



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair
Carrot River Valley

Mr. Warren McCall, Deputy Chair
Regina Elphinstone-Centre

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

Mr. Hugh Nerlien
Kelvington-Wadena

[The committee met at 08:31.]

Ms. Ursulescu: — Good morning, committee members. I'm Stacey Ursulescu and I'm the Committee Clerk. Yesterday Mr. Cox was taken off the committee and therefore you guys do not have a Chair of this committee. As your Committee Clerk it's my duty to preside over the election of a Chair. So how the process works is I'll seek nominations first and then I will ask for a motion to that effect. So I'll open the floor now for nominations. I recognize Ms. Lambert.

Ms. Lambert: — I nominate Fred Bradshaw to serve as Chair.

Ms. Ursulescu: — Okay, any further nominations? Seeing none, I'll ask Ms. Lambert to move her motion.

Ms. Lambert: — I move:

That Fred Bradshaw be elected to preside as Chair of the Standing Committee on Crown and Central Agencies.

Ms. Ursulescu: — Is that agreed?

Some Hon. Members: — Agreed.

Ms. Ursulescu: — Carried. I declare the motion carried and Mr. Bradshaw can come and take the seat.

The Chair: — Well good morning, everybody, and welcome to Crown and Central Agencies meeting. I'm going to announce the members and substitutions. I'm Fred Bradshaw, the Chair. We have Warren McCall who is Deputy Chair. With us we also have Steven Bonk, Lisa Lambert, Hugh Nerlien, and substituting for Mr. Hart is David Buckingham, and substituting for Ms. Heppner is Muhammed Fiaz.

Committee members, we're currently in the final stages of the high-definition upgrade, and as a result today's proceedings are being live-streamed online on the Legislative Assembly website and will be archived and broadcast on the Legislative Channel at a later date.

We have two documents to table: CCA 76-28, Crown Investments Corporation of Saskatchewan: Report of public losses, April 1st, 2019 to June 30th, 2019; and also CCA 77-28, Crown Investments Corporation of Saskatchewan: 2018-19 payee disclosure report.

I would also like to advise the committee that pursuant to rule 145(1), the following documents were permanently committed to the committee. Please bear with me as this is a long list.

SaskEnergy 2018-19 annual report; SaskEnergy Incorporated, TransGas Limited, and Bayhurst Gas Limited financial statements for the year ended March 31st, 2019; SaskWater 2018-19 annual report; Saskatchewan Power Corporation 2018-19 annual report; Power Corporation Superannuation Plan 2018 annual report; NorthPoint Energy Solutions Inc. 2018-19 financial statements; Saskatchewan Gaming Corporation 2018-19 annual report. SGC Holdings Inc. financial statements for the year ended March 31st, 2019; SaskTel 2018-19 annual report; Saskatchewan Telecommunications financial statements

for the year ended March 31st, 2019; Saskatchewan Telecommunications International Inc. financial statements for the year ended March 31st, 2019; Directwest Corporation financial statements for the year ended March 31st, 2019; SecurTek Monitoring Solutions Inc. financial statements for the year ended March 31st, 2019; Saskatchewan Telecommunications Pension Plan annual report for the year ended March 31st, 2019; Saskatchewan Opportunities Corporation 2018-19 annual report; SGI Canada 2018-19 annual report; Saskatchewan Auto Fund 2018-19 annual report; Coachman Insurance Company 2018 annual report; Saskatchewan Government Insurance Superannuation Plan 2018 annual report; SGI Canada Insurance Services Ltd. 2018 annual report; Saskatchewan Transportation Company 2018-19 annual report. Crown Investments Corporation of Saskatchewan 2018-19 annual report; Crown Investments Corporation of Saskatchewan, Saskatchewan Immigrant Investor Fund Inc. financial statements for the year ended March 31st, 2019; Crown Investments Corporation of Saskatchewan, First Nations and Métis Fund Inc. financial statements for the year ended March 31st, 2019; Crown Investments Corporation of Saskatchewan, CIC Asset Management Inc. financial statements for the year ended March 31st, 2019; Capital Pension Plan 2018-19 annual report.

