewan Immigrant Investor Fund Inc. financial statements for the year ended March 31st, 2017; 2016 Capital Pension Plan financial statements; 2015, 2015-16, and 2016-17 Crown Investments Corporation and subsidiary Crown payee disclosure reports. I just can't imagine how we're going to get that all done today.

Having said that, welcome, Minister Hargrave and the officials from CIC. Minister Hargrave, if you would please introduce your officials and make your opening comments if you would, please.

Hon. Mr. Hargrave: — Thank you, Mr. Chair, and good morning to you all. I'm pleased to be here this morning to continue Crown Investment's appearance before the Crown and Central Agencies Committee to speak to a number of reports from the Crown sector.

And bearing that in mind, I'll repeat what you just said, pretty much: the 2016-17 Crown Investments Corporation of Saskatchewan annual report; financial statements ending March 31st, 2017 for CIC Asset Management Inc.; First Nations and Métis Fund Inc.; Gradworks Inc.; Saskatchewan Immigrant Investor Fund Inc.; the 2016 Capital Pension Plan annual report; and the 2015 and 2015-16 and '16-17 Crown Investments Corporation, subsidiary Crown payee disclosure reports.

With me this morning to assist in answering your questions are senior officials from Crown Investments Corporation: Mr. Blair Swystun to my right, president and CEO [chief executive officer]; Mr. Doug Kosloski, senior vice-president and general counsel; Ms. Cindy Ogilvie, vice-president and Chief Financial Officer; Mr. Travis Massier, corporate controller; Ms. Joanne Johnson, executive director of communications; and Ms. Angela Currie, my chief of staff.

I have a few very brief opening comments and then we're ready to answer any questions on the documents before you.

The Crown sector had a successful year in '16-17 as shown in the annual report, recording 399 million in consolidated net earnings, a \$225 million increase compared to '15 and '16. Customer growth, cost restraint and efficiency measures, investment earnings and non-cash market value adjustments on natural gas, inventories, and hedges were all factors that contributed to these strong earnings.

In '16-17, 1.4 billion was spent on capital projects focused on infrastructure renewal and enhancement to meet demands of growth. Consolidated debt for the sector increased by 366 million to 9 billion in 2016-17, to fund capital spending in the Crowns. The debt ratio was 62.6 per cent, consistent with the prior year. Debt ratio is carefully managed to ensure it remains at prudent levels and consistent with industry standards.

The Crown corporations continue to identify efficiencies and pursue collaboration initiatives with other Crowns and ministries, saving the sector over \$180 million from 2014 to 2017. In 2016-17, CIC paid a dividend of 219 million to the General Revenue Fund, an increase from the forecasted figure of 204 million. Return on equity was 8.3 per cent in 2016 and '17, slightly less than the target of 8.7 per cent.

The government is committed to responsible growth, which means prudent borrowing. Debt and dividend levels are managed with a framework that benchmarks against industry practices and considers reinvestment needs. Our role is to support Saskatchewan's growing economy and population in the most effective, efficient, and transparent way. We will continue to ensure our Crowns are capable of providing continued quality services at a reasonable cost.

Our appearance this morning also facilitates examination of funds managed and operated by CIC. These funds also form part of CIC's mandate to responsibly invest, manage, and oversee operations that benefit the diverse parts of our province: First Nations and indigenous peoples through the First Nations and Métis Fund Inc.; asset investments through Asset Management Inc.; building the workforce in Saskatchewan through Gradworks Inc.; providing investment options in a difficult market through Saskatchewan Immigrant Investor Fund Inc.; and providing stability for those invested in our Capital Pension Plan.

During our last appearance at Crown and Central Agencies Committee on May 2nd, we were asked a number of questions about the Saskatchewan Immigrant Investor Fund and the Headstart on a Home program administered by CIC. We committed to providing them information and follow-up.

Today, Mr. Chair, we provide you and the committee a response to those questions in writing, which we have, and now table those answers for the record, which we have, Mr. Chair.

The intent of the Headstart on a Home program was to provide entry-level housing ownership for Saskatchewan people at a time when pricing in the housing market was quickly moving home ownership out of reach for the average Saskatchewan family.

I want to share with you this morning the overall success of this program. Very briefly, as at May 31st, 2018, the Headstart on a Home program has made \$480 million available in financing to construct entry-level housing in Saskatchewan; constructed 2,224 new homes for Saskatchewan families; created partnerships that approved 74 projects with 38 builders in 19 communities across the province. It created an estimated 2,104 full-time jobs through the program and sold 1,991 Headstart homes to Saskatchewan families. This program has done good things for our province, our families, and our economy.

Mr. Chair, this concludes my remarks this morning. My officials and I would be pleased to answer any further questions from the committee. Thank you very much.

The Chair: — Thank you, Minister Hargrave. And I just remind, I guess, the officials to please identify yourself the first time you respond to a question, if you would please. Do any members have a question? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and a particular thanks this morning to whoever prepared the coffee and delivered it here. This is very early, so I'm thankful for that.

Thank you, Mr. Minister. I just want to get one question quickly out of the way in terms of ISC [Information Services Corporation of Saskatchewan]. On page 168 of your annual report you indicated that the corporation owns a 31 per cent ownership interest in ISC. But back in 2013 when the government decided to sell ISC, the minister at the time indicated that the province would keep 40 per cent of ISC. So I'm just wondering why it's only 31 per cent now.

Mr. Swystun: — Good morning. I'm Blair Swystun, president and CEO of Crown Investments Corporation. When shares in ISC were offered for sale to the public in 2013, as is typical in public share offerings, the underwriters of the share offering requested and were granted what's referred to as an over-allotment option. So the original proposed sale of shares was to be 60 per cent of the ownership of the company. However the over-allotment option gave the underwriters the right but not the obligation to sell an additional 15 per cent more shares.

Because the demand for the shares was very high, the underwriters exercised the over-allotment option. And so if you can just follow the math, 15 per cent of 60 per cent would be an additional 9 percentage points for a total of 69 per cent, and that's what led to the province's residual ownership being 31 per cent. So it was part of the deal structure at the time of the share offering.

Ms. Sproule: — Thank you. If I understand the news article

correctly, the legislation required the province to keep 40 per cent. Was that not in the legislation? It was just in overwriters . . .

Mr. Swystun: — We're just all going from memory here, but none of us recalls there being a provision that actually legislated a specific holding.

Ms. Sproule: — Thank you. That may just be the way this sentence is worded in the news article, so I'll leave it at that for now. I can follow up later. Okay.

I think this morning I'll start with some of your funds that you manage, and we'll start with SIIF [Saskatchewan Immigrant Investor Fund Inc.]. That's one that, Minister, you just made some comments about, and I have a few further questions on that.

First of all, I guess I'm interested in the management of the fund, and I'm wondering if you could share with the committee what sort of prerequisites would go into an RFP [request for proposal] for getting someone to manage the fund. Like what were the requirements for the fund manager and the delivery of that fund?

[08:45]

Mr. Kosloski: — Doug Kosloski, senior vice-president and general counsel at Crown Investments Corporation. Now we're all going by memory because the RFPs were issued in 2011. So as I recall, an RFP was issued and we received three responses. And of those responses, they were all assessed on similar criteria or the same criteria. A selection was made. And post-selection, as we often do, I'll call it a fairness review, but we often have a third party review the RFP process and the adequacy of the process. And that was done by KPMG, if I recall correctly.

Ms. Sproule: — Thanks, Mr. Kosloski. And I appreciate your corporate knowledge here because I know this does go back a few years. Do you know whether there are requirements for conflict of interest disclosure in those RFPs? Like when you engaged that management company, I'm just wondering if you could even table the contract with that management company that was chosen and describe for the committee the conflict of interest provisions that would be in that arrangement.

Mr. Kosloski: — I don't recall any conflict of interest provisions in the RFP itself. Certainly as businesses we would look at their capability and their capacity to undertake a project of this size, and that would be — again, by memory or by assumption — would be one of the criteria that we would assess this by. Any conflicts would not necessarily be part of the RFP, but again I'm going by memory, and this grey hair is starting to have it fade.

Ms. Sproule: — Thank you. I am, I guess, more interested in the current contract that is with the current management company and would have been signed in 2011. But perhaps if that's something you have in front of you today, what are the conflict of interest provisions in that particular contract?

Mr. Kosloski: — So I don't know; I'll have to check the

contract to see if there's any confidentiality provisions. And if we could do that, we can certainly get back to you on the contract itself.

I do note, however, CIC has had other relations with Westcap dating back to 2003, and they've managed other funds for us. They managed the First Nations and Métis Fund, which I believe goes back to 2006. They managed a small portfolio of investments that were transferred over from Saskatchewan Opportunities Corporation, some older SEDCO [Saskatchewan Economic Development Corporation] investments, and they were split between Westcap management and PFM Capital to fund companies in the province.

There's a limited number of these fund companies in the province to begin with. There's two or three of them. And when you're looking for management services, you either use these Saskatchewan companies or you go outside, and we prefer to use the Saskatchewan companies.

Ms. Sproule: — Thank you very much. If you could table with committee that contract, or whatever portions that are disclosable, I would appreciate that. And we'll ask that you table it with the Chair.

I guess the specifics about the Immigrant Investor Fund is of course the source of the funds themselves, and that's quite different than the First Nations and Métis Fund or SOCO of course. And in this case, the Immigrant Investor Fund is receiving funds through the federal government which come from immigrant investors, hence the name of the fund and the program federally.

And the concern in terms of a possible conflict of interest here is that Westcap management and the owner also owns a company called Cheung On Investments Group Ltd., and that company was founded in 1989. The purpose of the company is to address financial and relocation needs of high net worth Asian investors. So obviously the Immigrant Investor Fund would appeal very much to that particular company in terms of the federal program. So there would be, I think, some serious questions of conflict of interest that would be raised in terms of Westcap's ability to manage this fund specifically. And I'm just wondering if any discussion took place in terms of that concern or whether that was flagged or raised at the time that you entered into the contract with Westcap to deliver the SIIF.

Mr. Kosloski: — So just to walk through how the funds are received from the federal government, you're correct in that the federal immigrant investor program receives money from immigrant investors. That pool of money is then allocated amongst the various provinces and territories on a per capita basis. There's a little stronger formula than that, but essentially it's on a per capita basis. That money then flows to CIC to the Saskatchewan Immigrant Investor Fund. And so we hold that money and we have the direct interaction and reporting back to the federal government.

Westcap manages the Headstart portion of it, so their interaction is with municipalities and home builders and developers. It's not with the immigrant investors. It's not with the individual homebuyers, if you will. So it's there to develop the housing projects that are out there and needs to come to our

board, the Saskatchewan Immigrant Investor Fund, for those allocations. So I'm not sure if that addresses your question but it, I think, clarifies the interaction that they would have with the funds.

Ms. Sproule: — Thank you. So then in your view there is no conflict of interest as far as Westcap managing the fund and also owning the Cheung On Investments Group Ltd?

Mr. Kosloski: — No, nothing apparent.

Ms. Sproule: — Was that ever examined at all by the corporation?

Mr. Kosloski: — Not that I recall.

Ms. Sproule: — Thank you. When you talk about the federal funds that are being forwarded, I'm just looking at, in the financial statements, there's a statement in note 7 — I'm just going to make sure it's the same number in 2017 — which outlines the payments that we're obliged to pay back. Yes, it's still on page 14, I think, of the annual statement. Those amounts change from year to year, and I'm just wondering why that would be. For example, in 2018 for this most recent annual statement, it says the repayment is 36,614; whereas in 2018, in the previous year, it was 36,576. So can you explain to the committee why those amounts change over the years?

Mr. Kosloski: — Sure. The amounts that we receive are dependent on the amounts that the federal government receives in their federal program from the immigrant investors. So those amounts vary, and they'll have some up years and some down years as far as the overall pool that they distribute. So the amounts, we receive them on a monthly basis, so that will vary from month to month. And our obligation is to repay five years after receipt the amounts that we've received, so the variance that you see here is wholly dependent on the activity in the federal immigrant investor program year over year, month over month.

Ms. Sproule: — And if I understand correctly, the federal government announced in 2014 that they were no longer continuing with the fund. Are you saying they still receive monies in the fund?

Mr. Kosloski: — Yes, and there's a huge backlog. So the federal government still is maintaining some of those funds and trying to distribute those funds. And I think as recently as a few months ago, we're still getting tens of thousands, not large dollar figures, but we're still getting some amounts trickling through from the federal immigrant investor program, notwithstanding the fact that they cancelled that program in 2014. They just had such volume that they are just getting through it now to distribute the final amounts.

Ms. Sproule: — So when do you expect it to be fully complete? Have they given you any advance notice of that?

Mr. Kosloski: — Which fully complete?

Ms. Sproule: — When will you stop receiving monies from the IIP [immigrant investor program]?

Mr. Kosloski: — We don't know. We hope soon.

Ms. Sproule: — Okay. Just going back to the management fee, I know we discussed it a little bit in the last meeting. I believe in your letter that you provided yesterday, you provided some indication, you had said at your meeting that the board was looking at that management fee. But in your estimations, in the response I just got this morning, it appears that the board has decided to just leave it as is because of the actual in the forecast for that management fee.

Now when I add up the total management fee since the fund began, this company has received \$6.6 million to manage the fund, and currently the fund is actually in a position of loss. So I'm just wondering, this was supposed to make money for us, or was it not supposed to make money for us? I think the idea was to loan the money that was received from the federal government to earn interest as far as the fund goes. Is that correct?

Mr. Kosloski: — The intent of the fund was to essentially break even. It wasn't to be a money-maker for the government. It was to develop entry-level housing at a time when housing needs were high in 2011. And the amounts that we loaned to the developers, what we found were developers were able to sell the housing units at a quicker pace than we anticipated, so we didn't get as much interest as we anticipated through the program.

The other aspect of this is that we had one development that is in receivership. Out of the 74 developments that we had, one of them is in receivership, and that is . . . created some extra need to get the building up to particular standards and to put it through the receivership program.

Ms. Sproule: — Hang on a second here. Thank you for that. Is there any discussion from the . . . I don't know, I guess the board of CIC makes decisions related to this fund, correct? Is there a separate board? Okay. There's no names of the board, I don't believe, in the financial statements. Where's those names published, the board members? Are they in . . .

Mr. Kosloski: — They would be in the ISC registry, the corporate registry. So Saskatchewan Immigrant Investor Fund is a corporation through there. I'm the Chair of the board. I act as Chair, and then we have members from CIC, and an official from Sask Housing as well sits on the board.

Ms. Sproule: — I know there's been a lot of criticism of the federal program because of its impact on wealthy investors coming to Canada, permanent residents. And I think the majority of the people who came to Canada settled in Vancouver and in Ontario and really have . . . They've struggled with the real estate market there. So that's a federal issue and it's not related to what's going on here.

[09:00]

However we have put 2,200 units on the housing market. Currently I believe there is a saturation in the market and many of these units are unsold. So I'm just wondering if there's any discussion at the board level whether these funds could now be directed to another purpose rather than Headstart for homes, or

are you going to continue receiving . . . Because it's up to the board of CIC to decide how these investor immigrant funds are used, correct?

Mr. Kosloski: — No, this is a determination by the federal government how they're used. So this program, at the outset we had to make an application to the federal government, and the federal government has to approve the utilization of the federal immigrant funds. And when we applied, we applied using this Headstart on a Home model and that was approved by the federal government.

Ms. Sproule: — So is there any discussion to change the model, given that there is a significant saturation of these types of units on the market currently? Or are you going to continue building them?

Mr. Kosloski: — No, building has ceased. This was a 10-year program. A 5-year . . . Given that the money was repayable after five years, the building has ceased. And you'll see that the number of units that are sold are close to 2,000. There's a little over 2,200 that are constructed. That will be it. So we're at about 240 units that still are for sale. We anticipate those will be sold.

The utilization of the funds, we have to repay. So any funds that we get back will have to be repaid to the federal government, and as indicated, the federal government has ceased their immigrant investor program as it existed, where those funds were coming in. So we don't have access to any additional funds.

Ms. Sproule: — So the funds that are coming in right now are already spoken for? Is that . . . You're getting tens of thousand dollars a year.

Mr. Kosloski: — Yes, it's very limited and it has to be to this program. So those funds that were utilized that we're receiving are just going into a bank account so that we'll have it ready to be repaid five years from now.

Ms. Sproule: — If I understand correctly, I believe the provinces did have some options when it came to how the funds were to be utilized. Saskatchewan chose the Headstart program. I understand that BC [British Columbia] chose a green tech fund, so there were some options for how governments utilized the funds as they came in. So is there any discussion as to . . . I guess you've already overcommitted, or I don't know if overcommitted is the right word, but all the funds have already been spoken for through the Headstart program. And the amounts that you're putting in the bank right now, are you just going to return to the federal government?

Mr. Kosloski: — Yes, we are obligated to return them to the federal government.

Ms. Sproule: — You can't use them for other purposes?

Mr. Kosloski: — No.

Ms. Sproule: — Even though BC uses it for tech, green tech.

Mr. Kosloski: — That would have been — and I'm not

familiar with that program — but that would have been what was approved by the federal government whenever that green tech program was established. So they cannot, as I understand the parameters of the federal program, they cannot use it for any other purposes other than that green tech fund or program that would have been approved originally by the federal government.

Ms. Sproule: — I guess what I'm saying is there's an opportunity perhaps to renegotiate with the federal government, if the Headstart program has seen its final steps and there's still money there.

Mr. Kosloski: — But they don't have a federal immigrant investor program. So this is money still that they received up until 2014 that they're still distributing, and it has to be under the parameters that were approved prior to 2014. So my understanding . . . and I'm wading into waters that are a little uncharted here. My understanding is that they don't have a program. There aren't additional funds out there, and any funds that you do receive have to be used for the original purpose that was approved by the federal government.

Ms. Sproule: — Yes, I understand what you're saying. I'm just saying, is there any discussion about going back to the feds? But it sounds like that's not been entertained by the board. So how much is sitting in the bank account right now that will be returned to the federal government? Or maybe as of March 31st, 2017, which is the final or the most latest figures that we have?

Mr. Kosloski: — So if you go to page 3 of the March 31st, 2017 financial statements, at the top are the assets, so the cash and cash equivalents of about \$38 million. And then there's short-term investments, and those are short-term bank accounts that pay a little bit of a higher interest rate for us. So 38 and 25 million, you're at about 63, \$64 million as of March 31st, 2017.

Ms. Sproule: — Would that have gone up or down in 2018, '17-18, or do you know? Is it about the same currently? Sorry. We're dealing with numbers that are years . . . a year old here.

Mr. Kosloski: — We don't have that amount yet. The 2018 financial statements will be tabled in July, so it will have that number in there and it will be a lower number than this because we are in a repayment mode at the moment. So the amount of cash and short-term investments we have would be lower than this.

Ms. Sproule: — Yes. I know you'll be tabling it within a month, so I assumed you would have those numbers already because they'd have to go through the auditor as well. But you just know that it's lower. That's all you know at this point.

All right. I guess now maybe I should move on a little bit. I may have more questions on the SIIF but I am . . . oh yes, just about the impaired loans. In the most recent financial statement, the amount of impaired loans was \$10 million. In 2016 it was \$10 million, and then you had \$7 million in loans that are past due but not impaired. Do you anticipate that changing significantly in 2018 or is it relatively the same number?

Hon. Mr. Hargrave: — Actually well that'll be tabled when we get that because we're here about '16-17. We're not here

about '17-18. Right? So that question's probably more suited once we get those, the numbers out to you and then you can actually look at the whole thing. And let's deal with '16-17.

The Headstart program has been very successful. I mean we sold 1,991 affordable housing units to people of Saskatchewan, and I think that's a very successful program. So the money was well invested. We picked the right program to help Saskatchewan people and we're quite proud of the program and its results.

We do expect from time to time there's going to be impaired loans whenever you're dealing with this kind of money and whenever you're dealing with every major bank. And I used to work for one, always had impaired loans. Right? So yes, it's been a very successful program. We're very pleased with it, and we'll be happy to discuss whatever the '17-18 results are when we table them.

Ms. Sproule: — Thank you. On page 14 of the financial statement from 2017, there is a note saying that "the corporation is to repay the provincial allocation without interest five years from the date the funds were received [and then it says] along with a commission paid to intermediaries for introducing new immigrant investors under the IIP."

Can you provide to the committee a list of those commissions and which intermediaries received those amounts and how much those amounts were?

Mr. Kosloski: — We don't have that information. That's from the federal government. So the intermediaries work with the federal government is my understanding, and that the federal government charges us that 5 or 7 per cent fee. And that's a flat fee on the amounts that we received. It's not a rolling fee. We're not involved in that end of the program.

Ms. Sproule: — Can you provide the committee with the amounts paid for the commission to the federal government under the fund?

Mr. Kosloski: — That would be something we'll have to go back and calculate.

Ms. Sproule: — Thank you very much. I would appreciate if you could table that. So you have no awareness of who these intermediaries are that introduced new immigrant investors?

Mr. Kosloski: — Not at all.

Ms. Sproule: — I guess we can go back to the conflict-of-interest discussion just for a second. In your view, if Westcap was introducing new investors through its Cheung On Investments Group, would you see that as a conflict of interest?

Mr. Kosloski: — I'd have to examine it as a lawyer. I'd have to look at all the facts. But I wouldn't want to speculate at this time.

Ms. Sproule: — Of course not, and I wouldn't expect you to speculate. I'm just wondering if that would cause the board to maybe do some investigation into what appears to be a conflict of interest.

Mr. Kosloski: — You know, if we became aware of it we might look at it, but again we have no understanding of who those intermediaries are, and they interact directly with the federal government.

Ms. Sproule: — Okay. Perhaps I will do a freedom of information or access to information request with the federal government and then I can provide you with those names. All right.

In terms of affordability, I think that's a term, Mr. Minister, that may be applied differently by different people, and particularly people who are looking for entry-level housing. I'm just looking at the average project pricing in the smaller cities that you provided today, for example — Kindersley, Lloydminster, Meadow Lake, Moose Jaw, North Battleford, Prince Albert, Swift Current, Weyburn, and Yorkton. Now the list that you gave us today doesn't identify which community that's in, but for a townhouse, for example, in July of '14 the average project price was \$336,000. I'm just wondering if that is . . . you know, it's slightly below the average MLS [Multiple Listing Service] listing, but in your view, what would deem that to be affordable for an entry-level home?