Committee members, you have before you a copy of today's meeting notice, which is our agenda. Any comments on today's agenda? Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. And let me first say a word of congratulations to yourself for election as Chair, as the servant in chief of this committee as we seek to do the people's business for Crown and Central Agencies. I think this also would be a good time to say job well done to outgoing Chair Herb Cox, and the great volume of work that was undertaken by the committee under his leadership and the leadership of my predecessor, the member from Saskatoon Nutana, Cathy Sproule. So it's certainly good to get the gratitude on the record for them at this point.

But, Mr. Speaker . . . or Mr. Chair. You'll forgive me. It's back-to-school shuffling, I guess. I'm just getting it all sort of worked out here.

But in terms of the agenda, earlier this month I had opportunity to provide correspondence to the Chair and then through the Chair of course to the committee, serving notice of a desire to move a motion pursuant to information that has been provided by the Information and Privacy Commissioner, a report that he has done on matters of operations with the Crown corporation SaskTel.

And certainly, Mr. Speaker, one of the things that is very important for all of us to do in public life is to tell the truth and to make sure that the people have all of the information in front of them as they evaluate the work of any given government. And when it comes to the workings of SaskTel and an initiative of this government to have attempted to sell off 50 per cent of any given Crown corporation, but SaskTel in particular, there have been different stories in the public record as to what the state of affairs was with this government and its relation to efforts to sell off 50 per cent of SaskTel.

This is something that the people of Saskatchewan hold very dear to their hearts. SaskTel is a highly valued Crown corporation . . . [inaudible interjection] . . . I don't know if that's your predecessor phoning to add some commentary, Mr. Chair. But anyway, this is something that's very important to the people of Saskatchewan. The issue of the ownership of Crown corporations is something that's also a matter of considerable public interest. So for a government that has promised to be the most open and accountable government in the history of the province, and for a government that did not have a mandate to proceed with sale of 50 per cent of Crown corporations and particularly SaskTel, you'd think there would be an interest to get all of the information on the table and to have that full discussion about what went on with trying to sell off 50 per cent of SaskTel.

And in that interest, Mr. Speaker, I'm prepared to move the following motion. And we don't have to, you know . . . We can assign a meeting for this at a later date to make this happen, but there are things that we need to have that fuller discussion of. So with that, Mr. Chair, I'm prepared to move the following motion, and of course welcoming comment or debate on it at that time. But I'll proceed to moving the motion. It reads as follows:

That given the new information revealed in the Saskatchewan Information and Privacy Commissioner's *Review Report 119-2018*, the Standing Committee on Crown and Central Agencies invite the Minister for SaskTel, the Minister for Crown Investments Corporation, the current CEO of SaskTel, the former CEO of SaskTel, and the current CEO of Crown Investments Corporation to testify on the activities of the cabinet committee on Crown structure; and that the Standing Committee on Crown and Central Agencies invite any further witnesses as required by the testimony of the ministers and officials.

Mr. Chair, I so move.

The Chair: — Mr. McCall has moved:

That given the new information revealed in the Saskatchewan Information and Privacy Commissioner's *Review Report 119-2018*, the Standing Committee on Crown and Central Agencies invite the Minister for SaskTel, the Minister for Crown Investments Corporation, the current CEO of SaskTel, the former CEO of SaskTel, and the current CEO of Crown Investments Corporation to testify on the activities of the cabinet committee on Crown structure; and that the Standing Committee on Crown and Central Agencies invite any further witnesses as required by the testimony of the ministers and officials.

All those in favour of the motion say aye . . . oh sorry. Is there any discussion on this motion?

All those in favour of the motion say aye.

An Hon. Member: — Aye.

[08:45]

The Chair: — All those opposed say nay.

Some Hon. Members: — Nay.

The Chair: — I declare the motion lost.

Mr. McCall: — Mr. Chair, if we could make that a recorded vote.

The Chair: — Mr. McCall has requested a recorded division. All those in favour of the motion please raise your hand and keep your hands up while the Clerk records your names.

All of those opposed to the motion please raise your hand. Please keep your hands up while the Clerk records your names.

The motion is lost.

Standing Committee on Crown and Central Agencies

The Chair: — We will move on to our first item of the meeting notice. Our first order of business today is a consideration of the Provincial Auditor chapter related to our committee which is the 2018 report volume 2, chapter 49. Ms. Ferguson, would you please introduce your officials and make your presentation.

Ms. Ferguson: — Good morning. Thank you very much. We're very pleased to be here this morning. I've got with me Ms. Kim Lowe. Kim is the committee liaison from our office. And as indicated, the very first item on the agenda is an update on the activities of the meeting of this committee that was included in our 2018 report volume 2. Kim.

Ms. Lowe: — So I'll be covering off chapter 49 of the 2018 report volume 2. The chapter before you this morning does not contain any recommendations; rather it provides your committee with an overview of the overall status of the committee's recommendations resulting from our office's work, the status of its consideration of our work, and the status of the committee's review of annual reports of CIC [Crown Investments Corporation of Saskatchewan] and its subsidiary corporations.

In your review of our work and recommendations, your committee makes recommendations. Your committee includes its recommendations in its report to the Assembly. At the time of this chapter, the committee's last report related to its review of the work of our office was the eighth report to the twenty-seventh legislature, which was tabled on January 6, 2016. That report included 66 recommendations.

By September 30th, 2018, CIC and its subsidiaries had fully implemented 98 per cent of the committee's 66 recommendations and partially implemented the remaining recommendations. At September 30th, 2018 the committee was relatively up to date on its review of chapters. It had not considered one chapter from our 2018 report volume 1 related to one Crown corporation. At the conclusion of this meeting, the committee will have one chapter from our 2018 report volume 2, and one chapter from our 2019 report volume 1 related to two Crown corporations left to consider.

In addition the committee is responsible for examining annual reports of CIC and its subsidiary corporations. At September 30th, 2018 the committee had completed its review of half of the 2017-18 annual reports of CIC and its subsidiary corporations. The committee had not yet reviewed the 2017-18 annual reports of CIC and four subsidiary corporations.

Our office encourages the committee to continue to review the related chapters in our reports and the annual reports of CIC and its subsidiaries in a timely way, in that review of these documents contributes to the committee fulfilling its important role; that is, holding the government accountable in its management of CIC and its subsidiary corporations. And that concludes my overview.

The Chair: — Well thank you. Do any members have any questions? Okay, if there aren't any questions, the 2018 report volume 2, chapter 49 has no recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Ms. Lambert has moved that we conclude consideration of the 2018 report volume 2, chapter 49. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We'll take a short recess to bring in the officials from Saskatchewan Water Corporation.

[The committee recessed for a period of time.]

Saskatchewan Water Corporation

The Chair: — Well I want to welcome Minister Eyre and officials from the Saskatchewan Water Corporation. I also want to welcome Ms. Sproule. She's substituting for Mr. McCall while we consider SaskWater. Committee members, we have a request to relax the dress code to accommodate a witness. Are we in agreement to relax the dress code during the consideration of Saskatchewan Water Corporation?

Some Hon. Members: — Agreed.

The Chair: — That is agreed. Before we would begin, I would like to take a moment to explain the format that we will be using today. For the consideration of the Provincial Auditor's chapters, I will first recognize our Provincial Auditor, who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once completed, I will recognize the minister to introduce her officials and respond to the chapters under consideration. After all the auditor chapters have been reviewed for each Crown corporation, I will excuse the auditor and then move into consideration of annual reports.

Are there any questions about the process? Seeing none, I will turn it over to Ms. Ferguson to introduce her officials and make her presentation on the 2018 report volume 1, chapter 10.

Ms. Ferguson: — Thank you, Chair, members, officials. With me this morning I've got Mr. Kelly Deis. Mr. Deis is the deputy . . . His portfolio includes responsibility for SaskWater Corporation. And behind him is Mr. Victor Schwab. Victor is a principal that's led some of the work that's before us. I also want to put on record that the appointed auditor of record is Deloitte. Ms. Valerie Watson is the engagement partner for Deloitte, and they send their regrets this morning here. In addition we've got Ms. Kim Lowe that's, again, our committee liaison that you were introduced to a little bit earlier.

[09:00]

Kelly's going to present the one chapter that's on the agenda

here, so we only have one presentation. Before I make that presentation, I do want to extend our appreciation for the co-operation extended to our office in the course of the work that both ourselves have conducted, but also Deloitte's too. With that I'll turn it over to Kelly.