[09:15]

Hon. Mr. Hargrave: — Well it is lower than the average, right, and I think that's probably the most important thing. And this is the average project pricing. I mean there are units that would be less costly and there are units, of course, that would be a little bit more costly. But it is an average and it is below, it is below what the average MLS is. So I mean it does make it somewhat more affordable. It doesn't make it free. It makes it more affordable.

Ms. Sproule: — But would these 2,200 units not have manipulated the market, in a sense, and what the average price is when the government introduces a program to add 2,200 units to . . .

Hon. Mr. Hargrave: — Well it's spread out throughout the market. It's spread out throughout the province. If you look at the next townhouse, the average MLS was 229 and the average . . . [inaudible] . . . unit price was 189, you know. So there's a considerable difference in, you know, a number of them. But it does impact the market, but if you think about how many homes are on the market throughout the province, 2,200 is not a big number.

Ms. Sproule: — I'm going to move on to the First Nations and Métis Fund. Again we're running out of time so I won't be able to ask all the questions I'd like to ask on these very many important things that the CIC's involved in.

In terms of the First Nations and Métis Fund, again we have the same manager, and total management fees from that fund so far are \$2.665 million. That fund is in deficit right now at \$7.3 million. Impairment of loans is a significant issue and has been throughout the history of the fund. I believe currently it's sitting at 2.1 million . . . Not currently, a year ago, because that's the most recent numbers that we have. And the total comprehensive loss at this point is \$1.7 million in loss.

So perhaps you could share with committee . . . I know you've indicated that this fund is being wound down, there's no more advances being made under it. What are you doing to ensure that we don't lose \$7 million? Is there any way we can, I don't know, recoup some of those funds?

Hon. Mr. Hargrave: — Well this was a fund created in 2006, Ms. Sproule, that was to help, you know, specifically start-up businesses and get them going for indigenous peoples. And with any start-up business, there's always a large amount of risk, as you know. Business is not easy. And so this fund was in there specifically to help indigenous peoples with start-up businesses and encourage that segment to grow. And so with that, like I said, there is an inherent amount of risk with any start-up business.

Ms. Sproule: — I understand the purpose of the fund. And the first two investments that were made, one was actually L&M forest products, which was not a start-up business at all. It had been in existence for a number of years. First Nations are actually buying partnerships into existing businesses. So I don't believe that this is really about start-up, Mr. Minister.

But I want to ask some specific questions. For example, the corporation purchased a million dollars in a partnership with Sturgeon Lake First Nation and then purchased a 33 per cent interest in Glenmor LP. This is a company in Prince Albert. I'm sure you're familiar with them. And again Westcap Management has a significant interest in Glenmor as well.

So I'm wondering if the corporation, First Nations and Métis Fund corporation, made any determination as to whether there was a conflict of interest, considering that Westcap Management was managing this fund but also had a significant interest in Glenmor LP.

Mr. Kosloski: — So when the First Nations and Métis Fund board review investments and these investments are approved at the board, one of the criteria that we do look at is whether these businesses are majority owned by First Nations or Métis groups, and that's one of the key criteria to investing in any of these. We do not look at minority ownership. Most of these are management buyouts or new start-up companies. So there will be some level of other investors in some of these, but our main criteria is to ensure that they have majority control of the business.

Ms. Sproule: — I think my question is around conflict and whether there's concerns around Westcap Management's interest in Glenmor LP, which it still shows on its web page that it has an interest in that. So is there any concern about conflict with your manager having a vested interest in one of these entities?

Mr. Kosloski: — I don't know when they acquired that interest, so we can go back and examine it, but certainly it doesn't present a conflict from my perspective. They're an investor.

Ms. Sproule: — Thank you. In 2013 the First Nations and Métis Fund — this is on page 15 of your annual report — describes an acquisition in Infinite Investments Inc., and currently when you do a corporate search for that company, it

shows as an individual here in Regina. The shareholder is the Western Region 3 Métis Nation and Wendy Gervais is the sole shareholder. So it's 100 per cent owned now by Western Region 3 Métis Nation.

Unfortunately this was in 2013 and within three or four years you've written off the value of debenture B to nil, assuming no value will be recovered. And then I think debenture A has been written down from 1.2 million to \$737,000. That's a significant loss in a very short period of time. Perhaps you could speak to the committee about your concerns with that investment.

Mr. Kosloski: — So that investment is an oil service company and they were hit particularly hard with the downturn of the oil industry, oil and gas industry. Similarly with the File Hills Qu'Appelle investment, that was a oil and gas drilling rig. Red Dog Holdings was an oil and gas drilling rig. And all three of those were hit particularly hard by the downturn in the oil and gas sector.

Ms. Sproule: — I think Red Dog was the Star Blanket First Nation that purchased . . .

Mr. Kosloski: — I do have that.

Ms. Sproule: — It's on page 16 of the annual report.

Mr. Kosloski: — That's correct. Star Blanket Cree Nation, yes.

Ms. Sproule: — The File Hills one is described on page 15. And again there's a cash settlement I believe with File Hills for \$250,000. Did you receive that payment in May of 2017?

Mr. Kosloski: — We did.

Ms. Sproule: — Receive that, okay. Now as far as Glenmor is concerned, you're saying that Sturgeon Lake First Nation has a 100 per cent interest in the company, or a majority share?

Mr. Kosloski: — A majority interest, yes. I don't have the exact ownership structure but . . .

Ms. Sproule: — So on page 15 it says that the funds used by the fund purchased a 33 per cent interest in Glenmor. So the other 17 per cent or 18 per cent, do you know how that was acquired?

Mr. Kosloski: — I don't. I'd have to go back. There are a couple of pieces to this. There's some buildings that are part of the business; there's the actual business itself. So there's various aspects of this that I'd have to go back. And this one is structured a little differently, but I'll have to go back and examine that.

Ms. Sproule: — Okay. I feel like I really have to move on given that we only have a few minutes left. I did want to talk a little bit about some of the decommissioning costs that the company is facing, especially under the CIC AMI [CIC Asset Management Inc.] portfolio. And, Mr. Swystun, you briefly referred to it when we met in May, and I'm just wondering if you could give the committee a bit more of a breakdown of those decommissioning costs.

I know they're here in the annual report as well, so if you just give me a second, I can probably locate that. Too many notes. Yes, remaining environmental liabilities. You referred to it: ". . . substantial amount of remaining environmental liabilities associated with past investments from the '80s and '90s." And I'm just wondering if you could share with the committee what those are.

Mr. Swystun: — There's a variety of environmental liabilities. In general some of them relate to the sale of the Prince Albert pulp mill. And a transaction occurred in 1986 whereby the Prince Albert pulp mill was sold to Weyerhaeuser. And at that time the province retained existing environmental liabilities, both at the pulp mill site in Prince Albert as well as with an associated chemical plant operation in Saskatoon that's currently known as ERCO. So there are environmental liabilities related to any contamination pre-1986 at both of those sites that are retained by CIC AMI and in turn by CIC.

In addition there is a site in Meadow Lake related to the Meadow Lake pulp mill and a similar kind of circumstance. That facility was sold . . . I don't recall the year, but it was sold and part of the agreement was that any existing environmental liabilities of that site would also be retained by CIC AMI. You know, those are the most significant environmental liabilities.

[09:30]

Ms. Sproule: — I've found the location of that description on page 14 of the AMI financial statements. It looks like the balance of environmental remediation costs is going up. At the end of 2016, it was \$47 million. In 2017 it went up to \$52.7 million.

I'm just wondering, and just a couple questions here. You say in your financial statement, the timing to complete the remediation is indeterminable on the pulp mill and the ERCO chemical plant. And then you indicate in the third section of that portion that the corporation is expecting to have a decision on the Meadow Lake pulp partnership in the next 12 months. So what is the decision on that?

Mr. Swystun: — So two parts to our response. The increase in the estimated environmental remediation costs, because these costs would be expected to be incurred at some point in the future and typically relates to the site being taken out of operation . . . So the chemical plant in Saskatoon for example continues to operate today, and there would be no requirement to remediate the site until the plant ceased operations. That could be in 10 years. It could be in 20 years. It's not known. So there's a re-estimation done of what those future costs would be every number of years by environmental engineers. So that increase in costs is just really reflective of expected cost inflation in the eventual remediation costs.

For the second part of the answer I'll maybe ask Cindy to elaborate in terms of the discussions taking place with the Ministry of Environment.

Ms. Ogilvie: — Thanks Blair. Cindy Ogilvie, CFO [chief financial officer] at CIC. The question related to the Meadow Lake partnership. Meadow Lake was undergoing a sale of its assets and was going through a receivership process. That has

taken longer than what we were expecting. So the finalization of all of that, we're hoping, will occur in 2018. So you'll see some of that resulted in the 2018-19 financial statements.

Ms. Sproule: — Thank you for that. So we'll stay tuned. In terms of the ongoing liabilities, increasing liabilities, is this something that you have a sinking fund established for, or how are you managing that?

Mr. Swystun: — We don't call it a sinking fund, but funds have been set aside to cover the eventual funding of those remediation costs, yes.

Ms. Sproule: — And the pulp company, that is not operating right now. So is there any estimate as to when you'll begin the remediation, or are you anticipating that it will reopen and you'll just carry that as a liability, an increasing liability?

Mr. Swystun: — Just to clarify, there are two different pulp mills: one in Prince Albert, and one in Meadow Lake. The one in Meadow Lake continues to operate today. The one in Prince Albert, of course, has been shut down. It's currently owned by a company called Paper Excellence, and they continue to be investigating options for the restart of the plant. So really the ball's in their court, so to speak, because it's not yet deemed to be a site that's being abandoned.

Ms. Sproule: — In the meantime, our costs go up in terms of remediation. Mr. Chair, I would love to continue asking questions. This is a fascinating file and, as the official opposition critic, I think there's many, many areas to explore. But overall I know, in terms of the consolidated financial statements, the CIC is well run. And I would like to thank the officials for the work they do and for keeping the company afloat, so to speak. So I look forward to next time we meet.

The Chair: — Thank you, Ms. Sproule. Seeing questions have now concluded, I would ask a member to move that we conclude consideration of the following annual reports and financial statements: the 2016-17 Crown Investments Corporation of Saskatchewan annual report; the CIC Asset Management Inc. financial statements for the year ended March 31, 2017; First Nations and Métis Fund Inc. financial statements for the year ended March 31, 2017; 2016-17 Gradworks Inc. financial statements for the year ended March 31, 2017; 2016-17 Saskatchewan Immigrant Investor Fund Inc. financial statements for the year ended March 31, 2017; and the 2016 Capital Pension Plan financial statements; the 2015 and 2015-16 Crown Investments Corporation and subsidiary Crown payee disclosure reports.

Ms. Lambert has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. That concludes our business this morning with the Crown Investments Corporation. Minister Hargrave, do you have any closing comments you care to make?

Hon. Mr. Hargrave: — Thank you, Mr. Chair. I'd just like to thank the members of the committee and Ms. Sproule and my

officials, and of course Hansard and yourself, Mr. Chair, for the time. And we do appreciate it, and we look forward to our next segment.

The Chair: — Thank you, Minister, and my thanks also to your officials. We would like to just now give you a moment to switch officials with STC coming in, please.

[The committee recessed for a period of time.]

Saskatchewan Transportation Company

The Chair: — It's now 9:40, so I'll welcome everyone back. We'll now be considering the 2016-17 annual report for STC. Minister Hargrave, if you care to introduce your new officials and make any opening comments, please.

Hon. Mr. Hargrave: — Thank you very much, Mr. Chair. I'm pleased to be here this morning to appear before the Crown and Central Agencies Committee to speak to the 2016-17 Saskatchewan Transportation Company annual report.

With me this morning to assist in answering your questions are senior officials representing STC, as well as supporting officials from CIC. With me is Kyla Hillmer, president and CEO of STC; Travis Massier, CFO for STC; Lavina Rieger, senior HR [human resources] official for CIC; Cindy Ogilvie from CIC; Doug Kosloski, as well from CIC; Joanne Johnson from CIC; and my chief of staff, Angela Currie.

I have a few opening comments and then we're ready to answer any questions the committee might have. The 2016 and '17 annual report for STC provides details of the final full year of operation for the transportation company. Following the announcement on March 22nd, 2017 that the corporation would be wound up, the focus for the Crown and CIC was on preparations for the discontinuation of vehicular operations on May 31st, 2017 as well as the subsequent dissolution and everything required to meet those two timelines.

Speaking specifically to 2016 and '17, we know that the company recorded a net loss of 5.3 million. This was down 5.6 million from the 2015-16 15-month net earnings of point three million after subsidy. Ridership declined 2.4 per cent, bringing the passenger loss per mile to \$3.35, up from \$2.97 the previous year. On average, the subsidy CIC was going to have to provide moving forward was \$92 per every passenger ticket. That was just not sustainable.

The windup is largely complete at this point. All the assets have been sold with the exception of the Regina maintenance facility. We do have an offer on that facility and negotiations are in progress. Both the city of Regina and the city of Saskatoon have taken advantage of the asset sale to acquire some of the properties in the cities. The results of those sales were well publicized through the approval process.

Hilco Industrial Inc. was the successful bidder in the RFP for the fleet and equipment in one bulk purchase. They identified themselves publicly; however, the successful bid price cannot be released due to competitive interests. This is a part of the sale contract, and we respect that.

Properties in Moose Jaw, Prince Albert, and Saskatoon were also sold with similar contractual requirements at the request of the buyers. In these instances, the buyers' names are also part of the confidentiality agreement. It remains up to the buyer, following closure of the agreement, whether they want to disclose their purchase or not. That is not up to the government.

Proceeds from the asset sales are expected to be approximately \$30 million. Through CIC, STC is providing the proceeds of the asset sales to the General Revenue Fund as the sales are complete.

With respect to the STC employees, a total of \$5.8 million has been allocated for severance. This figure includes all 224 employees of the corporation, including the latest arbitration decision impacting 95 employees, providing them with an additional eight weeks of pay. Despite the federal government's interest in the arbitrator's ruling, STC accepted the ruling and moved forward to pay those employees according to the decision. That process is now complete with those payments being mailed out the first week of June.

I want to take a moment to acknowledge the dedication and professionalism the STC employees brought to this very difficult task. Their customer service ratings were always very high, and they continued to deliver those levels of service and professionalism right to the last day. I also want to acknowledge the hard work, dedication, and professionalism of the CIC staff that supported them and now continue to deliver while assuming the windup responsibilities. A task like this is never easy. It's important that we thank all of those involved.

This transition has not been an easy one. However, the subsidy that would have been directed to sustaining the system is now going to be available for government priorities such as education, health care, and infrastructure needs. The private sector is finding their place in this transportation industry here in the province. It has not been an immediate occurrence, but it is happening.

[09:45]

Mr. Chair, this concludes my remarks this morning. My officials and I would be pleased to answer any further questions from this committee. Thank you very much.

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

Ms. Sproule: — Thank you very much, Mr. Chair, and thank you, Mr. Minister. Right off the hop, I too want to express our thanks to the STC staff and the officials at CIC for this difficult transition. I know it hasn't been easy and certainly want to appreciate the heavy load and the hard work that you've had to put in to wind up STC.

My first question is a semantical one, and it's more curiosity than anything. Even in the CIC annual report it says that you're winding up STC, but you're winding down Gradworks. And I just wonder if you could distinguish for me the difference between the two.

Hon. Mr. Hargrave: — There is no difference. It's just that

person that was writing that section chose to use the word "up" and one chose to use the word "down."

Ms. Sproule: — Thank you. I will sleep better at night knowing that. I'm just going to refer to the annual report now from '16-17. On page 5, Mr. Minister, you indicated that "Our government believes that operators in the private sector will step up and continue to offer the service that citizens received from STC." Can you share with the committee, do you know how many private operators are providing service today and what percentage of the routes are being covered?

Hon. Mr. Hargrave: — There are a number of companies that are providing service. I can list them off for if you'd like: L.A. Family Shuttle out of La Ronge, DiCal out of Melville, Rider Express out of Regina, and Greyhound is still operating throughout the province. Beeline Taxi is providing some service around Midale, Weyburn. The Yorkton Shuttle provides passenger service daily between Regina and Yorkton.

Driverseat offers specialized passenger shuttle service for weddings, airports, corporate events, and those needing assistance. Clean Cab & Courier runs passenger service between Nipawin to Saskatoon through Prince Albert. Roddy Piper Taxi Services provides transportation between Prince Albert, La Ronge, Creighton, Sandy Bay area. Golden Mobility & Rehab provides charter services to passengers in wheelchairs and scooters.

So I don't have the percentage of routes, of the former STC routes that have been covered, but there is a considerable amount of companies that have started to come on. We didn't expect it to be a wham-bam, that they would jump on it the first day. Companies like this have to see the opportunity and have to see where the need is. And I think that's where the biggest thing is, is there's got to be that need is there.

So as you can see from the list that I provided, there are a number. And there are always more looking to take on an opportunity, and we're happy to see that. I know one just commenced operation here a week or so ago.

Ms. Sproule: — Is that something you will be determining, is what percentage of the routes are being taken over, or you're not going to look at that at all?

Hon. Mr. Hargrave: — That wouldn't be part of my plan. It would be generally we'll just observe as to who's out there as we see more and more businesses come on stream.

Ms. Sproule: — Yes, I guess the definition of need may vary from person to person in terms of where the need actually exists.

Hon. Mr. Hargrave: — Need and opportunity. I mean, there's businesses, if they're in-there-for-profit businesses, they're going to see . . . If they see a need and an opportunity, they're going to see that. There might be specific organizations in communities that see a need that don't see a need for profit, and that's 100 per cent. I mean if there was an organization in a community that just wanted to provide a service at a not-for-profit basis, that would be a great thing as well.

Ms. Sproule: — Obviously there's economic need, which is the determination that the companies you're referring to are looking at, but there's also health care needs and business needs from individuals that may not be taken into account. And certainly we've had that discussion politically over the last number of months.

On page 10 of your annual report, you indicated where STC operated in '16-17. I'm just wondering, if in addition to the statistics that you provided, could you provide the committee with the number of actual rides, or tickets sold, that took place in that year?

Hon. Mr. Hargrave: — The number of tickets sold would have been 185,678.

Ms. Sproule: — Thank you. On page 11 you indicated that 40 per cent of the fleet was wheelchair accessible. Can you provide the committee with the percentage for the current private businesses? How many of those are accessible?

Hon. Mr. Hargrave: — Actually they don't have to report that to us.

Ms. Sproule: — And you have no interest in knowing that?

Hon. Mr. Hargrave: — We have a personal interest in knowing that, but they don't have to give us that information if they don't ask for it. I mean, I know a number of them are looking at it, and so we observe that as much as you would through some press reports, but it's not something that these companies have to report to us. But we do know, we do know that some of them offer services that STC never offered; for example, the one company offers service right onto First Nation reserves, where STC never.

Ms. Sproule: — So you have no intention of finding out whether they're providing wheelchair accessibility?

Hon. Mr. Hargrave: — We're just keeping aware of it, as you are, as other people are, to see where there is. But we don't, we have no plan on making a grand announcement about it.

Ms. Sproule: — No, I'm certainly not looking for a grand announcement, just wondering if that's something the government's interested in.

Hon. Mr. Hargrave: — Well of course the government's interested in making sure that some services are . . . not making sure, but interested in knowing that there's some services out there. But as far as STC following up to ensure that these companies are providing wheelchair accessible services, I don't think it's part of their mandate.

Ms. Sproule: — Obviously it was important to STC and the government, prior to the wind-up of STC, where people with varying mobility needs could book wheelchair accessible buses with 48 hours' notice. Do you have any numbers on how many of those bookings took place in the fiscal year in question?

Hon. Mr. Hargrave: — The number of bookings for wheelchair in 2016, because '17 of course was only a partial year, was 526. Now that said, through Health services, I mean

there are companies out there that do provide. And I know through the Department of Health and through Social Services there are programs that are out there that assist with people with disabilities, in getting them from location to location. Because there are specific companies that do provide that service, but not necessarily on a charter basis or on a scheduled basis, but they do provide it. And that service is out there and we're glad that it is, to provide these services to get some people with disabilities wheelchair accessibility vans, etc., to get people to appointments, etc.

Ms. Sproule: — Thank you very much, Mr. Minister. Obviously to those 526 individuals or bookings — I don't know if that's individuals or the number; I guess it's the number of bookings — that provides something that is very much needed by people with disabilities. And you know, your government has often said you want Saskatchewan to be a place where it's the best place for people with disabilities to live. Taking away this service at this point in time would cause a very serious impact on those individuals using that service who needed it.

Now there may not be an economic benefit to the people of Saskatchewan for that but, as you know, disability services are who we are as a people, and providing those services has more than an economic need. And so are you assured through the Ministry of Health that there is an equivalent service available now that the STC no longer provides that service?

Hon. Mr. Hargrave: — Well I'm not exactly sure, because I'm not the Minister Responsible for Health, as to the specifics of that program. However, I do know that there's a number of services available out there, and there appears to be in all the cities, in the major cities, and a lot even in smaller communities.

And you know, I'm optimistic that even with ride share, with the advent of ride share, I know certain organizations with disabilities made a presentation in favour of ride share at a recent city meeting. So you know, we think that over time that situation's going to dramatically improve and provide more and more access and abilities for people with disabilities — not only just wheelchair but all disabilities — to get transportation from one community to the other.

Ms. Sproule: — Do you recall which organization that was that made that presentation?

Hon. Mr. Hargrave: — I don't recall the official name. It was for blind individuals.

Ms. Sproule: — Within the city?

Hon. Mr. Hargrave: — Yes, they made the presentation to a city.

[10:00]

Ms. Sproule: — Okay. I'm not sure how that helps rural folks, but we will follow that with interest as well.

STC had an attendant program for a person with disabilities or visual impairment, which allowed an adult attendant or a service animal to accompany them at no additional charge. Do

you know whether the current providers allow that . . . have the similar program?

Hon. Mr. Hargrave: — No, I don't know if they provide those services. And I know some organizations do for certain companion . . . I know this historically because some of those services provide services for companion dogs and guide dogs and that sort of thing.

Ms. Sproule: — So at the time when STC had the program, the attendant program for persons with disabilities or visual impairment, that was important to the government to provide that service. But now you're saying that's not something the government is looking into.

Hon. Mr. Hargrave: — As I've said, we don't follow up all these companies that are providing services, transportation services, throughout the province. And that while we're optimistic and that I know in reading articles that have been published that some of these services are considering expanding the services that they provide to one with people with disabilities and wheelchair services. And we're very optimistic and we're hopeful that that starts to get provided in the very near future.

Ms. Sproule: — But there's no intention to pass some sort of legislation, regulation requiring those companies to provide the same service that the STC did? It's certainly within the government's purview to do that, so I'm wondering if that's something the government's looking at.

Hon. Mr. Hargrave: — Well the government's not looking at passing legislation forcing these companies to provide that. No, we're not.

Ms. Sproule: — Thank you very much. So then obviously the priority isn't the same that used to be when the STC provided that service. That was something the government did and now they're no longer doing it, so the priorities have changed.

Hon. Mr. Hargrave: — Well the government's not running STC anymore and because that . . . so that STC is no longer in service. The priorities of STC changed over the years as you know yourself. I mean over the years many routes were cancelled by this government and previous governments, and so they decided not to provide that continued, to provide that service.

This government has decided not to provide STC as a service out there to the people and charge that \$85 million over five years to the people in Saskatchewan. We think that \$85 million is better spent in social services and education, in health, and that'll go a long ways to helping people with disabilities or other people with services that they require.

The Chair: — Ms. Sproule, I'm just wondering if in the interests of time, I understand where you're going with some of these questions, if we wouldn't be better to limit our questions more specifically to the annual report rather than the private sector enterprises that have taken over the services.

Ms. Sproule: — In fairness, Mr. Chair, I am referring to page 11 of the annual report and that is the STC's attendant program

for persons with disabilities or visual impairment. Given the changes that have happened, I just want to ascertain whether this government, which had that as a priority for people with disabilities, visual impairment, had any inclination to pass legislation or rules about the new service providers, and whether or not they would be required to follow that kind of program. The minister has made it abundantly clear that the government has no intention of doing that, so I think we can move on at this point in time.

Hon. Mr. Hargrave: — I will mention that social services, you know, for some of their . . . It is a requirement for some of the services to provide people on social assistance to have a support person or accompanying animal, that service that provides that will have that option for them to use. So there are services out there. There are services used by social services. They are services used by health where it does provide for a support person, for a support animal, whatever the case may be. So there are services out there that are being utilized by social services, by health, that provide those services. We don't need STC to be able to provide those services. Other people do provide them.

Ms. Sproule: — As a member of cabinet, can you assure the people with disabilities in the province that it's the same level of access that was in place when STC existed?

Hon. Mr. Hargrave: — Access has changed from, and access changed with STC every year, over the years. So I mean access was not provided in previous years. Access to people in some communities was never provided. STC did not provide services to every person with disabilities in every community in this province, as you know. So that still hasn't changed. For people with disabilities, there are services available, but STC doesn't provide any services as they haven't over a number of years.

Ms. Sproule: — Right. That's very obvious. Thank you very much, Mr. Minister. On page 18 of your annual report, you indicate that in '16-17 the total subsidy was 12.4 million for operating losses and an additional 1.2 million in capital grants. Now you've said that subsidies over the next five years would be . . . I think you just used the number 85 million. That only adds up to 68 million for '16-17, so I'm wondering where you got the number of \$85 million from.

Hon. Mr. Hargrave: — Well the 17 . . . It was estimated for the fiscal year of '17-18 that the spend was going to be \$17.1 million, and at \$17.1 million, because a number of capital expenditures had been deferred in previous years, that it was necessary for an increase for that fiscal year and for subsequent fiscal years to be able to provide. And that number was 17.1, times five years, would be about the \$85 million.

Ms. Sproule: — So you were anticipating \$4 million of capital grants for the next five years?

Hon. Mr. Hargrave: — That was in the budget that was provided to us, yes.

Ms. Sproule: — Obviously that would have improved the value of the assets as well, so it's not . . . Like the operating losses weren't going to be \$85 million then over five years.

Hon. Mr. Hargrave: — Well you've got to continue . . . Yes, because you have to continue to improve your assets and add to your assets, so capital expenditure is an ongoing thing. It's not something you do every five years. It's something you do every year.

Ms. Sproule: — And obviously once you do that, that improves the value of the asset as well.

Hon. Mr. Hargrave: — Of that asset. But other assets keep dropping off . . .

Ms. Sproule: — Of course . . .

Hon. Mr. Hargrave: — Right?

Ms. Sproule: — Yes, I understand that. On page 20 you talked about capital spending, and you had approved the restoration of the Regina maintenance facility. And I think, I don't know how much . . . \$125,000 in '16-17 and 2.6 million in '15-16. How were those upgrades recognized in the value of the building and the sale of the building? Were they included?

Hon. Mr. Hargrave: — All the buildings were evaluated based on current market value. There was nothing . . . I mean obviously when the evaluator looked at it, the improvements were done and that was part of their overall evaluation for the properties.

Ms. Sproule: — On page 40 of the annual report, note 9, property and equipment, it shows the value of the buildings was estimated to be . . . The balance at March 31st, 2017 was 26 million, which was a significant drop from the year before due to the impairment value that was placed on the buildings. Can you explain to the committee how that \$11 million impairment value was determined?

Mr. Massier: — Travis Massier, CFO of STC. The valuation that was done at the end of the fiscal year was based on fair market value. The valuation prior to that would be the value of STC when the fair value market was assessed. It's based on what the market's willing to pay for the assets, thus resulting in an impairment.

Ms. Sproule: — Could you share with the committee that assessment done by the evaluator?

Mr. Massier: — The agreement with the valuator . . . We can double-check; we're just going off memory. But they would have a confidentiality clause in their agreement, so we would have to look into that. But more than likely they have a confidentiality clause that wouldn't allow us to share that with the committee.

Ms. Sproule: — So the taxpayers who own this company have no way of determining how that determination of value is made, with that confidentiality clause, is what you're saying if you can't release it?

Hon. Mr. Hargrave: — Well the evaluator that was used was a fully accredited evaluator. And the value of the building is the value of the building. And the people of Saskatchewan will, of course, see what the value of the building is or was, when

they're all sold. There's a couple of them that were announced because they were public, of what the prices per building were. But the best value was obtained for the buildings.

Ms. Sproule: — Then there should be no need for a confidentiality clause. Right?

Hon. Mr. Hargrave: — It's a standard agreement that evaluators use for the confidentiality.

Ms. Sproule: — I can understand that in the private context, Mr. Minister, but we're talking about a public asset. So whether or not it's standard doesn't mean it's right, and the people of Saskatchewan should have the opportunity to understand how these assessments are being made. It belongs to the people of Saskatchewan. Right?

Hon. Mr. Hargrave: — Well the people of Saskatchewan will see that the value has come out of the assets, and what that value is, has come out of the assets when the assets are sold. And the evaluator has every right to ask for this confidentiality clause, and it is a standard in the industry. And it's standard with not only these buildings, but it's been standard in Saskatchewan for many years, under this government and under previous governments who utilized the same type of evaluators and the same evaluators. That same confidentiality was in the agreement set. So you know, to say that this government is doing that would be wrong because the previous government did it as well.

Ms. Sproule: — I don't think the previous government would up STC, Mr. Minister.

Hon. Mr. Hargrave: — They sold some stuff though, if you recall.

Ms. Sproule: — When I'm looking at page 40, in terms of the balance, you have it depreciated, of the billings, where they were depreciated down to \$14,000. The balance was \$14,000 . . . Or sorry, 14 million. Depreciation was 1 million, and impairment was 10 million. This is just a basic accounting question that I don't understand, is why was impairment added to the balance in bringing it up to 26 million? If I understand correctly, impairment means the loss of value based on the sale or the shutdown of the company. So why would that bring up the value of the buildings?

[10:15]

Mr. Massier: — So there's two parts to this schedule. The first part, the costs are deemed costs, would be a portion of the original book value. The depreciation would be a negative impact, and then the net value is at the carrying amounts at the bottom.

Ms. Sproule: — All right. Thank you very much. I wasn't reading the chart properly. So it is a negative amount. So from \$38 million at the end of March 2017, taking into account depreciation and impairment, then the final value was \$26 million to the buildings, 26.2.

Mr. Massier: — The final value is, actually the carrying amount's below, so it would be \$11.8 million.

Ms. Sproule: — Thank you. Okay we're getting there. So the value was dropped from 38 million to 11.8 million. Can you share with the committee what the actual sale value was for the buildings?

Mr. Massier: — Just to clarify, in the chart for buildings, the value at the end of March 31st, 2016, at the bottom of that was 23.7 million, and the value went down to 11.8 million.

As far as the sale value goes, the two public processes for Saskatoon and Regina have been publicly disclosed through their approval processes. On tabling of the STC annual report on July 13th, you'll see the total value of the sale proceeds in there.

Ms. Sproule: — We will wait then to find that out, although I'm sure you know that number already. But we will wait until July to find out that number.

So the total balance of value at March 31st, 2017 was 70.4 million for land, buildings, vehicles, and other equipment. After the depreciation and impairment applied, we ended up with 19.9 million or \$20 million of value. So if in effect, the decision to shutdown or wind up the company cost the taxpayers \$50 million without doing anything. Is that correct? From 70 million down to 20 million?

Mr. Massier: — So the value from '16 for the total assets to year-end of 2017 went from 35.9 to \$19.9 million, which is the bottom carrying amount. The depreciation of 50 million that you're referring to, when you purchase assets from years and years ago, as you use that asset, under accounting standards you depreciate that asset as you use it. So it's serving its purpose or its value, and you essentially make an adjustment to lower that value. So that's what the depreciation would refer to.

Ms. Sproule: — Okay. So the impairment then, this is the only amount that's caused by the decision to sell, and that's \$14.6 million that effectively walked off the lot the day the decision was made?

Mr. Massier: — So the impairment that you're referring to was done by a valuator. However I should mention in the minister's opening remarks that we anticipate to actually get proceeds of \$30 million. So from a valuation standpoint at this date there was a \$14 million decrease, but we expect to recover the majority of that.

Ms. Sproule: — I'm sorry, you said that you anticipate a \$30 million gain on the sale of the land, the building, the vehicles, and other equipment?

Mr. Massier: — That was proceeds, net proceeds.

Ms. Sproule: — Net proceeds from the sale of land, buildings, vehicles, and other equipment. And yet the balance was 50 million, so there was a loss of \$20 million over and above the impairment?

Mr. Massier: — The 50 million. Are you referring to the depreciation?

Ms. Sproule: — I'm sorry, 20 million. I'll get it straight yet. So

the total was 30 million instead of what you were anticipating at 20 million?

Mr. Massier: — Yes.

Ms. Sproule: — So where did the assessment go wrong then, if it was off by \$10 million?

Ms. Hillmer: — I'm Kyla Hillmer, CEO of STC. The valuator had originally put a value on the Regina head office in particular that was ultimately lesser than what we received for the building. That was a very special-use building that needed a particular buyer to achieve a strong value. And in the city of Regina we did receive a strong value as they had a good use for it with the Regina city police. So in that particular sale we received most of that recovery.

Ms. Sproule: — At the time of the sale, or at the time of the appraisal, there was no indication that the Regina Police Service was looking for a new headquarters?

Hon. Mr. Hargrave: — Well that wouldn't be information we would give to an evaluator because it would skew his evaluation from what the asset was, and they won't view on speculation on items of that nature.

Ms. Sproule: — Normally appraisers are able to take into account extraordinary assumptions or highest and best use when doing appraisals, so I'm not sure why an evaluator wouldn't do that.

Hon. Mr. Hargrave: — We could have said it could have been anybody. I mean there was many other organizations interested. There was other organizations interested in that property as well, so he would have had to do numerous if this person bids, it's going to be this; if this person bids, it's going to be that. And that wasn't something that we were doing. We wanted him to evaluate the property based on the asset that was sitting right in front of him.

Ms. Sproule: — So then you limited him in terms of how he was able to value the property is what you're saying?

Hon. Mr. Hargrave: — Yes. And at that time we did not know the city of Regina was going to bid on the property or was even interested in the property.

Ms. Sproule: — On June 26th, and this is an article that was updated on October 10th, 2017, there was an article in the *StarPhoenix* where the government spokesperson . . . I'll just give you the quote:

Government spokeswoman Kathy Young told the *Saskatoon StarPhoenix* last week that the total cost of winding up STC has not been determined because "a project of this magnitude takes time and due diligence to ensure that it is managed effectively."

Can you advise the committee where STC is at now in terms of the finalization of the winding up?

Hon. Mr. Hargrave: — Well we had asked for an additional year just to ensure that everything was totally finalized, the last

property was . . . that that finalized and is sold. We wanted to make sure that any outstanding obligations to the employees were paid, and there was some arbitration issues that were outstanding at the time. And we wanted to ensure that that was done.

And then now the arbitration is completed and those employees are being issued cheques for the amounts owing to them as based on the arbitrator's decision. The final property is hopefully in the final stages, and we want to make sure all, any other expenses are in there. So where's it at right now? It's very, very close to final completion. Once that property is done and the expenses from that are accounted for, it should be wound up.

Ms. Sproule: — So we will be considering the annual report for . . . What are we at? We're at '16-17, so '17-18 won't be released soon. We won't consider that until later next year, and then you're saying there's one more year, '18-19, of books for this. Everybody's nodding. So we will find out the actual amounts probably two years from now, even though it's very close to being wound up now. Or we'll have the committee, I guess the committee will be able to ask questions about that.

Hon. Mr. Hargrave: — The committee will be able to ask questions. I'm sure we'll know those numbers and those numbers will be released prior to two years.

Ms. Sproule: — Right, and certainly we'll have opportunities to ask other questions. One of the things that has been called for by some advocacy groups is to have the auditor look at the validity of the estimated savings and the evaluation.

Certainly in Ontario, the auditor there looked into the divestment of the Ontario Northland Transportation Commission and questioned the estimate of the government of Ontario. Our auditor said she would only be able to do so if asked to do so by the Legislative Assembly or the PAC, the Public Accounts Committee. I'm wondering is that something that government is considering, is to have an auditor look at this windup.

Hon. Mr. Hargrave: — Well the Provincial Auditor will be, is involved in the auditing of the books, and so if she was to see something that she didn't like in there, then she would ask for additional information. But at this time it's not our intent to ask her to do anything further.

Ms. Sproule: — Thank you. Again I'm running out of time, but I just wanted to ask about Hilco Global's purchase of basically the fleet. It was an undisclosed amount in February in an article. Is that an amount that you will be disclosing at any point in time?

Hon. Mr. Hargrave: — No, that's not an amount that we'll be disclosing. I mean there are the two public ones: the city of Saskatoon, the city of Regina are public. The rest will be announced as one lump sum.

Ms. Sproule: — And is there a rationale for not disclosing that particular amount?

Hon. Mr. Hargrave: — Confidentiality with the purchaser.

[10:30]

Ms. Sproule: — And what confidentiality is being protected in terms of this sale?

Hon. Mr. Hargrave: — Well the same as it is for those ones purchasing the other properties, the price that they paid for it. They don't want that disclosed.

Ms. Sproule: — And how would it impair his business if that were disclosed?

Hon. Mr. Hargrave: — There were other bidders on it so it impairs his business insofar as any future bids that he bids on something else. So it impairs his future business with other opportunities that his company seeks.

Ms. Sproule: — I would suspect opportunities like this are fairly rare, so was there any analysis done of whether or not this should be disclosed because it is a publicly held company and is owned by the people of Saskatchewan, so they should know what their assets are being sold for? Because, you know, how many bus windups are there every year? Probably one.

Hon. Mr. Hargrave: — Believe it or not there's lots of opportunity. So it's not bus windups but the company windup. If you think that this company was just out there to do one company . . . This is what they do. They specialize in liquidation of assets, and so there's lots of companies that wind up in this country and in the United States every year. So these companies get involved and they liquidate their assets. And that's what they do for a living; that's how they make their money. Not specifically on bus assets but they get involved in all kinds of disposal of assets. So, yes, they're a busy company.

Ms. Sproule: — So you're more concerned about the busy company than the shareholders of the company, the people of Saskatchewan.

Hon. Mr. Hargrave: — The shareholders of the company, the people of Saskatchewan, will get the information. All that information is going to come out as to what the total amount of the sale of the assets amounted to. So that's pretty simple. I mean we've mentioned that numerous times, and I continue to mention that's the way it is. Confidentiality in business is still something that happens and it has happened for years, not just the last ten.

The Chair: — Seeing no more questions, I would ask a member to move that we conclude consideration of the 2016-17 Saskatchewan Transportation Company annual report. Mr. Hindley has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. And that concludes our business with STC. Mr. Minister, do you have any final comments?

Hon. Mr. Hargrave: — Thank you, Mr. Chair. Again I'd like to thank Ms. Sproule and I'd like to thank the rest of the committee and yourself, Mr. Chair, and my officials, and of course Hansard, who is always so . . . does a diligent job.

The Chair: — Thank you, Mr. Minister. And thank you to your officials. And we'll take a quick break of seven minutes and ask your SGI officials to come in please.

[The committee recessed for a period of time.]

Saskatchewan Government Insurance

The Chair: — Okay, welcome back, everyone. We'll now move on to consideration of the 2016-17 annual reports of SGI and its subsidiaries. And I would just like to note that substitutions are in. Nicole Sarauer is here for Cathy Sproule. Thank you for joining us.

We're now going to consider the 2016-17 SGI Canada annual report, the 2016-17 Saskatchewan Auto Fund annual report, the 2016 SGI Canada Insurance Services Ltd. annual report, and the 2016 Coachman Insurance Company annual report; as well, the 2016 SGI Superannuation Plan annual report.

Minister Hargrave, if you would please introduce any new officials you have with you and make any opening comments you wish to make.

Hon. Mr. Hargrave: — Thank you, Mr. Chair. And I do have a number of officials from SGI joining me today: Jeff Stepan, chief financial officer; and Kwei Quaye, vice-president of traffic safety services; Karol Noe, vice-president of licensing, customer, and vehicle services; and Kim Hambleton, senior director of corporate affairs; as well as my chief of staff, Angela Currie.

We were first here in May to discuss the '16-17 annual reports. I talked about what a successful year it was for both the Saskatchewan Auto Fund and SGI Canada, so I won't repeat all that again, and give you more time for questions.

I will however just follow up on a question asked by Ms. Beck at that last meeting. We didn't have the answers on hand at that time. Ms. Beck asked if the roughly 2,000 employees mentioned in the annual report were positions or FTEs [full-time equivalent]. I can confirm those are positions. Ms. Beck further asked for a breakdown of that number by classification. At March 31st, 2017, of those roughly 2,000 employees — exact number was 2,013 — 77 per cent were in-scope employees and 23 per cent were out-of-scope employees.

So I'd like to thank you, Mr. Chair, and we'd be happy to answer any questions that you may have.

The Chair: — Thank you, Mr. Minister. Are there any questions from the committee? I recognize Ms. Sarauer.

Ms. Sarauer: — Thank you. I have a few questions with respect to the annual report. And I'll try and work my way through them from the beginning of the report to the end of the report just for ease of both myself and your officials, Mr. Minister.

I noticed that in the president's message there was a discussion about the introduction of a new water protection coverage for home insurance customers as of October of 2016. Could you

provide some information about that new water protection coverage? And I'm also curious to know what the uptake has been on that new product.

[10:45]

Mr. Stepan: — Jeff Stepan, chief financial officer. The water insurance product that was introduced was for overland flooding. We and all of our competitors had provided sewer backup coverage. This is new to the industry. It was introduced in 2016 by one of our competitors and we followed quickly, did a lot of analysis to determine the pricing using flood mapping. And as a result we introduced that.

Our brokers were very receptive and the uptake of that product was significant. I don't have the numbers, the exact numbers, off the top, but I believe it was an uptake of around 70 per cent of our policy holders added that flood coverage to their policies. I can confirm that number though if you want.

Ms. Sarauer: — That would be great. Thank you so much. Can you confirm, has the uptake on that been increasing year over year?

Mr. Stepan: — I don't know for certain, but again I could confirm that.

Ms. Sarauer: — Thank you. Now I appreciate the minister's opening comments with respect to Ms. Beck's questions around the 2,000 employees as of March 31st, 2017. I'm curious, do you have the . . . Could you provide us with the number of employees as of March 31st, 2018 as a comparable?

Mr. Stepan: — So at March 31st, 2018 there were 2,093 employees, so positions at SGI. I don't have the specific breakdown of in-scope versus out-of-scope, but I can tell you that the vast majority were in Saskatchewan. 1,972 were located in Saskatchewan of those positions.

Ms. Sarauer: — Thank you. And just remind me, that's an increase from the 2017 numbers?

Mr. Stepan: — Yes, that's correct.

Ms. Sarauer: — And that increase, those numbers, you said you don't have the exact breakdown, but do you know if that increase, if that was in Saskatchewan?

Mr. Stepan: — Yes, the majority would have been in Saskatchewan, but I again can get that number to you.

Ms. Sarauer: — Thank you, I appreciate that. Moving on, and I'm looking at page 9 of the annual report. This is where there's a chart of where SGI Canada has some targets and some results in terms of growth and profitability. And at the end of the chart there's a 2017-2018 target of \$800 million for growth around direct premium written. Do you know if . . . Could you provide to the committee if you've been able to achieve that target?

Hon. Mr. Hargrave: — That target of 800 million has been achieved. And our target actually is a billion dollars in premiums written by 2020, and we are on track to achieve that number.

Ms. Sarauer: — Thank you. Do you have the exact number that you can provide us then for 2017-2018?

Mr. Stepan: — No. Well we can provide that; I don't have it with me. I apologize.

Ms. Sarauer: — Okay, you can . . .

The Chair: — That will be out in a month's time. The 2017-18 report will be out in a month's time if you want to look at it.

Ms. Sarauer: — Okay, but just for clarification, you are confirming that it has been achieved and we'll receive the number in about a month?

Mr. Stepan: — Right.

Ms. Sarauer: — Okay. Moving on, as indicated in the annual report on page 12, there was some discussion around SGI and SGI Canada, and COPE [Canadian Office and Professional Employees' Union] Local 397 was in the middle of a four-year CBA [collective bargaining agreement] that expired on December 31st, 2017. Is there a new collective bargaining agreement that has been signed since the expiry of this one?

Hon. Mr. Hargrave: — That process is still ongoing. The negotiations are still under way with the union.

Ms. Sarauer: — Could you provide us with an update as to what stage you're at in terms of that process?

Hon. Mr. Hargrave: — Well we're still working on some prioritized issues, and some of the small, the more minor language issues have been resolved. But as far as the main items, those discussions are still ongoing and we're optimistic that we'll reach a reasonable resolution in the near future.