Mr. Deis: — Well thank you, Judy. SaskWater uses a decentralized approach to buying a variety of goods and services including professional services, materials and supplies, and repairs and maintenance. Over 100 of its staff located throughout Saskatchewan are involved in making purchases. It buys over 45 million of goods and services each year.

Chapter 10 of our 2018 report volume 1 begins on page 143 and contains the results of our 2018 audit of SaskWater's processes to purchase goods and services over \$25,000. We found that for the 12-month period ended December 31st, 2017, SaskWater had effective processes except for in the areas we made our seven recommendations. I will highlight each recommendation and the reason for it.

On page 149 we made two recommendations. We recommended that the Saskatchewan Water Corporation clarify its procurement policy to set out when it is appropriate to use the sole-sourcing method of procurement. We also recommended that the Saskatchewan Water Corporation require staff to include documented rationale for selecting non-competitive procurement methods for purchasing over \$25,000 on purchase orders submitted for approval.

SaskWater's procurement policy does not give sufficient guidance on the use of sole sourcing to facilitate appropriate use of this non-competitive procurement method. SaskWater's policy did not define what constituted emergency purchase, and emergency purchase is a valid reason for the use of sole sourcing. Its procurement policy did not specifically require staff to document the reasons for selecting non-competitive procurement methods for purchases of goods and services of over \$25,000.

In addition we found staff were not always selecting the sole-sourcing method of procurement consistent with the policy or documenting the basis for selecting this method. Our testing found the following: for 7 of 11 sole-sourced purchases, each over \$25,000, that we tested, the rationale for the use of sole-sourcing procurement method was not attached to the purchase order submitted for approval of the purchase or to information supporting the request for payment. For two of the previously mentioned seven purchases, SaskWater did not have evidence of emergency circumstances and, as such, the basis for using sole sourcing.

SaskWater's procurement policy expects all procurement to be based on the best value approach. Use of sole sourcing does not necessarily result in best value and may not comply with SaskWater's external purchasing requirements, for example, the New West Partnership Trade Agreement. Also not having written guidance on emergency circumstances increases the risk of inappropriately selecting the sole-source method of procurement. Furthermore, without document rationale, the individual responsible for approving the purchase cannot properly review the procurement method decision.

On page 150 we recommended that the SaskWater Corporation

require its staff to report regularly on purchases using sole sourcing to senior management and the board.

SaskWater's procurement policy does not specially require tracking, monitoring, and reporting on sole-source transactions. Additional oversight of these types of purchases helps ensure they are appropriate. Without this, management or the board may not be aware of the level of use of sole sourcing and may not know if these transactions align with SaskWater's procurement policies.

Also on page 150 we recommended that the Saskatchewan Water Corporation require staff involved in purchasing goods and services to confirm, each year in writing, compliance with its conflict-of-interest policy.

Inconsistent with good practice, SaskWater does not require staff to annually confirm in writing their awareness of the conflict-of-interest policy or that they have complied with it. This is additionally important because more than 100 staff located throughout the province are involved in various aspects of purchasing. Annual confirmations help remind staff of the policy and reinforces its importance. Without periodic confirmation, there is a risk that potential conflict-of-interest situations may arise and staff may forget to identify or disclose them. Failure to identify and resolve conflicts of interest may result in staff making purchase decisions that do not treat all potential suppliers equitably and fairly. This increases the risk of loss of suppliers' and the public's confidence in SaskWater's procurement policies.

On page 151 we recommended that the Saskatchewan Water Corporation have periodic legal reviews of its contract templates for purchases.

SaskWater's contract templates were last reviewed when they were initially prepared over 10 years ago. Situations and circumstances can arise, making standard provision wording in contract templates outdated. Outdated wording in contracts may pose business risks. Having legal counsel periodically review templates, for example every five years, minimizes those risks. Having up-to-date templates for standard wording for contracts is good practice and helps ensure consistent inclusion of terms and conditions when entering into contractual arrangements.

On page 152 we recommended that Saskatchewan Water Corporation follow established procurement policies when approving the purchase of goods and services.