Ms. Sarauer: — As per the original government mandate of about a year or so ago, is there still an effort being made to seek compensation reductions?

Hon. Mr. Hargrave: — Well the negotiations, I mean we don't know exactly where the contracts will end up with negotiations. I mean, all the Crowns are committed to helping the government achieve a balanced budget on the timelines that we've laid out. But you know, that said, I mean we're negotiating in good faith with the union involved here and we hope to have that resolved shortly.

Ms. Sarauer: — Exactly when does SGI anticipate that those negotiations will be concluded and the contract signed?

Hon. Mr. Hargrave: — You know, it's difficult for us to say. We'd like it completed tomorrow, but we're only one partner at the table. So there's more than one partner. We'd like it done as soon as possible because the contract has been expired for some time, and we would like it resolved as soon as possible. So we'd like it resolved, like I say, tomorrow if we could.

Ms. Sarauer: — And again, just for clarity, when I asked you what particular stage you are at in terms of the negotiations, are officials from SGI and the applicable unions, are they still at the table negotiating right now, as of today?

Hon. Mr. Hargrave: — Yes, they're still negotiating. Yes.

Ms. Sarauer: — Thank you. Moving on to page 13, under the heading financial capital, there is a statement that states:

There were no new equity advances to SGI from its parent in 2016-17 and there were no changes to the capital of the Corporation's subsidiaries during the same time period.

Can you provide us some information as to when the last equity was advanced?

Mr. Stepan: — It's been several years since the government invested new capital into SGI Canada, at least five years since new capital has been invested.

Ms. Sarauer: — Could you tell the committee how much was invested the last time it was?

Mr. Stepan: — Not off the top, but I can get that. In total there has been \$80 million invested over SGI's life in capital.

Ms. Sarauer: — Was any invested in 2017-2018?

Mr. Stepan: — No.

Ms. Sarauer: — Thank you. Moving on to page 15 of the annual report, there's a chart that's discussing the claims that had been incurred during this annual report year. It seems to me that there was quite a spike in claims from 2016 to 2017. In fact, it looks like there was a change of 53,000.

Mr. Stepan: — I'm sorry, which page?

Ms. Sarauer: — Sorry, page 15. So I'm looking at the bottom chart and the change from 2016 to 2017, the 53,000 increase change — almost 54,000, frankly — of net claims. Could you explain to the committee what drove this increase in this year?

Mr. Stepan: — Yes. In general that's just the nature of the insurance business. There's going to be . . . The biggest fluctuation year over year is storm claims, catastrophic losses. That would have had a significant impact on any change year over year. The other change would have been just the fact that our premium base is growing, and as our premium base grows, our claim costs are naturally going to grow. But as a percentage of our premiums, our claim costs, which is that loss ratio number, is relatively stable.

Ms. Sarauer: — Okay. When you say premium base, you mean the number of individuals who hold . . .

Hon. Mr. Hargrave: — That 800 million that we were talking about . . .

Ms. Sarauer: — Yes.

Hon. Mr. Hargrave: — As that continues to go up to a billion dollars, our claims will continue to rise just based on a percentage of a billion dollars, or of \$800 million instead of \$700 million. So our claim costs continue to rise because we anticipate getting generally the same, on average, the same number of losses, the same percentage of losses in a year.

Ms. Sarauer: — And are you receiving the same percentage of losses? It looks like there was still a slight increase, 57 per cent to 60 per cent.

Mr. Stepan: — That's correct. The loss ratio has gone up, but it's still relative to the industry. That loss ratio is entirely acceptable.

Ms. Sarauer: — And are you noticing throughout the whole industry that that increase that's occurring is because of a rise in storm claims?

Mr. Stepan: — It's a number of factors. Storm claims certainly in the jurisdictions in Saskatchewan is a big factor, but in other jurisdictions there are other factors. Auto, for example, in Ontario and Alberta is a big factor in terms of loss ratio. So it's really difficult to just identify one thing that caused the change.

Ms. Sarauer: — Okay. But you would say that, as you had said before, that storm claims is one major factor that's playing a part in this increase that you're seeing?

Mr. Stepan: — Correct. Yes.

[11:00]

Ms. Sarauer: — Are there any concerns about this trend? I'm looking at now page 17, which is the graph around storm claim costs and how it's increased quite a bit over the last three years of this annual report year. Are there concerns within the industry and SGI in particular about this trend?

Mr. Stepan: — It is a concern in the industry. And it's also an opportunity for the industry because, you know, people need our services, and when there are catastrophic losses, this is the opportunity for us to provide those . . . to cover their losses. So it is a concern in terms of the volume of claims that we're receiving. Climate change is a big factor in that. But at the same time, it provides us an opportunity to provide those necessary services to our customers.

Ms. Sarauer: — Speaking of opportunities then, are there policy changes that are planned or have already been implemented to address this?

Mr. Stepan: — Water cover is one of those changes. Other than that, it's business as usual. It becomes an exercise of making sure that the product for those people who are in areas that might see these catastrophic losses is appropriately developed and appropriately priced.

Ms. Sarauer: — I'm assuming this trend has been continuing past this 2016-2017 year.

Mr. Stepan: — That's a valid assumption.

Ms. Sarauer: — Okay. Thank you. Turning to page 19, I'm looking at the consolidated statement of cash flows. There was a jump here in operating activities. Could you indicate to the committee what caused that increase?

Mr. Stepan: — What I would say is the increase in the operating activity is consistent with the growth in our business.

Ms. Sarauer: — Thank you. Moving on to page 24 at the first line on that page, the annual report indicates that "The Corporation has secured a long-term telecommunications contract with a related provincial Crown corporation that is scheduled to end in 2019." I'm assuming that provincial Crown corporation would be SaskTel. Can you indicate whether or not that's correct, and if there's a plan to renew that beyond 2019?

Hon. Mr. Hargrave: — Yes, that is SaskTel. I can confirm that. And we're very, very optimistic that SaskTel will come to an agreement with SGI Canada to renew a policy with them.

Ms. Sarauer: — Have those negotiation processes already begun?

Hon. Mr. Hargrave: — Not sure. I'll check into that.

Ms. Sarauer: — Thank you. That'd be appreciated.

Hon. Mr. Hargrave: — Sure.

Ms. Sarauer: — I'm moving on to page 36, the consolidated statement of cash flows, and I'm looking in particular at the dividends that had been paid. Can you indicate to the committee, if you have this number available, what the number is for 2017-2018?

The Chair: — Let's stick to the financial statements that are relevant today, which is '16-17, please.

Ms. Sarauer: — All right then. I'll move on to page 43; property and equipment is the heading that I'm looking at in particular. In particular I'm curious to know about the head office and the infrastructure around the head office. Are there still concerns around that infrastructure?

Hon. Mr. Hargrave: — Well the SGI head office building is an aging building. I mean, it still looks very good, but SGI completes repairs and replacements to the facility as needed. But there are no decisions to do anything else with it at this time, that's for sure.

Ms. Sarauer: — Are there any repairs that are currently needed?

Hon. Mr. Hargrave: — Nothing out of the ordinary. There's just normal repairs that are done, that would be done annually just to maintain and upkeep the building.

Ms. Sarauer: — Is SGI currently looking for other locations for a head office?

Hon. Mr. Hargrave: — No. Not currently, no.

Ms. Sarauer: — So there are no plans to sell the building?

Hon. Mr. Hargrave: — No, no plans to sell the building at all.

Ms. Sarauer: — Okay, thank you. I'm moving on to page 53 and I'm looking at the chart around net unpaid claims. And it looks like from 2016 to 2017 there was an increase in unpaid claims. Are there any concerns around that increase?

Mr. Stepan: — We have no concerns around that increase. That is a factor of, again, the growing book of business that we have and just the nature of our claims. We have adequate reserves to pay those claims.

Ms. Sarauer: — Thank you for that. Now because of that I'm curious about this change, perhaps you can explain it to me. On page 70, I'm looking at the chart around plan assets, it looks like there was actually a decrease in benefits that were paid from 2016 to 2017. Could you explain why this would be the case?

Mr. Stepan: — So the chart on page 70, the plan assets relate to the SGI superannuation plan. So the superannuation plan is a closed plan, and as people . . . well there's no new people retiring. As we make payments out of the assets, naturally that plan is going to shrink.

Ms. Sarauer: — Right. Thank you. I'm looking at page 74 now; it's titled, select operating information. I'm just curious if there are any concerns about the change from 2016 to 2017 around these two charts.

Mr. Stepan: — No, we have no concerns about the change. It shows the continued growth in out-of-province operations, and that's our strategic priority.

Ms. Sarauer: — Thank you. I have no further questions.

The Chair: — Thank you, Ms. Sarauer.

I would now ask that a member move that we conclude consideration of the following annual reports and financial statements: 2016-17 SGI Canada annual report; the 2016-17 Saskatchewan Auto Fund annual report; the 2016 SGI Canada Insurance Services Ltd. annual report; and the 2016 Coachman Insurance Company annual report; as well as the 2016 SGI superannuation plan annual report.

Mr. Bonk has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. And that concludes our business with SGI. Minister Hargrave, do you have any final comments which you would like to make?

Hon. Mr. Hargrave: — Thank you, Mr. Chair. I'd like to thank Ms. Sarauer and the rest of the committee for their diligent work and paying attention. And I'd like to thank you, Mr. Chair, and my officials for attending and answering the questions. And as always, I'd like to thank Hansard as well. Thank you very much.

The Chair: — Thank you, Mr. Minister. We'll now take a very brief recess while you change the officials that you need to change, please.

[The committee recessed for a period of time.]

[11:15]

Saskatchewan Opportunities Corporation

The Chair: — Good morning again. We'll reconvene the committee and we will now turn it over to the minister. And if you would care to introduce your officials and make any opening comments, please.

Hon. Mr. Hargrave: — Thank you again, Mr. Chair, and other members of the committee. It's my pleasure to be here today for the committee's consideration of the matters pertaining to the Saskatchewan Opportunities Corporation. Joining me here today is Van Isman, president and chief executive officer; Ken Loeppky, vice-president and chief operating officer; and Martin Peterson, controller.

The purpose of the corporation is to create, encourage, and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks. As you are aware, SOCO represents the research and technology parks in Regina and Saskatoon on land leased from the universities of Regina and Saskatchewan respectively. Both facilities are operated under the registered trade name of Innovation Place.

Innovation Place is an economic development tool of government. Our research and technology parks provide a range of specialized scientific and business amenities that are concentrated in a close proximity to address the needs of emerging and established private-sector technology firms. These firms and amenities then become a draw to attract more firms to locate or start up in the same area.

Collectively the SOCO facilities contain 26 buildings with approximately 1.7 million square feet of office, laboratory, and greenhouse and pilot plant space. At the present time, SOCO has 142 tenants leasing space; 87 per cent of these tenants are private-sector businesses and research organizations, all involved in the technology fields.

Innovation Place is focused on clustering tenants in specific areas. Tenants can either work directly in a cluster or provide support and technical services to the cluster. Primary clusters of focus in Saskatoon are agriculture and life sciences, information and communications technology, and mining and other engineering technology. Primary clusters of focus in Regina are energy, environmental, and information and communications technology.

During the '16-17 fiscal period, SOCO generated a net income of \$517,000. However a far more important statistic is that during that fiscal period, 10 new technology businesses were started within the parks, and I am advised by the officials here today that this result was replicated in the 2017 years. Since 1993, 161 new technology businesses have started at Innovation Place; 117 or 73 per cent of these are still in business today, which is more than double the five-year survival rate of a new business. And of the 117 still in business, 111 are based right here in Saskatchewan.

Now it's my pleasure to entertain the committee's questions concerning SOCO.

The Chair: — Thank you, Mr. Minister, and I'd just like to

note that Mr. McCall is now substituting for Ms. Sproule. Welcome, Mr. McCall. Do any of the committee members have any questions? I recognize Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair, committee colleagues, Mr. Minister, and officials at Saskatchewan Opportunities Corporation. Welcome to the consideration of the annual report for SOCO, 2016-17. By nature of the discussion here, there will be some of it a little bit redundant from the discussion that took place May 28th, 2018 as part of the budget discussions, but we'll try to make it entertaining nonetheless, Mr. Minister.

I guess the first question right off is, in terms of . . . The minister well describes the mandate for the entity and certainly dating back to 1980 and the good work that's gone on under the flag of the Saskatchewan Opportunities Corp and Innovation Place and the Terrace and the Research Park and all of that. It's with some interest that we note that the assets of the entity are under some question, under some consideration for what the purpose is of those assets. So I guess some of our questions today will deal with the wrap-up of what was the forestry centre in the minister's hometown. But we also have questions about the future of Innovation Place in general.

And I guess we note, in the opposition ranks, with interest the story that appeared in the February 26th, 2018 edition of the *StarPhoenix* penned by Alex MacPherson, an article entitled "Province eyes sale of Innovation Place buildings to U of S, U of R." Now given the function that the minister has outlined from the very start here that Innovation Place has been well performing in terms of moving research into the commercial applications, into the market, and the success that has been had with that, if the Saskatoon campus of Innovation Place and the Regina campus of Innovation Place were to be handed over to the universities, either in part or in whole — and in the case of the University of Regina, I believe Thomas Chase is on record saying that they're looking for space for increased enrolment — that begs the question as to what happens to that function of Innovation Place. Who does that? Who performs those duties?

Hon. Mr. Hargrave: — Well research is still and will continue to be, even under the university if it was to be moved to the university, would continue to be at the forefront. There's room for additional development in both sites of the University of Regina and the University of Saskatoon, so there's always room for additional things. But I think what's most important is that research stays front and foremost in both of these parks.

If you look around the country, which we have, I mean most of the research parks are owned by universities. Now these discussions with universities have been going on for a long, long time — I mean, we're not talking months; we're talking years — and really haven't gotten anywhere. And so I think there's always a desire for universities to continue to . . . Because that's their mandate is research and learning, so there's always that desire on their part. And I expect those kind of discussions to continue on, and that might continue on for months and years to come.

Mr. McCall: — So I guess it raises a number of other questions, so thank the minister for the answer, but certainly in the planning that goes on at the University of Regina, again

quoting from the article:

U of R Provost Thomas Chase said while the university is "many months" away from closing a transaction, it is expanding and demographic changes suggest it will need to provide space for a "significant" influx of new students from the province after 2022.

So in terms of the planning that goes on for these things, that's, you know . . . It's not next week, but it certainly puts a finer point on the kind of pressures that that institution is anticipating and their interest or not in expanding to something like the university or expanding the university into Innovation Place.

So could the minister perhaps refine his answer as regards what discussions have taken place with the universities? What sort of dollar figures have been contemplated? And what sort of timeline can the public anticipate in terms of the way that this government is administering these vital assets for the people of Saskatchewan?

Hon. Mr. Hargrave: — The discussions of . . . I mean the universities, as I said before, have been interested in obtaining and taking over control of the research parks for a number of years, and that hasn't changed. There's always an interest there. They do own the property, for example. I mean we just lease the property from them.

So you know, valuations were conducted in 2017 — not appraisals, not property appraisals but just valuations from realtors — and they were of course done on both the properties to determine what a reasonable value is. I mean if you're in discussion with anyone, then you should have just a general idea. They're not like your house on X Smith Street. So these are sort of unique properties, and it's of interest for all parties to know that are in a discussion what the valuation of them is. But those valuations are contractually confidential between the parties, and so that's where they're at.

Mr. McCall: — Who conducted the evaluations? Colliers? Or who'd you bring on to do the work?

[11:30]

Hon. Mr. Hargrave: — The valuation was conducted by Colliers in conjunction with Deloitte.

Mr. McCall: — Okay. At whose direction was the evaluation carried out? Was it at the direction of the SOCO board or at the behest of the CIC board, or how did this take place?

Hon. Mr. Hargrave: — It was CIC.

Mr. McCall: — CIC, they were responding to . . . Was this something that originated with the transformational change committee of cabinet? How did that come to be in the marching orders for CIC?

Hon. Mr. Hargrave: — The universities had raised the issue with the former premier. And it was that they'd like it looked into, and it was just suggested that CIC sort of spearhead that.

Mr. McCall: — Again, was this before or after the 2017

budget, or as part of the 2017 budget process?

Hon. Mr. Hargrave: — That would have been before the budget, before that budget.

Mr. McCall: — In terms of the discussions with the universities, was it held forward as part of the basic sort of funding, resourcing question between the universities and the province along the lines of, we're tight on the budget this year but perhaps we can, you know, cut you a deal for a research park on the other side of the equation? Was it part of a discussion in that regard?

Hon. Mr. Hargrave: — No, that's part of the discussions that have been going on for a lot longer than since before that budget. That discussion has been going on for a long time, and it continues on. And every once in a while just it ebbs and flows and it comes more to the forefront for everyone. The university continues to ask and show interest in obtaining both those research parks, as they have for many years. And every once in a while it comes, like, as I say, it comes more to the forefront than at other times.

So when that's being looked at, then it's incumbent on us to figure out what a proper evaluation on those properties is so we can have a proper discussion. Again with the universities, it may come to nothing, and it might. So I mean, the university would have to also find funding if they were to purchase that. I mean, they've got to go out and they've got to have the funds. So they've got to have an idea of how much money would be needed to be able to purchase those research parks. So it wouldn't be just a handover, a hand-off.

Mr. McCall: — Could the minister or officials state for the records what the book value is of the SOCO assets as per the annual report that we're considering here today?

The Chair: — I forgot to mention at the outset, when you first answer a question, would you please state your name for the record.

Mr. Peterson: — Okay. Martin Peterson. I'm the controller at SOCO. The book value of investment properties at March 31st, 2017 was just a little more than \$169 million.

Mr. McCall: — \$169 million. What is the division roughly between the Regina campus and the Saskatoon campus? And does that include any sort of impact of the forestry centre that of course has now been dispersed?

Mr. Peterson: — Okay. A breakdown: Regina was a little more than 51.4 million. Saskatoon was 105.7 million, and the remainder being for Prince Albert.

Mr. McCall: — So the valuations, were those sums concluded to be greater or lesser than those figures?

Hon. Mr. Hargrave: — The book value and market value are two different things in business and in every business and property. That's what the net book value is, but market value for properties would be different than that. I mean, it's a unique property. I mean, those are unique properties and with a strong history of good tenants and of profitability, and so it's a

valuable property or properties.

Mr. McCall: — Well thank you for that, Mr. Minister. Maybe to ask the question in a different way, in terms of what Mr. Peterson has outlined here, you've got 158.9 million for the Regina and Saskatoon holdings combined. So that would leave, if you could help me out, how much does that leave for the Prince Albert holdings?

Mr. Peterson: — Prince Albert would be just a little bit over 10 million net book value.

Mr. McCall: — Okay. So 10 million net book value for Prince Albert. And what cash changed hands in terms of selling it to the University of Saskatchewan, the forestry centre? What dollar value did that transaction entail?

Mr. Isman: — Van Isman. The actual sale price of the Prince Albert Forest Centre to the University of Saskatchewan was at \$8.125 million, and that took place on the 15th of March of 2018. At that time, the book value was just slightly less than \$6 million. Accordingly, the net gain on sale was 2.2 million. So the difference between what my colleague had previously said for the book value had been the amortization that had taken place subsequent to March 31 of '17.

Mr. McCall: — What is the value of the amortization that took place in that period?

Mr. Isman: — That was just over the \$4 million mark.

Mr. McCall: — Four million dollars worth of amortization over which period?

Mr. Isman: — That was an accumulated over what period, if I can ask my colleague?

Mr. Peterson: — From the inception of the building to 2017, so when it was built.

Mr. McCall: — 2006, 2005, 2000 . . .

Mr. Isman: — 2005 to 2019.

Mr. McCall: — Okay, all right. And that would certainly track with the standards and all of that. In terms of again using that as a rough guide — and again it's not entirely analogous to the forestry centre situation in Prince Albert versus what's happening, you know, in Regina and Saskatoon — but if you could, Mr. Minister, or officials, give us some indication as to what constitutes an ebb and flow to the discussion. Are you meeting monthly on this topic with the institutions, or quarterly? Does this come up once in a blue moon? How does that go?

Hon. Mr. Hargrave: — It's probably the whole thing is not on the front burner of the oven, for example. I mean, it's on the back burner of the oven for both parties. But there's officials meet on probably a quarterly basis to continue discussions with it, not that they're advancing to any level. But it's not something that's seen as being on the front burner.

Mr. McCall: — Is it an ongoing topic for consideration under

the budgetary discussions that take place on an annual basis with the institutions and the province?

Hon. Mr. Hargrave: — That would be no, it's not.

Mr. McCall: — What does the minister forecast in terms of bringing it from the back burners to the front burners? Any indication as to what might bring that about?

Hon. Mr. Hargrave: — Well if we were to give it away, it would bring it to the front. But no, there's no . . . I don't necessarily foresee anything that's going to necessarily drag that to the front burner at any time soon. But that discussion has been ongoing for years. And you know, one day someone will decide that that need at the university, that they really want that property and that's when it will come to their front burner and that's when it'll come to ours.

It's not something that we feel that we have to do. I mean SOCO runs very well. We have a very efficient organization up there. We have some great businesses, both that are in there and have been developed. And it's not something we feel that we need to do, so we don't have that desire.

The property in Prince Albert's a different story. That property was initially built, as you would know, for a forestry centre. Well that industry is not what you'd consider to be at a peak now. So only 20 per cent of the building was being utilized by private sector groups. It just wasn't there, so that one made sense. That was just like owning a strip mall, and that's really not a real core thing for government.

So by selling it to the university in Prince Albert, it did several things. It potentially helped students in the whole of northern Saskatchewan, that they can come to a spot, a university location that's not in Saskatoon or Regina. It helps the city of Prince Albert in their downtown redevelopment and trying to achieve what they're trying to achieve with their downtown. And you know, I mean hopefully the university . . . I mean, they indicated they might move a dentistry program in there and provide some free dentistry to less fortunate people. I mean, that was just an indication. We don't know until they finalize their plans.

[11:45]

But I mean we think it's . . . That one just made total sense for the university because they've been looking for space there for some time and it made good sense for SOCO because this wasn't the property . . . I mean when that was conceived and built, the thought was of the forestry industry, which it was not being utilized for. And so that's why it made good sense for both the university and for SOCO to dispose of that property.

Mr. McCall: — So what kind of consideration was given or discussions had with the post-secondary sector as a whole in terms of enabling the University of Saskatchewan to open up a big presence in the city of Prince Albert and, by extension, the kind of attraction that that has for the North?

And you know, please don't mistake me. In terms of improving accessibility, improving the dealing with the barrier of distance, there's a lot to recommend a distributed approach to

post-secondary education in the province. But that it would be the University of Saskatchewan tasked with it and not, for example, the First Nations University of Canada, that has a significant presence in the city of Prince Albert and has had plans over different points in the past about expanding the campus in the city of Prince Albert, or other of the post-secondary institutions.

Was there any sort of discussion had with the sector as a whole that the University of Saskatchewan would be the best fit for this?

Hon. Mr. Hargrave: — Well that's a question that would probably be better answered by my colleague from . . . the Minister Responsible for Advanced Education who's sort of had . . . has ongoing discussions with the universities and all the, you know, advanced education officials.

This property was on the market and, you know, the university indicated a desire to acquire the building as did some other investors. So it was the university had sort of made an offer on the building and that's where we ended up with. But as far as your question, specific question, any of those discussions, I know I never . . . I was not involved in that. But that one you may ask the Minister of Advanced Education.

Mr. McCall: — Okay. And I guess, you know, maybe I'm sort of hard-wired to ask a question like this, being a graduate of the University of Regina, which of course started out as the Regina campus of the University of Saskatchewan. And for many years we've had a discussion in this province as to what's the best approach. Is it sort of the hub and spoke? Have the . . . Well say for example the University of California as the overarching body, and then you have campuses throughout different centres, or how do you . . . What's the best approach to post-secondary education in Saskatchewan?

Hon. Mr. Hargrave: — Well again I've got to tell you, I'm the Minister Responsible for Crown Investments Corporation, not Advanced Education. I'm not a graduate of either of those universities. I'm not a graduate of any university. The university of . . . school of hard knocks is about it, and sort of learn from that. And so again that's a question you might want to ask the Minister of Advanced Education. I'm sure . . .

The Chair: — Mr. McCall, I tend to agree with the minister. These questions would probably be better asked of the Minister of Advanced Ed, please.

Mr. McCall: — I guess one last question on this sort of car on this train, if you would, or on this lot, if that works better. But in terms of this government's approach around capital and capital planning in general, which SOCO is very involved in and CIC is very involved in, but certainly SOCO, you know, has a definite interest in that planning. I just, I'm often sort of mystified as to how the planning goes on with this government in terms of what needs are identified, how they're prioritized, and then how they're fit into processes that run out of SaskBuilds, which the minister's also very familiar with. Or CIC or through line ministries like Advanced Education, or the way that assets of SOCO are thrown into the mix. So how does that work, Mr. Minister?

Hon. Mr. Hargrave: — Well every Crown, every ministry has a budgetary process and a capital plan that they move up the line in the budgetary process, and SOCO is no different. There's times when things like, for example, the forestry centre in Prince Albert. I mean that's been on the market for some time and that's addressed every year when it comes to budgetary of what's happening with that property as long as it is listed. So that's, I mean, that's sort of pretty much standard practice, is that capital expenditures, capital projects like that come up through the ministries at budgetary times.

Mr. McCall: — So as ever, it's an old question and an old answer, but you know, wait for budget, I guess, is how these things all work out. But it's interesting to see in terms of the way that . . . And again there have been different approaches on the part of this government that, I think, have been better and in some cases worse in terms of orderly evolving that list of projects.

But certainly with the kind of assets that you've got on the campuses of these two universities, they are being very much considered within the planning needs of those institutions. So I guess to wrap up this segment of questions, so would the minister characterize SOCO as, it's not out there actively seeking offers, they're not a . . . you know, but they're not turning offers away? Is that a fair characterization of SOCO?

Hon. Mr. Hargrave: — Well discussions, as I said several times, I mean with the university, I mean, this is not something that just started a few months ago. This is something that started years and years ago. The universities have always had their eye on the research parks, and that hasn't changed. It's just the ebb and the flow of their budgets and of their wants and needs. It moves from the back a little bit closer to the front and then to the back and then to the front. You know, I expect those conversations will continue on with the university until one day for them it either falls off the stove or moves right to the front.

And we're in no rush either way with the SOCO properties. They're well managed. They're great properties. We have great businesses coming in there and out of there, and we think it's a great asset. And we like the research that's done there. We like those companies that come in, and most of them stay right in Saskatchewan when they do leave the park. And you know, if the university was to expand and develop further in there, we would expect a lot of that to continue.

Mr. McCall: — Again there was a specific decision point that the government had with the forestry centre where they looked at the utilization, they looked at the way the market was evolving, and there was a distinct decision taken to put a for sale sign up in front of that institution.

Hon. Mr. Hargrave: — Right.

Mr. McCall: — Which is a very different thing from what the minister is describing in terms of the ebb and flow that goes with the universities and, you know, how that stacks up alongside where the minister started in this discussion, alongside the great work that Innovation Place has been doing, back to 1980.

Hon. Mr. Hargrave: — We're not talking about . . . We're

talking about two different things. The Prince Albert property, there's a for sale sign went out on that property. It was not being utilized for the same thing that the research parks are being utilized for. There is no for sale sign out at Innovation Place in Saskatoon or Innovation Place in Regina.

Prince Albert was unique. It becomes just an office building that provided no major research. It housed mostly, you know, government, but nothing . . . no research, no mandate. The original mandate was that was going to provide for the forestry sector, which unfortunately is not what it was when it was first conceived. Research parks are totally different than that property in Prince Albert. That's why the Prince Albert property was sold. If there'd have been lots happening in the forestry industry where we needed more research and development in there, I don't think that property would have been sold.

That property, as you know, was developed and conceived under a previous government to ours, and because of the area and the forestry around Prince Albert and in the North. But that's not there anymore. That's why we think it's so important that these research parks are there in Saskatoon, and there's not a for sale sign going to get pounded in out on the lawn, out front of those. Not like the Prince Albert property.

Mr. McCall: — I guess again, I start from the premise that the research parks have done valuable work for the people of Saskatchewan, that the model has been successful, and that you'd have to have a pretty compelling case to overturn the model — as in turning them over to the universities either at a discount or whatever gets contemplated.

So where they do have some similarity with what went on with the forestry centre, I'm presuming that there was at some point an evaluation done — probably by Colliers International and Deloitte — of the forestry centre. Is that correct?

Hon. Mr. Hargrave: — Colliers wasn't involved in that P.A. [Prince Albert] property because of the type of property it was. It's more of a commercial property of . . . there's accountants and lawyers and . . . well, because it's more of a business office. It's not a research park. It's a lot different. So a formal appraisal was actually undertaken on that property.

Mr. McCall: — But the point being, there was an evaluation undertaken — or an appraisal, as the minister has said.

Hon. Mr. Hargrave: — Yes, there was.

Mr. McCall: — So in terms of undertaking an evaluation of Innovation Place Regina and Saskatoon to arrive at what would be fair value if you were going to have a buyer pursue a deal with you, has the board of Innovation Place or CIC made any sort of further determinations about, you know, let's just stick to our knitting; let's focus on the mission of Innovation Place and not place the kind of uncertainty that's involved in a potential evaluation and then a sale and what's going to happen and the models in some instability? Is there some thought given to shoring that up for the institution?

[12:00]

Hon. Mr. Hargrave: — Well SOCO continues to do excellent work, great work. But those discussions with the university have been ongoing for a lengthy period of time and, you know, and could go on for another lengthy period.

We're focused at SOCO and the team there is focused on doing the job that they're doing right now, and their plan is not to say, well we only have to look at this for the next six months or year. They're planning into the future. They're not planning on well, don't worry about it, this property is going to be sold. They're not thinking that at all.

The board, the staff, the CEO, the gentlemen here, I mean we're all focused on that running as an ongoing entity well into the future. If something happens different to that, then the board and the management and the government will sit down and we'll decide and analyze where we're going on that. But until that happens, we're running that as an ongoing, very successful business. I mean it generates a profit every year and it generates some great businesses coming out of there for the people of Saskatchewan and for the economy of Saskatchewan.

Mr. McCall: — Has there been a discussion at the board of SOCO though to say, you know, this is . . . We affirm the great work that's being done at SOCO. We want to put these questions of potential transfer of the assets and change of the model. Has there been anything on the . . . You know, organizations are big on . . . You know, you can look through the annual report here and there's a fine rendition of the mission statement and the values that the corporation is pursuing. And again if that's all, you know, that's all going forward until it isn't, and it's just going to be transferred off to another set of owners and operators, that's got to inject some kind of element of instability to the good work that SOCO is doing.

Hon. Mr. Hargrave: — You know, those discussions have been going on for so long that it doesn't create instability in the organization. The organization continues to look at it as an ongoing entity that the board and the staff have run extremely efficiently over a number of years. And like I say, those discussions have been ongoing for such a period of time that it's not of . . . it doesn't create that instability that you're talking about.

They're more focused on what is the SOCO doing today and what are we doing tomorrow and what are we doing down the road and continuing on with how well SOCO has been run.

Mr. McCall: — So in terms of the value that the people of Saskatchewan place on the work that is done by SOCO and, you know, making for a more innovative, effective, productive economy, if the government does change gears on the approach to SOCO and does look to divest themselves of these assets, what opportunity will there be for the public to say how they value the work of SOCO and the assets of SOCO, or not? Or will this just be announced as part of a budget and then folks will have to catch up as this goes along?

Hon. Mr. Hargrave: — Well you know, as a . . . I don't know how many times I've said it now, but you know, it's not a priority for this government. It's not something that we've got a strategic plan around. Our plan is to operate SOCO with the good board that's there, the good management team. So there's

not part of a strategic plan to do anything with that property, with divesting of that property. We're not looking to divest.

The universities have indicated interest in acquiring that property. It wasn't because we were looking to divest that property. The Prince Albert property was a different thing. So that's where I'm at, and I'm trying to be pretty consistent with that answer on the 10 times I've answered it.

Mr. McCall: — I guess again, you know, maybe it's the problem, you know, hanging around too long at the dance, Mr. Minister. You know, earlier this morning we had consideration of the Saskatchewan transportation corporation. And I'd seen predecessors that were ministers responsible for that corporation give answers that bore a certain resemblance to what you're saying right now in terms of, you know, keep it moving; nothing important to see here; just move along.

And that was . . . The policy of the government was that, you know, STC was important until it wasn't. And in terms of the way that people were able to engage in that process, surely there are some lessons to be learned from how that took place, in the way that you asked the people of Saskatchewan their permission in terms of what you're going to do with the assets that they own, that you're in trust as the manager of.

So again, what sort of engagement would there be with the people of Saskatchewan if the government decides to move on divesting the assets of SOCO?

The Chair: — If I may interject here again. I'm sorry, Mr. McCall, I don't know whether it's just me or what, but I have trouble with the what-ifs. I think the minister has answered the question that there's nothing at this particular point in time that's being considered, and none of us around this table know what's going to happen long into the future. So perhaps I might suggest that you consider your questions, consider moving on with the 2016-17 annual report if you would, please.

Mr. McCall: — So, Mr. Chairman, are you telling me that it's too much to ask what the means that the government's going to engage with the people of Saskatchewan if they decide to divest these assets?

The Chair: — I'm not looking to get into an argument with you. My concern is with the term, "what-if." What the government will do, will do, and they'll do it in the best interests of the people. A what-if question is difficult to answer around this table and none of us have a crystal ball, so please move on now.

Mr. McCall: — Thanks for that, Mr. Chair. In the annual reports, under "A Message to Our Stakeholders" under point 4, the corporation states that:

SOCO continues to view efforts to maximize efficiencies as being critical to our future successes:

This priority took on new urgency this past year as a result of our shareholder's request for incremental earnings.

I guess just off the top there, if the minister or officials could describe how that request was communicated, where it

originated? If you could just fill us in on that?

Hon. Mr. Hargrave: — Well in regards to that, as you may recall, we were in a deficit position and all the Crowns and all the ministries were asked to review their expenditures and see what they could do to run more efficiently. And if they could run more efficiently and generate additional revenues that would be — especially of the Crowns — then that was the goal. And we communicated that. I communicated that through my board on the CIC to all the Crowns. And SOCO was one of them who received that information and were asked to see what they could do to monitor and reduce expenses and improve efficiencies.

Mr. McCall: — So in terms of the 2016-17 reduction of expenditures by 1.02 million, (a) it had a significant impact on the corporation's bottom line profitability, and it also had some impact on service delivery. Could the minister or officials describe what that impact was on service delivery?

Mr. Isman: — Thank you for the question. The key thing with regards to service delivery . . . I know you're familiar with the operation of Innovation Place, and one of the ways that we gain a lot of traction is by promoting collaboration amongst our tenants. And we've got a variety of ways of doing that, mostly through different types of programs that we do: lunch-and-learns, topical areas.

One of the things that we also do is some, we refer to them as tenant appreciation events where we've had, oh a holiday reception in December or a spring reception where we try to get people to come out and mingle and collaborate. That was one of the areas where in terms of service delivery we really cut back our programming activity to focus really on the business of promoting and developing technology companies as opposed to a lot of that open, general type of collaboration.

Mr. McCall: — I thank you for that Mr. Isman. In terms of page 1, strategic direction. In terms of the extensive review that was conducted in 2014 for the strategic direction, the overall strategy for the corporation, there's a sentence that states, "Although the changes did not represent a major shift in the overall strategic direction for SOCO, they did reflect a shift in priorities for the Corporation." Could the minister or officials describe what that shift in priorities entailed?

Mr. Isman: — The key thing that came out here . . . We did a very extensive strategic planning exercise and we had over, met with more than 70 different stakeholder groups through the consultation of gathering what we wanted to hear where their priorities were, and the like. And I conducted a lot of that information or those meetings, and I synthesized that information and provided it to our board of directors. And there was actually a subcommittee of the board that formed, an ad hoc subcommittee on strategic planning, and it boiled down to setting some new priorities to help us operationalize the business at Innovation Place. And those were around the five pillars that we've referred to in the message to the stakeholders, just by way of example. I'd like to just briefly talk about what each one of those five pillars was.

[12:15]

The first one was really a focus in relation to new business development. And I think we've made some great strides there of promoting entrepreneurship within the technology sector and certainly trying to advance commercialization efforts based on technology developed in Saskatchewan.

The second one was there's a lot of misconceptions as to what SOCO does and what Innovation Place did, and so we really wanted to go forward and tell our story of making sure that there is a good understanding that our purpose was to help grow Saskatchewan's tech sector and to get that message out.

The third one was to dig a little deeper in terms of our prospecting for some of those opportunities within Saskatchewan in terms of seeing where there are areas in particular coming out of the universities and Sask Polytech where there were opportunities to see further development of technology within Saskatchewan. We've seen some really interesting successes in that regard.

The fourth, which we've briefly discussed, was to make sure that we're zeroing in on our efficiencies.

And the fifth, and this somehow somewhat relates to the discussion you'd had previously concerning the P.A. Forest Centre, was to make sure that we were truly staying attentive to what our line of business was and make sure that all of our tenants were appropriate tenants for a research and technology type of an operation. And if they weren't, then maybe we needed to go back and reconcile, maybe ask a few people to leave, which I had the unpleasant task of doing, when their businesses had changed over the years and they were really no longer in research and tech but had evolved into something completely different that wasn't fitting.

And so it was one of those things. And you know, when your bottom line is being driven by revenue, and to go and ask a tenant that's paying you a considerable amount by way of lease fees on an annual basis to leave the park because they're doing something that doesn't fit, and you don't have somebody lined up to step into that space, it's a little bit of you feel like you're on thin ice. But in fact it's proven to be quite fruitful for us from the perspective of making sure that we were able to encourage new tech start-ups to come into the park, and we've seen tremendous growth in that regard.

So I would suggest to you that those five pillars that I just mentioned were the crux of the 2014 strategic plan.

Mr. McCall: — I guess there are some other questions that I could pursue, but certainly I know that we had an hour agreed upon in terms of time for consideration. I think we've achieved the hour. But with that, Mr. Chair, I would just say a word of thanks to the men and women that do the work at the Saskatchewan Opportunities Corporation and that are out there on the cutting edge of making our economy more innovative, more productive, adding value, and diversifying all of these things that we value greatly as a province.

So I hope to see that work continue for many, many years ahead and it only have greater impact over the days and years to come. So if you could, please extend the thanks through myself on behalf of the official opposition to the men and women of

SOCO and the work that is done. With that, I thank the minister, thank officials for the time we've spent here with the committee. I thank committee colleagues as well. And with that, Mr. Chair, thus endeth the questions.

The Chair: — Thank you, Mr. McCall. I would now ask a member to move that we conclude consideration of the 2016-17 Saskatchewan Opportunities Corporation annual report. Ms. Heppner has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. That concludes our business with Minister Hargrave and his officials today. Mr. Minister, do you have any final comments you'd like to make?

Hon. Mr. Hargrave: — Yes, as final comments now that the morning is over. Again, Mr. Chair, I'd like to thank you. I'd like to thank the members of the committee for their patience and diligence and keeping things on track. I'd like to thank my officials and the people at SOCO for their, again, for their hard work and keeping things going there. And I'd like to thank Hansard. And specifically I'd like to thank Mr. McCall for his questions.

The Chair: — Thank you, Mr. Minister. This committee recesses until 1:30 p.m.

[The committee recessed from 12:20 until 13:34.]

The Chair: — Okay. Welcome back, everyone. It's now 1:34. We'll reconvene the committee. First before we do that, I would like to table document CCA 56-28 from Darcee MacFarlane, clarification to a response to a question raised at the June 20th, 2018 meeting. Table that report.

Saskatchewan Power Corporation

The Chair: — We will now move into consideration of the 2016-17 annual reports of SaskPower and its subsidiaries, and this includes the 2016-17 SaskPower annual report, the 2016-17 NorthPoint Energy Solutions Inc. financial statements, and the 2016 Power Corporation superannuation plan report.

Mr. Duncan, if you would care to introduce your officials and make your opening comments, please.

Hon. Mr. Duncan: — Well thank you very much, Mr. Chair, members of the committee. This afternoon I'm joined, to my right, Mike Marsh is president and CEO of SaskPower; Troy King is vice-president of finance and chief financial officer — he's sitting to my left; and behind us is Ian Yeates, executive director in the president's office, as well as Tim Eckel who is vice-president of asset management, planning, and sustainability.

Mr. Chair, we're pleased to be here to discuss SaskPower's annual report for the 2016-17 fiscal year, along with the 2016-17 NorthPoint Energy Solutions financial statements and the 2016 Power Corporation superannuation plan annual report.

SaskPower is continuing its plan with growth and renewal as

Saskatchewan's electricity use continues to rise. In 2017 we broke our record of peak electricity use twice. The most recent was on December 29th with a new peak load of 3792 megawatts, 45 megawatts over the peak set in January of 2017. That's what it takes to power about 45,000 homes.

These records aren't only being broken in cold winter weather. This past summer we set new consumption records three times in the course of two months. Each year in the last decade we've seen power usage go up in Saskatchewan, and it's forecasted to continue to rise over the next 10 years.

Another important driver at SaskPower is infrastructure renewal. With a large portion of infrastructure at or near the end of its life cycle, SaskPower has committed nearly 450 million to improve the reliability of Saskatchewan's power grid and increased power capacity in 2018-19. This work includes projects from replacing power poles and converting street lights to LED [light-emitting diode] to replacing underground cables, building new transmission lines, and completing work on Chinook Power Station near Swift Current.

And finally, I'd like to touch on our clean energy plan as we continue to make progress towards our 2030 goal of reducing greenhouse gases by 40 per cent over 2005 levels, and increasing our renewable generation capacity to as much as 50 per cent by 2030. On a smaller scale, SaskPower offers programs designed to help smaller producers generate their own renewable energy and bank against future use and sell it back to the grid. As well, we continue to make progress through competitive procurement for utility-scale wind and solar projects.

And when it comes to our larger utility-scale projects, we have to be very deliberate in our plans. As committee members can appreciate, it's not as simple as putting up turbines and panels. The cost of distribution, transmission, and backup generation are important considerations. We need to go about this in a way that balances our priorities of maintaining a sustainable and diverse generation mix with the delivery of reliable, cost-effective power to the people of Saskatchewan.

Mr. Chair, those are my opening comments. We are prepared to take your questions, and I would also be tabling responses to questions that Ms. Sproule asked at the May 14th meeting. We have answers to those questions and so we'll be tabling those at this time as well. Thank you.

The Chair: — Thank you, Minister Duncan. So I would at this time like to table document CCA 57-28, SaskPower Corporation: Responses to questions raised at the May 14, 2018 meeting.

I would just ask officials to please, for the record, state your name the first time you answer questions, if you would please. Do any members of the committee have questions? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Mr. Minister, for those comments, and to officials. I look forward to the discussion today.

I'll start off with NorthPoint Energy Solutions Inc. and their

financial statements. A few questions about the status of finances there. It looks like it's been losing money for the last three or four years, so I'm just kind of wondering why the revenues have dropped off so significantly in the last few years.

Mr. King: — Troy King, chief financial officer and vice-president of finance and business performance at SaskPower. So the situation at NorthPoint, the bulk of NorthPoint's revenues come from the Alberta market on the trading side. And what's happened over the last three to four years is they've seen a real depressed market in Alberta, so the prices in Alberta have fallen and the demand for energy in Alberta has fallen, and that coincides with their economy. So as we've seen that decline, there's been a reduced opportunity for NorthPoint to make profitable trades into that market. So that's been for the last three or four years that market's been depressed.

As of April 1st of this year, there's been a bit of a change in the market. A couple of coal facilities have been shut down and, as we anticipated, that resulted in less supply in the province. We've seen an uptake in their economy, so we're seeing an increase in prices. As a result, we're seeing a return back to a profitable trading in that market in the first part of 2018.

Ms. Sproule: — Thank you. Just so I understand, the difference between exports and electricity trading, could you explain the difference of those two things?

Mr. King: — Absolutely. So when we talk about exports, we're talking about energy that is sourced from generation within Saskatchewan. So basically SaskPower-owned assets that we export generally to jurisdictions that border Saskatchewan — so Alberta down to the US [United States] or into Manitoba.

Trading refers to us buying energy from a source outside of Saskatchewan and transporting that to another jurisdiction outside of Saskatchewan. So an example will be from the Mid-C market in the northwest United States. We will buy there quite often and transport it across BC and sell it into Alberta.