Our testing found SaskWater did not always follow its procurement policies when purchasing goods and services. For 1 of 43 purchases tested, the purchase order was not approved by the appropriate staff level. For 5 of 15 purchase orders tested, SaskWater approved the purchase order after goods and services were received instead of before, as its policies require. For four tenders or requests for quotes tested, evidence that SaskWater's procurement policy was followed by obtaining three quotes each was not attached to the purchase order submitted for approval of the purchase order or to information supporting the related request for payment.

When purchases are not approved by the appropriate authority, there is risk that purchases may not follow all of SaskWater's

approved processes, may not be appropriate in the circumstances, and may not obtain best value. Without the appropriate approval before the purchase is made, there is a risk that SaskWater may be committed to purchasing a good or service that it did not authorize or that may not align to its procurement policies. Furthermore, without having documented rationale of key purchasing decisions, the individual responsible for making the purchase decision cannot properly review the request.

On page 155 we recommended that the Saskatchewan Water Corporation track performance problems with suppliers in a way that this information is available to staff making purchase decisions.

While SaskWater has processes to deal with supplier performance issues, it does not formally track supplier performance, for example, in a decentralized spreadsheet. Not tracking supplier performance centrally increases the risk that SaskWater uses suppliers with known performance problems and is contrary to the best-value approach. The use of a best-value approach requires consideration of past supplier performance.

With many staff located throughout the province initiating purchasing, centrally keeping and making information available on suppliers' performance would enable SaskWater to use this information when making future procurement decisions. And that concludes our presentation.

The Chair: — Well thank you for that. Ms. Eyre, would you please introduce your officials and make your comments.

Hon. Ms. Eyre: — Good morning, Mr. Chair. Thank you. Members of the committee, good morning. I'm joined today by the following officials from SaskWater and my office: Doug Matthies, the president of SaskWater; Eric Light, vice-president, operations and engineering; Jacquie Gibney, vice-president, corporate and customer service; Danny Bollinger, director, financial services; and my chief of staff, Jeremy Brick, are here today.

Mr. Chair, my officials and I are pleased to be here to speak to the items under review and of course to respond to any questions that the committee may have. In terms of the Provincial Auditor 2018 report volume 1, chapter 10, this chapter highlights the results of an examination into SaskWater's procurement process. The report notes SaskWater's policies are current and comprehensive but makes, as we know, seven new recommendations for improvements. And I'm happy to report, Mr. Chair, to the committee, that SaskWater has already moved to implement changes to address six of the seven recommendations, with only the seventh recommendation regarding tracking supplier performance remaining outstanding.

The first three recommendations all relate to circumstances where SaskWater uses sole sourcing as the means of procurement. The auditor noted SaskWater's existing policy already limits where sole sourcing can be applied, but felt the policy could be strengthened. Recommendation no. 1 on page 149 is to amend the procurement policy to clarify when it is appropriate to use sole sourcing. I understand this point came up in regards to what constitutes emergency circumstances such that normal procurement channels were considered inappropriate. The policy has been amended to add clarification regarding

emergency circumstances and to add clarification as well around other circumstances where sole sourcing may be acceptable, such as sending equipment back to the original supplier for testing or for repair.

Recommendation no. 2, also on page 149, goes to the rationale as to why a good or service over \$25,000 was sole sourced and why that should be included in the purchasing documentation. This documentation requirement allows the corporation to ensure any sole sourcing that is done complies with the policy. The policy has been amended to require this documentation be attached to the purchase documents and that the approval of the president or vice-president responsible for the unit be obtained.

Recommendation no. 3 on page 150 is that sole sourcing above \$25,000 be regularly reported to senior management and to the board. SaskWater has implemented this recommendation through quarterly reporting to management and to the board. The first report for the first quarter of 2019-20 was considered by management on July 16, 2019, and subsequently considered by the board on August 27, 2019. There was only one item to include in the report and it was for follow-up work by a consultant related to an assignment that had been done in a previous year which had been won by open competition.

Recommendation no. 4, also on page 150, is that SaskWater require staff to annually confirm in writing their compliance with the corporation's conflict-of-interest policy. SaskWater has previously required all staff to confirm compliance with the policy upon initial hire and also if their circumstances have changed. The recommendation to adopt an annual written confirmation of compliance has been adopted and all staff reconfirmed beginning at the end of 2018.