Ms. Sproule: — So NorthPoint is exclusively involved in the trading of electricity, so that would be purchasing it and selling it from sources outside of SaskPower's generating capacity. Why would Mid-C market not sell it directly to the customers that NorthPoint sells it to? Why is . . . NorthPoint, it seems to me, is an intermediary in this sense. Is that correct?

Mr. King: — Yes. So one of the advantages that NorthPoint has is they have access to a transmission line across BC which allows them to transport the energy from Mid-C into the Alberta market. So when you're trading energy, it's not just buying energy, but having that access to transport it across transmission lines that will add the value. And so NorthPoint's been able to leverage that asset to create that profitability.

Ms. Sproule: — Now you've explained the depressed market in Alberta. But in the SaskPower annual report, there's a comment there that there was "... a \$3 million loss on electricity trading activities in 2016-17 as trading revenues were not sufficient to cover a fixed transmission position the Corporation has in British Columbia." Can you explain what that means?

Mr. King: — So before I talked about having that ability. We have access to that transmission line in BC. So NorthPoint had entered into a long-term contract to lease, if you will, that transmission line across BC, and it's about \$3 million a year. For the last three or four years, when the Alberta market's been depressed, they haven't been able to generate enough profitable trades to offset that fixed cost of \$3 million, hence the losses. Prior to that, they were making significant profits on that asset. And again as we started the 2018-19 fiscal year, we've seen a change in the Alberta market and they're returning to that profitability.

Ms. Sproule: — How long is that arrangement with the fixed transmission line?

Mr. King: — I believe it goes to the end of 2020.

Ms. Sproule: — 2020. Do you have any other transmission lines? Does NorthPoint have any other transmission lines that they operate or lease, I guess?

Mr. King: — No, that's the only one. We do have some transmission secured with Manitoba in relation to some import deals that we have, but that's for SaskPower's own use.

Ms. Sproule: — When I look at the total assets of NorthPoint Energy, it's also declined significantly. In 2013 it was 27.6 million and it's currently 3.6 million. So what's happened to the assets of the company?

Mr. King: — Well NorthPoint doesn't really have any physical assets. Most of what you would have seen would have been either cash on their asset side or receivables they have due to . . . from SaskPower. But they don't physically own any tangible assets.

Ms. Sproule: — Okay then, I'll ask about the cash. It's gone from 22 million down to \$200,000. Again is that because of the situation you described earlier?

Mr. King: — Yes, as the profitability has declined. And SaskPower has been taking . . . They've been paying out the cash that they have out to SaskPower.

Ms. Sproule: — So NorthPoint sells to SaskPower as well?

Mr. King: — No.

Ms. Sproule: — No. What did you just . . . I missed the very last part.

Mr. King: — We've been taking the cash out of NorthPoint and into SaskPower consolidated.

Ms. Sproule: — So it's an intercompany transfer.

Mr. King: — Intercompany transfer, yes.

[13:45]

Ms. Sproule: — Yes. All right. So then in the payee reports, where there's a payment to SaskPower from NorthPoint, that would be precisely what that is?

Mr. King: — Yes, it'd be some of that. They also do exports on our behalf. So the export activity that I talked about, or the imports. So if they do an import deal, NorthPoint will make the trade, but the imports are for SaskPower's purposes and then we pay them, reimburse them for what they paid.

Ms. Sproule: — All right. Do you have . . . I have the exports in your annual report. I have the electricity trading. Is there a page you could refer me to for the imports in your annual report? Is that something you report on?

Mr. King: — In the SaskPower annual report?

Ms. Sproule: — SaskPower annual report. Yes, page 40 is the exports and then 41 is the exports, electricity trading.

Mr. King: — Yes, there is one. Just give me a moment.

Ms. Sproule: — Would be under expense, I suppose.

Mr. King: — If you go to page 87 of the '16-17 annual report, so you can see a breakdown of our fuel and purchased power costs.

Ms. Sproule: — And that would be your imports essentially?

Mr. King: — Yes, imports are that third line.

Ms. Sproule: — Oh, there. Okay. So you don't break it down in terms of over the years like you have for the exports?

Mr. King: — No, it's less detail than in this annual report. Yes.

Ms. Sproule: — Thank you. Just clarifying that. So just under the payee disclosure reports, there is a couple of companies like Powerex. Is that the BC company?

Mr. King: — Yes.

Ms. Sproule: — And you pay them . . . last year was or '16-17 was 1.8 million. Is that the lease fee then?

Mr. King: — I'm not sure exactly what . . . I'd have to double-check to see what . . . I'd have to check on that.

Ms. Sproule: — It's in the payee disclosure report for NorthPoint Energy. I'm sorry, I keep referring to those. Midcontinent Independent System Operator, 3.3 million. Is that from the States . . . [inaudible interjection] . . . Mid-C-E-S, you call it?

Mr. King: — We call it . . . Sorry, that's the abbreviation that we use, yes.

Ms. Sproule: — That'd be a payment to them for purchase of energy and then you would sell it to your clients, NorthPoint's clients?

Mr. King: — Yes.

Ms. Sproule: — All right. So in your estimate then for, or your hope for '17-18 — which will be probably already completed but we don't have yet — your view is that these numbers would

be much more positive than they were in '16-17?

Mr. King: — No, it's the '18-19 that I expected to be more positive.

Ms. Sproule: — So when . . .

Mr. King: — '17-18 would be very, fairly similar as it was depressed in '17-18. But '18-19 is what we're seeing now.

Ms. Sproule: — You'll see the upswing at that point in time based on the Alberta market basically. And that's . . . Your main market is Alberta?

Mr. King: — Absolutely.

Ms. Sproule: — Okay. Just generally, do you see NorthPoint Energy continuing on in the future? Is there any idea of divesting of it? Or once your lease agreement with that power transmission line . . . are you going to renew it? Or do you have any plans yet?

Mr. King: — So NorthPoint does a number of activities for SaskPower besides trading. I did mention the import/export which is crucial to our daily operations. They also do our gas management activities . . . fuel management, actually. That includes our gas and our coal. And they also manage our power purchase agreements, so these independent contracts that we have with generating entities.

So NorthPoint as a whole is more than what we have in the financials. This is the only activity for which they are compensated. Everything else they do for SaskPower basically at cost.

In terms of the trading activities, we have looked at it. Previously NorthPoint had a much larger scope so they were looking at all North America for trading. Over the last number of years we've continued to refine that and are focusing solely on our borders, which means to the US, to Manitoba to the east, and Alberta to the west.

So right now we plan to continue with NorthPoint as an entity going forward because they do provide a lot of value for the corporation. In terms of the transmission line with BC, that will be an issue we'll have to deal as we get closer to 2020 and have to decide whether we want to renew that lease or let it expire.

Ms. Sproule: — All right. Thank you. I'm just looking at the actual payee disclosure reports from the CIC report and it shows there are really no . . . there's no separate board of directors; there's no separate employees. Are they all within the SaskPower family?

Mr. King: — Yes.

Ms. Sproule: — All right. Thank you. Just a couple of quick questions now on the Power Corporation superannuation plan, and these are related to again the payee disclosure report. In that report it shows that there was \$28,000 of out-of-province travel expenses for the board. And this is a separate board, five or six people that are on it. If you could . . . You may not have that with you today, but if you could share with the committee what

those out-of-province travel expenses related to?

Mr. King: — We'll have to get that for you.

Ms. Sproule: — Thank you. All right. Just going through here. I'm going to now move on to the equivalency agreement that the government is negotiating with respect to coal. I'm just wondering if there's an update about the finalization of the equivalency agreement. Is there any news on that?

Hon. Mr. Duncan: — We are still working towards finalizing that equivalency agreement. I think the latest back-and-forth between the province and the federal government was providing some clarification for Environment Canada and Climate Change on how SaskPower's going to achieve its, what I would say, its 40 per cent reduction in greenhouse gas emissions by 2030 and how we envision the up to 50 per cent capacity in terms of renewables and how that plays a part in that.

And I think there's some clarification that needed to be made to the federal government, to Environment Canada with respect to how that looks. So I think we provided some clarification I believe by letter, last week I think, based on some additional information. We're going to provide some additional information to the federal government I would hope by this week as well, and hopefully that will satisfy the outstanding questions that they have.

Ms. Sproule: — Thank you for that update. Do you have a drop-dead date when this absolutely has to be finalized? Or is that still fluid?

Hon. Mr. Duncan: — Well it's still fluid, although the intent was to be able to have the federal regulations stand down on January 1st of 2019. So we're in a position already to have provincial equivalent regulations to be enacted in the province. The intent was for us to stand those up and then for the federal government to correspondingly stand theirs down by the beginning of the year.

So that, that's the date we're still looking at. Although we do obviously know that the gazetting process at the federal level will take some time, getting an OC [order in council] through the cabinet and gazetting that, there's a timeline on that as well. So we certainly are pushing on our side to get that complete so that the federal government can then proceed with gazetting and moving an OC forward. But January 1st of 2019 would be the date that the federal regulations would stand down.

Ms. Sproule: — And the agreement in principle that was signed basically accepted your targets for SaskPower in terms of the 40 per cent reduction in GHG [greenhouse gas] by 2030 and the 50 per cent mix. So that's been accepted by the federal government basically? I guess my question is, is there a plan B if you can't reach an equivalency agreement? Or do you feel that you've reached the agreement; you just have to get the terms nailed down?

Mr. Marsh: — Ms. Sproule, Mike Marsh, president and CEO for SaskPower. When the initial agreement, our preliminary agreement was entered into with the federal government, it was our understanding that the 40 per cent reduction in greenhouse gas emissions by 2030 was generally agreed to as the right

target. And right now we're in the process of assisting Ministry of Environment in clarifying what that means in terms of capacity figures as we go forward over the next decade.

Ms. Sproule: — Obviously the increase in demand will play into that as well as you go forward, so you will have to project all that as well. Part of this is . . . I'm not sure if this is even part of the discussions, but certainly the federal government's imposition of a carbon tax, impending imposition of a carbon tax, is that having an impact on these negotiations, or do you see that as separate?

Hon. Mr. Duncan: — Well I think it is . . . You know, I would be the first to concede that it is taking longer than we had expected. The discussion around the carbon tax, you know, I would hope that that's not a factor in this. I think it's probably a better question for the federal minister, but I would say that in recent days and weeks there have been discussions back and forth, not related to the carbon tax but specific to how . . . The clarification around the up to 50 per cent capacity and how that plays into the 40 per cent reduction that was already a part of the framework for an agreement. So the conversation has been focused on, I think, more the details and the clarification that the federal government, we believe, requires and it hasn't been on the other issue.

Ms. Sproule: — So these requests for clarity you see as positive signs that you're getting closer to a common understanding? Or do you see that as the government being difficult, the federal government? Or you don't know.

Hon. Mr. Duncan: — I mean I take it as a positive in that the federal government is still engaged with us and wanting to understand better about SaskPower's plans moving forward. I'll say though that it has been frustrating in the last couple of months that this has gone on longer than, I think, we thought that it was going to take. And knowing that January 1st, 2019 is rapidly approaching, an equivalency agreement is certainly important, whether it's on that date or shortly after that date. But obviously that has impacts on decisions that SaskPower has to make going forward.

Ms. Sproule: — I guess my next question is follow-up then. It's a chicken-and-egg thing. Like if the equivalency agreement isn't finalized, would you make that final decision on retrofit at Boundary dam 4 and 5? Or can that only be made after the equivalency agreement is finalized?

Hon. Mr. Duncan: — It certainly is helpful to have clarification and a positive indication from the federal government on equivalency before that decision is made, but it's not necessary.

Ms. Sproule: — So they're somewhat independent then in that sense. I'll move forward to 4 and 5 in a little bit. I think that's later on in my questions, so I'll just leave that for now. Just want to talk a little bit about solar now. You just had a recent announcement. There's 10 megawatts, I believe, from a company from Ontario?

Hon. Mr. Duncan: — Ontario.

Ms. Sproule: — Right. MackSun Solar is a Saskatchewan

company. I know that there was . . . MackSun Solar was looking forward to having an opportunity to deliver solar power and do some work with the polytechnic in Moose Jaw and Piapot First Nation. Can you explain for the committee how the selection process went forward and what would have led to a choice of an Ontario company over a local company?

Mr. Marsh: — Okay, certainly. First of all, the issuance of a request for proposal for 10 megawatts of solar power went out last year. The close date for that was near the end of 2017. There's been an extensive evaluation process. And when we get proposals from independent power producers looking to build and develop projects in the province, there are a number of criteria that we evaluate them against. So cost is certainly one; track record in the industry is certainly another; creditworthiness; technical competence — all of these things factor into the evaluation criteria.

[14:00]

The successful proponent received the highest scoring out of all the proponents that submitted proposals. And I can only say in the case of MackSun Solar, they were not in the top tier that . . . When the evaluation criteria was there, they were not in the top tier. So on that basis, they certainly will have an opportunity to bid on the next project and we look forward to their proposal on the next one.

Ms. Sproule: — I guess there are companies in Ontario that have more experience because Ontario's solar program is much more advanced than Saskatchewan's, so it seemed to be a bit of an unfair disadvantage for Saskatchewan companies simply because we don't have a solar program here of any note. So is that taken into account at all in your weighting? Because it seems to me that the Ontario companies have had a distinct advantage in that sense.

Mr. Marsh: — No, certainly, and I do know that the technical capability of MackSun Solar was certainly there, so it was not about that criteria whatsoever. But I can't get into, you know, the exact ratings for all the proponents. I can only say that it was a competitive process as we are required to do as a Crown. It was a very open process in terms of we had a fairness adviser involved. Every aspect of the process is auditable, and unfortunately MackSun did not rank in the top tier.

Ms. Sproule: — Thank you. So I think we're looking at a 60-megawatt program by 2021. We've hit the 10 megawatt and I think they could be up and running within a year, in 2019, so obviously a very quick turnaround once the award is . . . or the company's chosen. So what's the plan for the additional 50 megawatts? I think you said there's another RFP going out now.

Mr. Marsh: — There will be another RFP going out shortly, probably at the earliest would be later this year if not beginning of next year. We do have a 20-megawatt set-aside for the First Nations Power Authority that we will be entering into negotiations with them very shortly, and there is another 20 megawatts of community solar that we are working towards developing a program to involve communities and multi-party, I guess, proposals based on community solar programs across North America. And we're developing that program right now.

Ms. Sproule: — So when do you anticipate that would be . . . I don't know if you're doing an RFP for the community solar or what process you're using, but when do you anticipate that might be boots on the ground or actual construction?

Mr. Marsh: — Again the intention was to have all of the solar projects either bid or in place by 2021, 2022, so there's going to be a lot of work happening in this area in the next two to three years.

Ms. Sproule: — Thank you. First Nations Power Authority, 20 megawatts is set aside. When was that agreement with them signed?

Mr. Marsh: — I can't recall the exact date on the set-aside agreement. But excuse me, let me . . . We can get the exact date. I believe it was later in 2016 or early 2017 for the set-aside agreement.

Ms. Sproule: — For the set-aside agreement. And what progress has the First Nations Power Authority made on their part to move this forward?

Mr. Marsh: — At the present time there hasn't been any progress made on an actual project, but we've certainly been in discussions with them. The intention was, once we had received the pricing through the competitive RFP process, that we would be then engaging First Nations Power Authority in a project of a similar size at a similar competitive rate, and that was the reason why it was set aside. But the whole intention was to get a very competitive rate through First Nations Power Authority as well.

Ms. Sproule: — Will that rate be the same as the one that Saturn Power was given or is it slightly higher?

Mr. Marsh: — We don't know yet. We have not had that negotiation yet. We're about to begin that process.

Ms. Sproule: — Saturn Power went through a community process as well in Ontario, and there was some concerns about it. Questions about community benefit and wildlife and environmental effect were questions that the CEO wasn't able to answer. Has there been any discussion with them about community benefits or wildlife and environmental impacts for their project?

Mr. Marsh: — Our understanding is at the present time solar meets all the environmental requirements. We're not aware of any discussion on community benefits at this time.

Ms. Sproule: — And that's not part of your RFP process?

Mr. Marsh: — It is not.

Ms. Sproule: — Okay. In terms of the RM [rural municipality] of Coulee which is, I understand, east of Swift Current, will this be located near an urban community or is it in the middle of a field?

Mr. Marsh: — It will not. It's in the middle of a field. It's south of the Trans-Canada Highway, 25 kilometres south of the highway, I believe, right now. That's the present location and so

it's not near any small town or village in that area.

Ms. Sproule: — Okay. Thank you. Just a quick question then on the flare gas arrangement with First Nations Power Authority. I know we talked about that last month. Is there any update on that project since we last spoke?

Mr. Marsh: — No, there's been no update on that particular project since we last spoke in May.

Ms. Sproule: — Thank you. Westmoreland Coal. Again we talked about it briefly last month, but I have a few questions on that. Do you have assurances from Westmoreland about their reclamation obligations at Poplar River and Estevan in the likely event that they go bankrupt?

Mr. King: — It's my understanding that they have a bond or letter of credit posted with the Ministry of Environment for . . . I'll have to check on the exact figure but I think it's around 14, \$15 million.

Ms. Sproule: — Are they self-bonded, though? I understand that's a general practice in the oil . . . sorry, coal industry.

Mr. King: — In the coal industry. That I can't tell you.

Ms. Sproule: — Because if they're self-bonded, then that wouldn't be useful in the event of bankruptcy, correct?

Mr. King: — Not as useful as a, yes, third party bond, yes.

Ms. Sproule: — Yes. Is that something you could confirm to the committee is whether that's a self-bonded bond?

Mr. King: — Absolutely.

Ms. Sproule: — And that's the only surety that the corporation has at this point in time from Westmoreland Coal, is that letter of credit?

Mr. King: — Yes, that's my understanding, but again we can follow up on that.

Ms. Sproule: — Thank you. I'd appreciate that. So if Westmoreland goes bankrupt in the United States, we talked about it briefly, but could you reiterate for the committee, what happens to your coal supply and the delivery of the contract?

Mr. Marsh: — Yes. At the present time we continue to receive assurances from Westmoreland that they will continue to operate their Canadian operations if there is a bankruptcy filing in the United States. Until that happens, of course, we are monitoring the situation and of course we have a potential contingency plan in place in the event that it affects their Canadian operation as well.

Ms. Sproule: — Yes. I'm just looking at an article here from May of 2018. I don't know what the . . . Wyoming Public Media, "On the brink: what could come of a Westmoreland bankruptcy," is the name of the article. They say the company does have surety bonds over 80 million, but they don't know if that's enough, "Because [she said] if their surety bonds are inadequate, taxpayers will be stuck with whatever's left." So in

terms of your contingency plan, what would that look like?

Mr. Marsh: — Well in brief, it would probably mean bringing in a third party mining contractor to handle the mining operations. With respect to the assets that currently exist in place, we are not exactly sure which ones would be remaining, but we do have the right to also move in as the owner of the generation assets to take over that mine if we absolutely have to.

Ms. Sproule: — Right, thank you. In your annual report on page 4, there's a discussion about emissions. I just want to refer to it. We've already talked about your plans for percentage-wise. And this says, "As we move along this path we will see our emissions profile rise slightly until 2020, after which it drops dramatically." Can you share with the committee what will cause that drop and how much you think it will drop dramatically?

Hon. Mr. Duncan: — Cathy, which page?

Ms. Sproule: — Sorry, page 7, not 4 — 7.

Mr. Eckel: — Tim Eckel, vice-president, asset management, planning, and sustainability. Starting in 2020 we have a 100-megawatt contract with Manitoba Hydro which comes into effect that year. As well we expect the 10-megawatt solar project to be online by then. We have a number of different customer programs going on, flare gas being one of them, which will start to reduce some of our emissions. And as well we have some wind projects that are in various stages of approval and construction that will start coming on in that year. So that's when the start will be, when we start dropping off.

Ms. Sproule: — Do you have a figure for the emissions profile, like how many tonnes of GHG you will peak at and then what the drop will be?

Mr. Eckel: — I don't have the exact number; I'll have to get that for you. But we do have a profile which shows our expected profile from now till 2030.

Ms. Sproule: — If you could share that with the committee, that would be appreciated. Thank you. In terms of that plan, are you still confident that the 50 per cent total capacity by 2030 is on track? And the reduction in GHGs to 40 per cent above 2005 levels, is that still something you're confident that you will achieve?

Mr. Marsh: — Yes. I'd just like to clarify. The target that we are working towards is really the 40 per cent reduction in greenhouse gas emissions from '05 levels by 2030. When that program was announced in the fall of 2015, we were anticipating that the Shand power station would continue to operate until the end of its life, 2042. When the federal government came out in the fall of 2016 with revised regulations around conventional coal, it required that we had to look at Shand retiring at the end of 2029.

So it changes the requirement for the amount of intermittent renewables that we would have had to put in place if we were to continue to operate Shand in a conventional mode. So as the regulations change, the requirements for us to meet that 40 per

cent emissions target — which we've committed to and we are on a path to do that — changes. So we may not need as much as 50 per cent. We may need something less.

And if we can obtain import hydro from Manitoba at a reasonable price, we would enter into that contract and of course that would allow us firmer energy into Saskatchewan as opposed to intermittent energy from wind. And we would be able to meet those emissions targets at a lower cost with slightly less than 50 per cent.

We've always been very careful in the initial announcement and in any wording that we always say up to 50 per cent, because that was to give some room if regulations continue to change and options become limited. But I think the initial goal of achieving 40 per cent emissions reduction was generally greater than what the federal government had requested across all sectors, which was 30 per cent. So I think SaskPower is doing its part and certainly working to assist the government and the province in reducing its overall emissions.

Hon. Mr. Duncan: — And I think I'll maybe just add in on that. So I think therein lies some of the challenges that we've had most recently with the federal government on finalizing that equivalency agreement. Because we'd stated, prior to the regulations changing on coal-fired generation with respect to Shand, we'd already made the commitment on the 40 per cent reduction by utilizing up to 50 per cent renewable capacity. And at this point there's a little bit of I think maybe a misunderstanding as to what the changing federal regulations as they will relate to Shand and the earlier retirement that they will force on Shand. And so that then has an impact on SaskPower's generation mix going forward, and how do we factor in that up to 50 per cent renewable to still achieve that 40 per cent reduction.

[14:15]

And so that's what we're trying to explain to the federal government, that the regulation change that's put in place has an impact on that earlier commitment. It doesn't change the 40 per cent reduction target that SaskPower is on track to achieve; it just changed how we might achieve that by 2030. And so it's just trying to explain how we're going to still get to that same goal but under a different regulatory regime that the federal government brought in after we initially set that target.