Recommendation no. 5 on page 151 is that SaskWater have periodic legal reviews of its contract templates for purchases. SaskWater has implemented this recommendation. An external legal firm reviewed SaskWater's procurement documents earlier this year, and minor changes were implemented. SaskWater will have the documents reviewed approximately every five years going forward.

Recommendation no. 6 on page 152 is that SaskWater ensure its procurement policy is followed. I understand this recommendation was based on some purchases not being able to demonstrate compliance, or where a purchase was approved by an individual that was over his or her approval limit. SaskWater has implemented this recommendation by advising all staff involved in procurement to ensure that they adhere to the policy, and by doing some reminder and refresher training with specific employees who were not in compliance. SaskWater's finance unit also conducts a compliance check to ensure that purchase transactions are authorized appropriately.

Recommendation no. 7 on page 155 is that SaskWater track supplier performance so that information can be used when considering future procurement decisions. This is the only recommendation that SaskWater considers to be partially implemented. SaskWater uses the best-value approach in conducting procurements, which includes consideration of past performance. Four of SaskWater's senior engineering staff have also received the vendor performance evaluation training provided by Priority Saskatchewan. SaskWater still needs to

develop a formal rating system for vendor performance and to determine how this will be utilized. It is anticipated that the corporation's enterprise resource planning system will be used to track the results. This system is still under development and not expected to be available before the end of 2020.

Mr. Chair, that concludes my remarks on the 2018 Provincial Auditor's report volume 1, chapter 10. On behalf of SaskWater, I thank the auditor and her staff for their work to improve SaskWater's procurement policies and practices.

[09:15]

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

Ms. Sproule: — Thank you very much, Mr. Chair, and welcome to the Chair, the new Chair.

Just before we begin, I was provided a copy of a letter to the Chair dated September 6th with the report on the status of recommendations. I'm just wondering if that was also circulated to the Deputy Chair or any other members of the committee? Because it was here September 6th and it would have been nice to see it ahead of time, but that's just a question. Or is today the first day that members of the committee actually see this . . . [inaudible interjection] . . . It was distributed? Okay. I checked with my office and there was no sign of it but it may have fallen between a crack. So just checking. Thank you.

So looking at these now, Madam Minister, you indicated for the recommendation on page 149 — which was the no. 1 I believe; yes, the first recommendation — that you have made changes to your procurement policy. And you gave an example of circumstances where sole sourcing is acceptable other than emergency procurement. For example, you said sending equipment back to a previous purchaser or source. Would it be possible to get the full list of the circumstances where sole sourcing is acceptable, if that could be either provided orally or tabled?

Mr. Light: — Eric Light, vice-president of operations and engineering. We have in the policy a definition of an emergency which states that goods and services purchased can be used . . . or an emergency procurement can be used when our day-to-day operations are in jeopardy and in order to make sure that there are no delays in maintaining services. And so examples of that would be when we prevent harm to SaskWater or SaskWater's employees or the public, when we need to keep a critical system or process operational, and to avoid damage or further damage to equipment, operations, or the environment.

Ms. Sproule: — I'm sorry, Mr. Chair, I was actually looking for the second part where sole sourcing is acceptable when it isn't an emergency.

Mr. Matthies: — Doug Matthies, president. I think what I would offer is we typically don't use much for sole sourcing. And as the minister's comments would have noted, in the first quarter of this year . . . [inaudible] . . . emergency tends to be the largest circumstance where we might see that. Examples might be the Husky oil spill a few years ago, for example. It was an emergency where we had to respond immediately. We have used sole

sourcing in some cases to secure a contractor under \$25,000 if the dollar value is fairly low and we have a fairly defined . . . [inaudible] . . . of what we're doing.

But typically when anything is \$25,000 or higher, our policy requires us to achieve three different quotes or tenders and then we do that evaluation. If there is a circumstance where the procurement officers feel sole sourcing is warranted, then that now needs to be approved by the vice-president. And that's kind of a reflection of the auditor's report, that we need to tighten up on that just to make sure that it is an appropriate circumstance.