Ms. Sproule: — I have to confess, there's a lot of numbers and a lot of moving targets, and perhaps I could ask you just to maybe explain a little more fulsomely — is that a word? — more fully, the change in the regulations in 2016 and the impact it's had on this undertaking. Just maybe explain it in a little more detail.

Mr. Marsh: — Okay. In the fall of 2016 the federal government issued revised regulations around emissions from conventional coal-fired power stations, which essentially said every power station in the country had to shut down by the end of 2029, 2030. All of our conventional coal was scheduled to be retired sometime in the next decade, so between 2027 for Boundary dam unit 6; for Poplar River 1 and 2 it is 2029; and for Shand it was originally 2042, as I'd indicated.

So that advanced the retirement date or a decision to convert to carbon capture. Whichever is chosen at that point in time would have to be done by 2029. Now if you think about it, Shand is a 300-megawatt unit, let's say approximately 2 million tonnes of emissions out of that plant, which would then fall off at the end of 2029 or we would have to clean it up with carbon capture to achieve the same result. Of course that helps with meeting the emissions targets by 2030 significantly which means we would not have had to install as much wind as we might have installed otherwise.

Ms. Sproule: — Okay, it's starting to click. So the negotiations on the equivalency agreement, it's a matter of getting that through the heads of all the people that are involved and it's complicated. All right. So if Shand were required to retire or convert to CCS [carbon capture and storage] by 2029, what would be the change then in the required mix for renewables? If you were to bring Shand in as is now required — you're saying up to 50 — would it be 40 per cent now? Or do you know?

Mr. Marsh: — That's the range that we believe it will be in, is about the 40, low 40 per cent range as opposed to needing up to closer to 50 per cent.

Ms. Sproule: — Because Shand is accelerated.

Mr. Marsh: — Shand is accelerated, yes.

Ms. Sproule: — Okay. I wonder why this is taking so long. Federally then, I mean it seems to be logical. Is it just . . . I mean I assume there's negotiations and however they're going, but that seems, now that you've explained it, fairly straightforward. So anything further you can add on that, or what's going on?

Hon. Mr. Duncan: — No. No, I think that, you know, we're hopeful that the most recent clarification that we're going to send to the federal government will clarify it, I think — as it has clarified it for you, I think — that we are, on the 40 per cent reduction and the up to 50 per cent generating capacity from renewables. We're fine with that, but only if the federal government . . . We would have been fine with that until they changed the regulations that now have an effect on the retirement date for Shand.

And so you know, we're just trying to communicate to the federal government that there is an impact on that regulation change. And we can live with, I mean we can adjust our plans to that, but they . . . You know, at this point we're still being held to goals that we set under the former regulations, and we need them to take into account the changes that it has caused for SaskPower on the generation mix under the new regulations.

And it's just, there's just that back and forth that we're . . . You know, hopefully we're coming to the end of that, that they will recognize what the changes on SaskPower, that the regulatory changes that they put in place, what those changes mean for SaskPower's generation mix going forward.

Ms. Sproule: — All right. Good luck with that.

Hon. Mr. Duncan: — We'll send along the *Hansard* where you've clarified that you understand this, and hopefully that'll

help them out.

Ms. Sproule: — Well I'm sure there's more to it than what I'm talking about here today, so I would hate to presume that I know everything about what you're talking about, but . . . So we've got BD4 and 5 [Boundary dam 4 and 5] with an imminent decision on conversion to CCS or presumably retirement by what year?

Hon. Mr. Duncan: — So without equivalency, it would be the end of 2019. With equivalency, Boundary dam 4 will be the end of 2021 and the Boundary dam 5 would be the end of 2024.

Ms. Sproule: — Without the equivalency.

Hon. Mr. Duncan: — With equivalency.

Ms. Sproule: — Oh, with equivalency, so extended, yes.

Hon. Mr. Duncan: — So that 2021 and 2024 are with equivalency. Without equivalency it's the end of next year, 2019.

Ms. Sproule: — Right. And then 6, you said 2027. Is that . . . That's with or without equivalency or both?

Hon. Mr. Duncan: — Yes. The equivalency agreement only affects the retirement date for 4 and 5.

Ms. Sproule: — And Shand?

Hon. Mr. Duncan: — Yes.

Ms. Sproule: — Okay. So . . .

Hon. Mr. Duncan: — No, I just want to clarify that. So the equivalency only affects the retirement date for 4 and 5. The Shand retirement date has been changed because of the change in the federal regulation in 2016. Prior to that, under the former federal government, we had the end of 2029 or the end of life of the facility, which for Shand meant 2042. The new federal regulations under the current federal government have basically moved that up to end of life or 2030, end of 2029. Yes.

Ms. Sproule: — Whichever comes first.

Hon. Mr. Duncan: — Yes.

Ms. Sproule: — So a decision in terms of BD6, Poplar 1 and 2, and Shand, in terms of conversion, you have time is what you're saying still to make that decision. So the imminent decision is on Boundary dam 4 and 5 and obviously 2019 is next year. We talked about this last month. I'm just wondering, have you moved along any further on a decision as a company and a board, or is that now at CIC or cabinet?

Hon. Mr. Duncan: — It has moved along further in that process, and I would say that we will have a decision this summer. That will be finalized.

Ms. Sproule: — From the cabinet, like the final decision?

Hon. Mr. Duncan: — Yes.

Ms. Sproule: — Okay, we'll stay tuned for that. In your annual report, I'm going to move on to some of your infrastructure strains or pressures. On your page 30 of the report you're indicating that 64 per cent of the growth in total expenses is due to capital-related charges. And then you go on in page 11 to talk about the growing demand for electricity and the need to refurbish or replace significant portions of the fleet and the grid, and this is obviously straining existing infrastructure and putting pressure on your finances.

So I'm just wondering how is this going to be managed and will it result or require further rate increases?

Mr. King: — So our current capital plan calls for about \$1 billion a year to be invested into our infrastructure, and that covers both the sustainment investment and the growth investment that you refer to.

Just on its own, each \$1 billion that we spend equates to a roughly 70 to \$75 million increase on our income statement. That's through increased financing charges, increased appreciation. So that in and of itself, each 1 per cent rate increase works out to about \$25 million of revenue for us. So that said, on its own, that capital expenditure is roughly going to put about pressure for around a 3 per cent rate increase on an annual basis.

However, on year to year, the amount of rate increases that we will require will depend on a number of factors including the exports, that we talked about previously, that the trading revenues, what gas prices are like, what our sales growth looks like, hydro conditions. So they will vary from year to year, but that capital expenditure's continuing to put pressure on us for rates.

Ms. Sproule: — Just on the head office refurbishments, what's the status of that?

Mr. Marsh: — At the present time we have not brought any item forward for decision on the head office refurb. We are doing some renovations to remove asbestos in the building today, floor by floor, and it appears that we may . . . We have about three floors that are vacant right now. When that project is complete, probably some time next year — I think it's going to be complete in 2019 — we'll look at whether or not we proceed with additional renovations. But there is no big project that will be undertaken. If this is done, it'll be done over a number of years and gradually.

Ms. Sproule: — Thank you. Just moving on now to the carbon capture and some of the issues that you're encountering with the amine solution. There is an article in May, I believe, by CBC [Canadian Broadcasting Corporation] about putting out a tender for a company that can provide detailed engineering service for the thermal reclaimer unit which purifies the amine solution. And it indicated that you were experiencing a degradation at a higher rate than predicted by the technology licenser and this reclaimer that you have couldn't keep up.

And then I had asked in the written questions . . . I think the question no. 236 was a total cost of equipment to be installed. And you replied was that it wasn't purchased but contracted as a service to complete the onsite reclamation of the amine.

So I just have a number of questions on this. So first of all, this tender for the thermal reclaiming, is this related to degradation of CO₂ amine solution or SO₂ [sulphur dioxide] amine solution or both? Is that done altogether?

Mr. Marsh: — I apologize but I'm not sure. Just one moment. Yes, we're not sure. We'll get back to you on that exact question. I believe it was probably the first one in the stream which would be the SO₂ amine.

Ms. Sproule: — Okay. I have a number of questions depending on what the answer to that question was so maybe I'll just go for it assuming that this is more in relation to CO₂ and that process. Has the CO₂ amine ever been completely replaced?

Mr. Marsh: — No, it has not. We've replaced a good portion of it after the major overhaul last year but it has not been completely replaced.

Ms. Sproule: — Thank you. So the treatment, continual treatment, it seems to be that that is the . . . where are we here . . . 234, yes. It's still more cost effective than replacing it entirely.

Mr. Marsh: — Sorry I apologize. Was there a question?

Ms. Sproule: — Yes, I'll try that again. That's okay. Are you finding that continual treatment for degradation is still more cost effective than replacing it?

Mr. Marsh: — Yes, that's true. The reclaiming works but at the present time it can't keep up, so from time to time we have to add new amine to the process. But it's the most cost-effective way to keep it up to within the design parameters that we want to see.

Ms. Sproule: — So what is the loss . . . I guess how much are you adding, having to add . . . Like what percentage of the amine has to be absolutely replaced rather than reclaimed?

Mr. Marsh: — I don't have that information with me today.

Ms. Sproule: — Okay. When we last spoke you had shut down for maintenance on May 4th. Is the unit up and running again?

Mr. Marsh: — No, the unit is not up and running. It was up and running post that short overhaul. On Thursday, June 14th there was a tornado that went through the Estevan area and it was a massive event. It caused a tremendous amount of rain and flooding in our switching station, resulted in the outage of all the generating units at Boundary dam. Unit 3 has suffered some damage and is currently not operational. We're currently inspecting that unit now and trying to determine what the extent of the damages might be.

[14:30]

Ms. Sproule: — So obviously the CCS plant has to be shut down as well. Okay. I know I'd seen that in the news, but I didn't realize you weren't up and running again. What's your anticipation for when it will be up and running again?

Mr. Marsh: — Until we do an assessment of the damage and

understand what needs to be repaired, I can't comment at this time. We'll probably know in the next two to three weeks. This is a major piece of equipment that we have to take apart to actually look at it.

Ms. Sproule: — Right. In terms of the obligations to Whitecap Resources, are you now in a position where there will be further penalties under that contract?

Mr. Marsh: — Potentially. We're exploring what options we have, considering this event was an act of God, and we may be able to exercise some legal mechanism.

Ms. Sproule: — Thank you. In terms of the amine solution, do you have a maintenance contract with an outside provider for that?

Mr. Marsh: — This is for new amine you're talking about? For . . .

Ms. Sproule: — The amine that you have on the site, so all of it.

Mr. Marsh: — We contract through a supplier that is in the United States. They manufacture to the spec that the original vendor provided. You know, then we contract directly for purchase of new amine from that company.

Ms. Sproule: — And they provide the maintenance as well?

Mr. Marsh: — No, they don't provide the maintenance. We provide the maintenance essentially on replacing, on tearing equipment apart to, you know, to change out amine or filters or such equipment.

Ms. Sproule: — And so you don't have the price or the cost today to keep topping it up essentially on a . . . [inaudible] . . . In terms of SO₂ [sulphur dioxide], is that a different . . . Well you don't know if it's a different amine solution or just further down the line.

Mr. Marsh: — It's similar but they have slightly different chemistry, between the SO₂ and CO₂, yes.

Ms. Sproule: — Has that been replaced or topped up since the CCS was launched?

Mr. Marsh: — I would like to be able to get back to you on that, and so that we can look at which stream we are talking about and which percentage might have been impacted for each of them.

Ms. Sproule: — Okay, thank you. And in addition to that, I understand originally that limestone was the initial treatment for treating it or cleaning it, but now you're replacing . . . No, I'm seeing some heads being shaken behind you.

Mr. Marsh: — That was not limestone. We used an activated carbon process that we've installed into the plant. So that's been an upgrade to the existing facility and it's helped considerably.

Ms. Sproule: — I just think of my fish aquarium when I was a kid. We had activated carbon. Aha — still works. Are you

replacing it now instead of using that treatment, or do you find that that's working sufficiently?

Mr. Marsh: — We're having to go to both solutions, so we're cleaning it up with the activated carbon, just like it did in the fish tank, and from time to time we need to add additional amine . . .

Ms. Sproule: — For both.

Mr. Marsh: — As required.

Ms. Sproule: — Thank you. Who owns the thermal reclaimer? Maybe you could talk a little about that. That was mentioned in the news story.

Mr. Marsh: — Yes, I apologize. I don't remember the name. I believe the company was from Alberta, and the equipment and the transportation to the Boundary dam site was all looked after by that particular contractor.

Ms. Sproule: — Trying to refer to the story, but I would have to find it. I'll find that. So is there one thermal reclaimer on the property? Is it one big machine or . . .

Mr. Marsh: — Well, it was brought in on a flatbed truck so it was . . . and there was a couple of components to the equipment as I recall, but again we can get you a little more information on the size of the equipment if you like.

Ms. Sproule: — I'm sorry. I just wanted to find that article, but I'm afraid it's not jumping out at me. All right. 236.

Oh yes, I had actually asked you a written question about what the total cost of the equipment installed in July 2016. The answer was it was not purchased, but contracted as a service to complete the on-site reclamation of the amine. So it is a service that's been contracted. Okay. I see heads nodding there.

So in terms of the article, then, I believe you said you put out a tender to find an engineering service to fix someone else's equipment. Why would SaskPower pay for repairs to equipment that someone else owns? Is it not their responsibility to make sure the equipment works properly?

Mr. Marsh: — I'm sorry, I'm not familiar with the exact wording in that.

Ms. Sproule: — Okay, and perhaps this is something you could get back to me . . .

Mr. Marsh: — We will.

Ms. Sproule: — But if you've . . . hiring an engineering service to fix that equipment, but you don't own it, then why would the owner not pay for the repairs? If your contractor . . . Like I'm thinking if I contract a rental car and the engine goes, they would have to pay for the repair. So maybe I'm missing something here. Thanks. Okay.

The story from May said the amine is degrading at a significantly higher rate than predicted by the technology licensor, which is Cansolv. Have there been any attempts to get

restitution from Cansolv for that in terms of the costs?

Mr. Marsh: — No, there has not been any attempt to get restitution from Cansolv. Currently Cansolv is the tenant in the carbon capture test facility and they continue to conduct tests to improve obviously the amine, the entire amine process. And until we have a clear indication of, you know, how long this condition may exist at the plant, then we may look at such an action. But right now we have not.

Ms. Sproule: — All right. I just want to look at the payee disclosure reports and I recall Cansolv was given a payment of \$13.6 million in '16-17 by the corporation. What would that have been for?

Mr. Marsh: — At this time I can't tell you. We can certainly get the answer for that.

Ms. Sproule: — Thank you for undertaking to do that. I look forward to the answers. What was Cansolv's original prediction in terms of the degradation of the amine?

Mr. Marsh: — Again the specifics of that information I don't have with me today. It was certainly part of the initial engineering work that was done, and the selection of Cansolv was based on a number of criteria. But the specifics for what you're asking I do not have today. We can provide the information to the extent we can. We will get that to you.

Ms. Sproule: — Thank you. And in addition to that I'm wondering, has there been any reason given for why there was such a discrepancy between the original prediction and your current experience?

Mr. Marsh: — I can only answer that question by saying this was a first-of-its-kind unit certainly, utility scale, 150 megawatts nominal. It has required a significant amount of engineering work, as you are aware, since the unit has gone in. We continue to work to improve the performance, as we've always said. And as we identify engineering solutions, they are implemented. And we are looking at ways to reduce that amine degradation to the maximum amount possible.

Ms. Sproule: — Thank you. Is Stantec currently conducting or have they conducted any kind of study on the feasibility or business case for another retrofit?

Mr. Marsh: — Yes, we have Stantec engaged to do some work on a potential next CCS unit at one of the sites.

Ms. Sproule: — And what site is that?

Mr. Marsh: — Well at the present time, they're looking at a potential for the Shand generating station.

Ms. Sproule: — Shand only has one unit. Right?

Mr. Marsh: — That's correct.

Ms. Sproule: — Thank you. In terms of the decision for retrofitting BD4 and 5, what role does the amine problem factor in, in terms of the fact you haven't been able to make a decision yet?

Mr. Marsh: — Well certainly that would be in the category of ongoing operational risk that we would identify, and there would be some value placed to that. As a technical solution, if one isn't readily apparent and there's going to be additional cost, then that's factored into the business case as we look at it.

Ms. Sproule: — Okay. I may have a couple more questions on this, but I'm going to move on to the GTH [Global Transportation Hub] property, and just . . . We have discussed this obviously a few times in the past, but in terms of the 27 isolated or obsolete facilities, are you still using them? Or have you shut some of them down since 2013 when the announcement was made?

Mr. Marsh: — We continue to use most of the facilities. There's been a couple of changes, but for the most part, all of those facilities are still being used in the condition they are. We continue to look at advancing a project for a logistics warehouse at the GTH site. We have not yet completed enough detailed work to bring a decision back through SaskPower and SaskPower's board as yet, but we expect that to happen sometime this year.

Ms. Sproule: — In terms of using those 27 facilities, have you had to spend funds on upgrading or repairing them since 2013?

Mr. Marsh: — Yes, there's certainly been some operation and maintenance costs — roof repairs, painting, some, you know, renovations as we modify and accommodate different departments. That's an ongoing process in a company.

Ms. Sproule: — Okay. I just want to talk about the land just north of Regina. So it's near Inland Drive and Highway 6. I believe it's 235 acres. This land was bought in 1981 for \$3.1 million. It's actually 100 acres larger than the land you bought at GTH for \$23 million in 2013. I understand that you have a service centre there. You have a steel yard which only takes up 20 acres, which leaves approximately 200 acres available for development. It looks from the satellite image that it is actually being farmed right now, I believe. The CP [Canadian Pacific] Railway I believe runs along there, or CN. I'm not sure which one it is but I think it's CP, just north of the Highway 11 or northeast.

I'm just wondering if you could sort of walk me through the conclusion that the GTH lands would be preferable to this much larger site that has access to major highways and railways.

Mr. Marsh: — Okay. To back up, you're correct, that land was purchased in the 1980s. At the time the decision was made to procure the land at GTH, we were looking at the option to expand at the Highway 6, what we call our Highway 6 site, or look at the GTH.

Now at the time, there was no sewer facility at the Highway 6 site. It's part of the RM, or was part of the RM, and there was no sewer connection to that site. So we continue to run a septic service today. Our understanding is a sewage connection will be coming there at some point. The GTH land was fully developed.

In addition to that, the expansion of the city north and west over the next 20 years really predicated, you know, the building of

the roads which allowed us access. Our intention was to have our rural distribution service personnel located out there so they would be dispatched out of that building to points . . .

Ms. Sproule: — Which one? The north land or the GTH?

Mr. Marsh: — Well, if we ended up moving those facilities to the GTH, then our distribution staff would be dispatched out of there. So they would have good access to Highway 1, Highway 11 from the GTH location, from fully serviced land. So that was a major factor in the decision to go ahead and procure the land.

[14:45]

Now since that time, as I've indicated I believe in previous sessions, the initial costing came in higher than what we expected it to be, and in 2014-2015 the company and the province was undergoing some restraint programs. We looked at our overall capital program and decided it's best to put this potential project on hold for two or three years.

And we're at the stage where we again are looking at bringing a package back to begin to develop that site, but do it in a much, much smaller footprint than was originally envisioned the first time around.

Ms. Sproule: — Now you paid \$23 million for the GTH lands. Is that what a sewer will cost, would have cost to install sewer?

Mr. Marsh: — It was developed land and we paid lower than the market appraisal at the time for the land that was appraised at the GTH.

Ms. Sproule: — Yes, I know. Considering all the lawsuits around appraisals in that property, it's hard to really determine what the appraisal values really mean in that area. Now you said there was something about the initial costing was higher than expected since you bought the land. Is that the costing of moving everything and locating it?

Mr. Marsh: — That's correct. The cost of the new facility at the time, back in 2014-2015, was starting to look too high. And again we had an option on this building to defer the investment and defer that decision because we still are occupying existing buildings. We don't have the ability to delay a transmission line to a customer, for example, so that obviously takes priority. So we took the option to defer this investment, and we're now getting back to bringing it through the process.

Ms. Sproule: — In terms of the smaller footprint, have you made a determination how much land is actually required? Or is it . . .

Mr. Marsh: — No, that will come through in the final decision.

Ms. Sproule: — Okay. Is there any discussion about selling the entire parcel at the GTH and just relocating or continuing to exist at the north parcel or the north land or whatever you call it? It's a much larger piece of land.

Mr. Marsh: — It is a much larger piece of land, but obviously as we consolidate and look at a phased approach over the next 5, 10, 20 years, GTH is still the preferred location.

Ms. Sproule: — Even though, as you said, the availability of sewer lines is actually going to be included now in those lands?

Mr. Marsh: — Yes, the other issue continues to be congestion and the highway and the road infrastructure in that area. We have a lot of heavy vehicles coming in and out, and it's very, very difficult access. As that whole area begins to get developed, it's going to get more and more congested. The access and highway system coming out of the GTH will be much, much better for our staff.

Ms. Sproule: — Obviously Evraz is located right there as well, and they would have similar issues with congestion and trucks. Has there been any discussion with Highways just to make better access at that point rather than the relocation?

Mr. Marsh: — The highway access has been improved, again since we made that initial decision, as a result I believe primarily of the growth in that area and the expansion at Evraz. But still, we have heavy vehicles and service trucks. Evraz does not have those types of vehicles coming and going all day. They certainly have transport trucks that take rolled steel away from the plant.

But again it's, as the city develops and we're looking out 40, 50 years as a place to have a proper warehouse location — a new lay-down yard for our steel structures and our poles, and as a service centre and a fleet centre — to begin that phased approach with those groups, we would still continue to have at the present time four, possibly five buildings in the city of Regina. But the options have changed considerably. Instead of trying to move the entire organization from all of those facilities, we would continue to occupy buildings. And we feel that's much more cost effective.

Hon. Mr. Duncan: — Just to add to that, I also think it's important for committee members to keep in mind the size and scale of the operations of SaskPower at that north facility are quite significantly smaller than Evraz. And so for SaskPower to make the consideration to close that service, to close that complex on those 38 acres and move them elsewhere is a much easier consideration than Evraz. The fact that the city has started to grow over the last 40 to 50 years around Evraz and that has impacted traffic issues I think is a much harder deliberation for Evraz to consider moving the site of their location, as opposed to a building that SaskPower uses currently north of the city. So two different operations in terms of their size and scope.

Ms. Sproule: — Thank you. So you're saying the decision to construct at the GTH is on hold and that obviously transmission lines take priority. I guess is there a deadline for that decision or you just continue to defer it into the future until you're in a position to afford it?

Mr. Marsh: — No, as I indicated, we are proceeding with a revised plan that we expect to bring back through the approval process later in 2018.

Ms. Sproule: — Thank you. Let's move on. Smart meters, last week I believe there was a news release indicating the deployment phase, the second pilot for commercial and industrial. We'll see an installation of 7,500 smart meters for

commercial and industrial customers. That's building on the successful pilot of over 500 meters last year. Residential smart meters are not planned until you've identified a meter that meets the new, more rigorous safety standard and passes the same level of testing that has been applied to commercial industrial meters.

What is the cost of installing the 7,500 industrial meters, and who is absorbing that cost?

Mr. Marsh: — I don't know the actual cost for the 7,500 meters. It's part of our overall program to install commercial and industrial, and it's part of our cost. It's an investment we make as part of our capital program.

Ms. Sproule: — Thank you. Would you be able to get us that figure?

Mr. Marsh: — I can give it to you right now apparently: 5.2 million for this next phase.

Ms. Sproule: — Thanks. And who manufactured those 7,500 smart meters?

Mr. Marsh: — All of these meters are manufactured by Honeywell corporation.

Ms. Sproule: — Thank you. Back in a few years ago, you'll recall that you negotiated with Sensus a \$24 million refund, an \$18 million credit for a future order, and a \$5 million research and development fund to research and meet safety standards. What is the status of that refund and the credit and, I guess, all three of them, the research and development fund?

Mr. Marsh: — At the present time we've received the full \$24 million refund on the return of the meters that were purchased in the first phase of the residential AMI program. The credit is to be applied on the residential meters once we begin rolling out the meters again. So that will not happen until 2019 or 2020. And again that only applies to the residential meters. Any of those credits do not apply to commercial and industrial.

Ms. Sproule: — And as far as you understand, Sensus will be the deliverer of those residential meters?

Mr. Marsh: — We continue to work with Sensus as the primary vendor for residential smart meters. There's extensive testing that has to occur over the next year to 18 months, and until that work is complete, until it's passed a number of gates, we won't be proceeding with residential meters. But our target date right now is fall of 2019.

Ms. Sproule: — And the \$5 million research and development fund, can you update the committee on the status of that?

Mr. Marsh: — We're not exactly sure of the status. We believe that is part of the testing and development program for the residential meters. So that will certainly be negotiated into the final settlement as we proceed with residential meters in the next year or two.

Ms. Sproule: — Okay. Just going back on the 7,500 industrial meters, what is the name of those, the meters? Are they — just

a minute — are they A3 Alpha meters? Is that the name of them?

Mr. Marsh: — There's different names for different types of meters. All these meters are not identical. They serve different types of commercial customers. For example, oil field customers out in remote areas of the province would be different than a welding shop in a small centre. We can get you the model numbers on . . . generally what the model numbers are, if you would like.

Ms. Sproule: — Well, I guess more specifically I'm wondering if Sensus is involved in the development of any of those meters that Honeywell is providing.

Mr. Marsh: — No, they come out of the Honeywell factory, but they do contain a communication chip from Sensus which allows it to connect with the Sensus communication network. That's why we adopted the entire system to, what we call, back-haul the data from the meter and pull all that data through our data centre. All the natural gas meters that have been installed by SaskEnergy have a Sensus module on them that communicates through that same network. So although they're commercial industrial meters manufactured by a different manufacturer, they do contain a communications chip which allows them to talk to the system.

Ms. Sproule: — And was that communication chip involved in the initial problems that SaskPower had with the Sensus meters? Was that the cause?

Mr. Marsh: — I'm not aware of that at all.

Ms. Sproule: — All right. In '16-17, Sensus Canada received a \$1.5 million payment from SaskPower, and that's in the payee disclosure report. As well, Xylem Canada, which is the parent company of Sensus, received a \$155,000 payment. What was that for if you have a credit? You have a credit with them already, so why are you paying them additional money?

Mr. Marsh: — That's a question again I can't answer at the present time. We will get you details on that, why that transaction occurred.

Ms. Sproule: — Thank you. The *Leader-Post* article on May 29th indicated that it was \$50 million — sorry, this is the ground-shifting issue — and that you have spent \$50 million inspecting 17,000 homes. Who's responsible for the cost of the inspections?

Mr. Marsh: — At the present time SaskPower is picking up the entire cost for having the premises inspected, for any repairs that are occurring at the customer premises and any modifications to the service entry box. We're doing this because it is the quickest way and the safest way to ensure that there's a safe, reliable service to the customer's home. And we're acknowledging that this is certainly a rare event. The dryness in the last couple of years has certainly affected the ground in the Regina-Moose Jaw area the most, but considering that it's impacting older meters that were installed in the '60s, '70s, and '80s, we are doing everything we can to make sure that we identify those and correct the problem when it's identified.

Ms. Sproule: — All right. Thank you. I just want to now go through . . . I think the questions I asked, I think they've all been, the answers have all been provided. But I just want to refer back to the *Hansard* from May 14, 2018 just to cover off some of that information that was asked for then.

On page 42, Mr. King, you had indicated that . . . We were talking about the number of power purchase agreements that are reflected in the item that is not disclosable, basically the 300 million. And I was wondering about the drop in power purchase agreements. Now have you provided the answer to that question? I haven't had time to read these because they were just provided, and I don't see it here. But you had said you were going to check on whether there was a category of small power producers and whether they had been lumped into one or not.

Mr. King: — Yes. I don't believe that's in that group of answers, so we'll follow up on that.

Ms. Sproule: — Okay. Thank you. Just to follow-up, Mr. Marsh, we talked about Whitecap being the only customer right now and that you were looking at maybe another offtaker. Is there any further advance on that? It's only six weeks ago.

[15:00]

Mr. Marsh: — No, there's been no change since the last conversation we had on that one.

Ms. Sproule: — We were talking about Aquistore as well. And you had indicated that you'll be injecting more and more sequestered carbon dioxide into the site, and you said it was receiving maintenance at the time we spoke. Is that maintenance completed?

Mr. Marsh: — Yes, that maintenance is completed, and it was receiving CO₂ into that site up until the time Boundary dam 3 power station was shut down. And the carbon capture, of course, had to be shut down when that happened.

Ms. Sproule: — What was the day that it stormed again, do you remember?

Mr. Marsh: — Thursday, June 14th.

Ms. Sproule: — Thank you. I'm sorry. I'm going to have to go through this. Pentachlorophenol, I think you answered that question. Here it is. So I had asked about the use of pentachlorophenol for poles, and I think the answer then is yes, it is being used. Is that correct? Yes. And I know there are concerns about the safety of that product, but it appears to me that your answer is that you're following Environment Canada's, *Industrial Treated Wood Users Guidance Document*, regarding the use of pentachlorophenol. Okay. So we can get that into the record as well. Talking about Sensus. Right.

The rates of power for First Nations communities and north, and I know my colleague, Mr. Belanger, also came and spoke at committee about some of the realities that folks in the North are facing. And I believe you indicated that the power rate that is being used there is the same as residential power rates throughout the province. I understand that there's a separate rate for farms in Saskatchewan, and I'm just wondering, because of

the nature of farming has changed so much and many of those local residences are no longer even being lived in on the farms, is there any talk of taking another look at that and maybe looking at the rates in the North, due to the specific difficulties they have with heating their homes? That's the first question.

Then the second is, you had talked about meeting with folks from the North and consulting and maybe looking at some alternatives. And I'm just wondering if there's been any advance in that discussion in the last six weeks.

Mr. King: — Yes, so in terms of rates, there's actually two different rates for residential customers. There's an urban and a rural rate, and they are the same throughout the province. And so individuals in cities, towns, villages will pay the urban rate, and then there's a separate rural rate, which is slightly higher than the urban rate. Many of the northern communities are likely on that rural rate, which is slightly higher than the urban rate. But it's certainly not a northern rate; it's applied uniformly across the province.

With the farm rate, there hasn't been any discussion right now to change the farm rate, or we haven't been looking at that right now. And really it would be . . . It certainly would be separate for communities in the North. It really wouldn't apply.

Ms. Sproule: — Okay.

Mr. Marsh: — And sorry, the second part of your question was about continuing activity with First Nations on energy efficiency programs. We know that there has been discussions occurring and we continue to be part of that. There has been no further development that I can share with you at this time.

Ms. Sproule: — Thank you. Obviously I know your folks in the call centre are getting lots of calls from people with sticker shock on their power bills in the North, and I know I've heard about it, as have obviously the two northern MLAs. And I think part of that, as we discussed, was the change in power supply for — or heating, I guess — for some of the provincial government housing stock.

So it's more an issue maybe for the minister responsible for the housing, but the impact regardless is significant on people's power bills. So I guess, just to reiterate that this is an ongoing concern and the farm rate is significantly lower. I think the question is, is there an opportunity to explore the rates for the northerners who have . . . I guess there's different policy considerations, but would continue to request that you continue to look at it.

One of the questions I asked on page 489 in the *Hansard* was, there were two new flare gas power generation projects which came into commercial operation in '16 and '17. And I had asked if you could provide me more a description of where those projects are and who they're with. And, Mr. Marsh, you weren't able to — I guess it's not a SaskPower issue directly, but they are providing flare gas power — and I don't know if you've had a chance to look into that further. Or is that something I could ask the minister through his staff in Environment? I just don't know who to ask.

Mr. Marsh: — I do not have that information available, but

again we can certainly get details on that.

Ms. Sproule: — Okay, thank you. I got the information from Ms. Rachelle Morphy on the sole partnership question for the knowledge centre. And I haven't really had an opportunity to read that through, so I'll wait until next committee. If there are follow-up questions on that . . .

Hon. Mr. Duncan: — Ms. Sproule, I could really quickly walk you through that.

Ms. Sproule: — Sure.

Hon. Mr. Duncan: — So that's the sole proprietorship at the CCS. So the formal name under the Canada not-for-profit incorporation of the organization is the BHP Billiton SaskPower Carbon Capture and Storage Knowledge Centre Inc., which is kind of a mouthful, and so the board elected to operate under a business name. And so the business name that they elected to carry out under activities was the International CCS Knowledge Centre. And when that is registered with business registry, it shows up as a sole proprietorship. So it's essentially, the operating, the business name for the organization.

Ms. Sproule: — Okay, thank you for that explanation. We got a copy, I think I'd asked for a copy of the MOUs [memorandum of understanding] with the knowledge centre.

Hon. Mr. Duncan: — That's page 2 of the letter that we tabled, at the bottom outlines who the six MOUs are signed with.

Ms. Sproule: — And I think we were asking as well not just who they're with, but could we get copies of them, redacted if necessary where . . . Is that something you could look into?

Hon. Mr. Duncan: — Yes, we will contact the knowledge centre to make those arrangements.

Ms. Sproule: — Good. In terms . . . Well, I guess that's more a question for the Minister of Finance. We had talked about the grants-in-lieu that used to go to municipalities. I think the numbers you gave me, Mr. King, was that of the 26.7 million that was collected in '17-18, only 7.4 million went to the municipalities, whereas in the past that entire amount would go to the municipalities. I'm not sure . . . I suppose for SaskPower you're paying it to whoever you're told to pay it to, so perhaps that's more a question for the Minister of Finance in terms of the impact on municipalities. But I found that very interesting. Okay, I've covered that off. Just give me a moment to collect my final 20 minutes.

I'm going to turn to the actual agreement itself, or the actual annual report. Page 19, there's a discussion about the solar self-generation, customer self-generation. I believe that individual solar installations are growing, and I'm wondering about the net metering program for those individuals. As you indicated in your annual report, "Participants are credited for excess electricity transmitted to the grid, which they can use to offset . . . bills." And you received 195 applications in '16-17, getting up to 1.7 megawatts of individual installations, solar power.

Is there any discussion . . . Because I know people are a little frustrated that if they produce in excess of what they can use, that is essentially a gain for SaskPower and they cannot capture that. And I don't know if there's anyone who actually produces more than what they use, but is there any talk of having a reverse net metering program that would incent people to get more involved in the solar program?

Mr. Marsh: — Currently we're looking at some options that we may be able to implement. We have not gone forward with any decisions on that yet, but when we do, that may be an option. We may be looking at, instead of a one-year offset, that we might extend that to a two years instead of crediting or settling up at the end of one year.

So we're trying to look at what options make sense. Certainly these programs are not inexpensive for the utility. Certainly good for the customers, and we understand that, but we just want to make sure that we're putting in the right options for these types of programs that other utilities across North America are doing as well.

Ms. Sproule: — How many provinces in Canada have the reverse metering? Are there any right now that you're aware of?

Mr. Marsh: — Again, we're not aware. We can do some research and find out. I think our customer programs may have some information on that.

Ms. Sproule: — Okay. And certainly I could research that one myself. On page 42 you have a breakdown of other revenue. And I'm just looking, you have CO₂ sales in '16-17 of \$14 million. Is that strictly from the CCUS [carbon capture, utilization, and storage] plant in Estevan?

Mr. King: — Yes.

Ms. Sproule: — Yes. What are your SO₂ sales for that year for that period?

Mr. Marsh: — We do not sell SO₂ directly. That SO₂ has been put into a sulphuric acid process plant, and we've sold sulphuric acid out of that plant over the last year.

Ms. Sproule: — So where does that show up in terms of the other revenue, the sulphuric acid sales?

Mr. King: — It'd be that miscellaneous number there.

Ms. Sproule: — In the 12 million?

Mr. King: — Yes.

Ms. Sproule: — Do you have . . .

Mr. King: — Have a breakdown of that?

Ms. Sproule: — A breakdown of that?

Mr. King: — Yes. For that year it was about \$53,000.

Ms. Sproule: — Okay. And that's of sulphuric acid? So the SO₂ would just be a small part of that? I'm not sure how it's

produced.

Mr. Marsh: — Well the SO₂ is stripped out of the exhaust stream. And then that SO₂ is put into another process to manufacture the sulphuric acid because you need sulphur in that process. We don't sell any SO₂ to anybody directly.

Ms. Sproule: — Okay. So this 53,000 that's directly related though to the existence of the CCS plant, like you wouldn't have those sales otherwise.

Mr. Marsh: — No, that's correct.

Ms. Sproule: — So it's a new product. Okay. On the other revenue I note that the CO₂ sales actually went up significantly between '15-16, '16-17. Do you anticipate that's going to continue to go up and for — I don't know if you have the final numbers for '17-18; I'm sure they're in the mix somewhere — but is that something you're hoping will continue to go up once the plant is fully operational or will it level out?

Mr. Marsh: — Prior to the weather event on June 14th and the resulting shutdown of the BD3 station until repairs are done, we were anticipating and targeting getting close to that 800 000 tonnes a year. And obviously that is not going to be met. We would like to continue to target something in that range when we have a fully functioning plant again. And as soon as we can get that plant up and maintain production, that's what we will do.

Ms. Sproule: — Thank you. I note that fly ash sales were relatively flat compared to that increase in CO₂ sales. Can you explain why that wouldn't have gone up in the same way that CO₂ sales went up in the two-year period?

Mr. Marsh: — I believe what happens is when the CO₂ plant is not shut . . . or in the past when the CO₂ plant has been shut off, the Boundary dam power station continues to operate so it continues to produce fly ash that we can still sell. So although the CO₂ plant would have been down, we were still manufacturing and making fly ash.

[15:15]

Ms. Sproule: — Thank you for that. Page 45, there's a discussion on finance charges and I think what's concerning to me when I look at that is that basically they've more than doubled in a five-year period. Is that something we will see growing at the same rate, doubling every five years? Or at what point do you anticipate that that will level off?

Mr. King: — So we anticipate finance charges will continue to climb as we continue to make these capital investments of about a billion dollars a year. So there is two things that will drive your finance charges: one will be obviously the amount of debt that you've borrowed, and two will be your interest rates. So on the debt side, we're obviously seeing that increase as we continue to grow as a company. So the interest has increased or doubled, as you said, but so has SaskPower in its size. We've gone from about a \$5 billion company to about an \$11 billion company in about the last six or seven years, so that would be expected.

But one thing that we are benefiting from is historically low interest rates. So as we're borrowing this new debt, we're getting it at a very attractive rate at around 3 per cent on the long term. On the short term, it's at 1 or below 1 per cent. In addition, coming up in 2020 we're going to start seeing some of our higher interest debt that we borrowed 20, 30 years ago come due, and we'll be able to refinance that and move from 9, 10 per cent in terms of interest, and refinance it at around 3 per cent. So those are some of the benefits we expect going forward.

Ms. Sproule: — You say you've grown the company from a \$5 billion company to 11 billion over that same basic time frame. Would you anticipate that that growth as well will continue into the next 5, 10 years? I know that your capital infrastructure renewal will obviously slow down at some point, I'm assuming. Or do you anticipate there will be continual demands on the company in that sense?

Mr. King: — No, we expect there to be continual demands on the company. So right now, of that let's say about \$10 billion over the next 10 years, about 40 per cent of that is going for renewal, 40 to 45 per cent, so renewing the existing facilities that we have. And about 50 to 55 per cent is going to the growth side, building new. So yes, we expect in 10 years from now we should be at around a, close to a \$20 billion company.

Ms. Sproule: — Then about dividends, it used to be we would earn dividends from the company. Is there any anticipation that you'll be able to return dividends to the owners of the company at any point in the future?

Mr. King: — So the payment of dividends is really a, it's done on a year-by-year basis. We get an indication from CIC for our business planning purposes whether we should include dividends within our business plan. The most current business plan we have anticipates us returning to a small dividend starting in next fiscal year. However, again that actual decision is made on an annual basis by the CIC board. They'll make a decision in January of next year for the coming, the following fiscal year.

Ms. Sproule: — Yes. Other than the 120 million that was a dividend the year there was an excess — and I forget how it happened, but there was water involved — when is the last time you made sort of a regular dividend payment? Just curious. I could look this up.

Mr. King: — It was 2008. It was \$46 million.

Ms. Sproule: — Thank you. Page 59, there's a discussion on environmental remediation and there's a reference to notes 3(g), which I want to pull up, and note 22. I think it's more note 22 where I had some questions. Provisions. Just kind of curious as to that provision for \$177 million in decommissioning. What is that in relation to?

Mr. King: — The bulk of that decommissioning is related to our coal facilities. So it's the estimated cost of decommissioning at the end of their useful life.

Ms. Sproule: — All right. If you go with carbon capture, they would probably not be decommissioned. Or would they still be

decommissioned at the end of their useful life? Or would there be . . .

Mr. King: — If we go to carbon capture, their useful life will be extended, so the time frame from it will change. But they'll still need to be decommissioned at some point in time.

Ms. Sproule: — So you're just carrying that as an obligation.

Mr. King: — Yes, and so this is a discounted amount. So we discount back the cost and we continue to build it up as the years go on.

Ms. Sproule: — And environmental remediation for 43 million. Can you share with the committee what that is intended to deal with?

Mr. King: — It's to do with . . . It's very similar to the decommissioning. It's just a difference in accounting terminology but it's related to cleaning up some sites that we have that we're going to be required to upon sale of the property. So there are some diesel sites that we own that we need to clean up at some point in time before they are sold off. Right now we just monitor those properties to ensure that the contamination isn't getting any worse or is endangering anyone. But at some point in time we'll clean those up before we dispose of the properties.

Ms. Sproule: — Thank you. Finally, I just want to turn to some of the items in the payee disclosure report. I don't know if you have that. I always do this to you. Just curious about some of the payments. We've talked about the payment to Cansolv in the '16-17 year. Cenovus Energy received \$2.6 million on page 26. Is that in relation to the penalties, or is that another item?

Mr. King: — I don't have details on all the payments that we have in here. Cenovus, likely some of that would be for shortfall payments, but I don't have a breakdown of every one of the payments here.

Ms. Sproule: — If possible, Mr. King, could you undertake to inquire and provide us with that?

Mr. King: — Sure.

Ms. Sproule: — All right, I have a few more. The Goby Law Office was provided a trust payment of \$700,000. I believe that's a law firm in Estevan. Could you tell the committee what that was for?

Mr. King: — I don't have that information but we can follow up for you.

Ms. Sproule: — Okay. In addition to that, Miller Thomson LLP has a trust payment of \$600,000 so if you could . . . I assume you'll need to look at that as well. On page 30, there's a payment to Pelican Rising Ministries for \$65,000. I know it's not a lot of money but it seemed unusual to see a religious group as a supplier for the corporation. So it's not under the grants; it's under the supplier payments. So I'm just curious what service they would've provided to the corporation. And I know you'll have to look that up.

Mr. King: — I'll look that up as well. Sorry.

Ms. Sproule: — I realize you guys deal in a lot more zeroes than what I'm talking about. Also there's a payment to the Queen's Bench for \$132,000. Now I'm not sure if that's the Court of Queen's Bench for Saskatchewan or . . . Like I looked it up as a company and there's no such thing. So I'm assuming it's the court but if you could provide the committee with some details around that one as well, that would be great.

Mr. King: — Yes.

Ms. Sproule: — And I think, Mr. Chair, that was the questions I had prepared for today.

The Chair: — Thank you, Ms. Sproule. I would now ask a member to move that we conclude consideration of the 2016-17 SaskPower annual report, the 2016-17 NorthPoint Energy Solutions Inc. financial statements, and the 2016 Power Corporation Superannuation Plan annual report. Mr. Bonk has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. And that concludes our business for today. Minister Duncan, do you have any comments you wish to make?

Hon. Mr. Duncan: — Really quickly, Mr. Chair, I want to thank you and members of the committee, Ms. Sproule for her questions. I will refer, Ms. Sproule . . . I believe on an earlier question you asked about the emissions profile. There is a chart on page 6 that does detail the emissions profile in the annual report, but we can provide some additional breakdown information of that if you'd like. But I just thought . . . Flipping through the document, I saw it here so I thought I would just mention that on the record.

But with that we just appreciate the committee's time in dealing with these matters and look forward to our next appearance. Thank you.

The Chair: — Thank you, Minister, and thanks to your officials and thanks to Ms. Sproule and all of the committee members for their work. And as always, thanks to Stacey for the great job she does in getting us prepared.

And I would now ask a member to move a motion of adjournment. Ms. Lambert moves that motion of adjournment. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 15:25.]