Ms. Sproule: — Perhaps I'm not being clear. In the first recommendation on page 149, SaskWater's announced it made two changes to the procurement policy. One was the clarification emergency procurement which was just, again, described. But the second piece was that this policy, the changes to the policy have clarified circumstances when sole sourcing is acceptable. And Madam Minister gave us one example of that in her opening comments. What I'm wondering is, is it possible to either table or read into the record that clarification that has now been deemed to meet the recommendations that the auditor has made?

Mr. Light: — Thank you. So in the policy itself, the way we've covered that off is that it must be demonstrated that there's only one supplier available to do the procurement and that in the policy it's recommended that an advanced contract award notice, an ACAN, be posted on the SaskTenders website in order to meet that requirement.

So we don't have any specific examples in the policy. That's what's in the policy. An example of that would be, as noted in the minister's comments, if there was original manufacturer that we were going to get the repair done, but we would use an ACAN to verify that through the SaskTenders website. So that's how we're dealing with that one.

Ms. Sproule: — Thank you for that clarification. Can you share with the committee how many sole-sourced contracts that you have signed in the last, say, five fiscal years?

Mr. Light: — That would be something that we would have to work up. We don't have that number available, as was mentioned by Mr. Matthies. For the first quarter when we started doing the reporting as per the Provincial Auditor's recommendation, we had one in the first quarter of this fiscal year.

Mr. Matthies: — And if I can add to that, just . . .

The Chair: — Mr. Matthies, can you please use the minister's switch here? Apparently your mike isn't working.

Mr. Matthies: — That's fine. Just supplementary comment to that. Prior to this fiscal year, we weren't tracking that information, so we don't have a record of what they might have been. We know from knowledge of business there wouldn't have been many, but we don't have a record of it and it would be a fairly onerous endeavour to try and figure out which of the purchases might have been done that way.

Ms. Sproule: — All right, thank you. I won't pursue that line then. In relation to the purchases that were made where SaskWater approved the purchases after they were received

instead of before, like 5 of 15 purchases — that's a large percentage — and I guess I'm just kind of wondering how this was seen as appropriate. I know you've now recognized that it wasn't, but how did this happen in the first place?

Mr. Light: — So what actually happened in the majority of those cases is that the purchase was discussed and approved between the supervisor and the person doing the purchases, and we actually provided background or backup emails to that effect. But what the Provincial Auditor was saying is that needs to go part and parcel with the process. And so that's the part that we are tightening up. But there was discussions and approvals that took place on the majority of those purchases.

Ms. Sproule: — Thank you. I do have a question for Madam Auditor. In your opening comments you indicated that public confidence could be eroded by some of these purchasing practices that had evolved. Do you feel that the changes that are being proposed will restore that public confidence?

Ms. Ferguson: — Yes. Actually we're quite impressed that the pace of implementation here is good. We also think the level of detail provided in the update form is very good also to assist the committee in determining what actions were taken. So yes, we think it's good.

On the point that was just discussed, we do want to impress the importance of attaching that information for the people that are approving it, you know. So that's not just for the approver but also for the finance area that's processing the payment, you know, because it's just much more . . . Like that's how the process should work. In terms of when you're approving, you should make sure all the support is attached to what you're approving and so that's what's submitted in to finance so they can do their job too. And so only with that process will that verification process discussed in the update work.

Ms. Sproule: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Are there any further questions from the committee on this? The 2018 report volume 1, chapter 10 has seven recommendations for the committee to consider. What is the wish of the committee? I recognize Ms. Lambert.

Ms. Lambert: — I would concur with the recommendation and note compliance for no. 1, 2, 3, 4, 5, and 6. And I would concur with the recommendation and note progress towards compliance for no. 7.

The Chair: — Okay. Ms. Lambert has moved that we concur with the recommendation and note progress towards compliance on 1, 2 . . . So we note compliance on recommendations 1 through 6, and note progress on 7, and concur with the recommendations. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This concludes our consideration of the Provincial Auditor chapter related to Saskatchewan Water Corporation. We'll take a quick recess to excuse the Provincial Auditor and then we will carry on.

[The committee recessed for a period of time.]

The Chair: — We will now be considering the 2017-18 and 2018-19 Saskatchewan Water Corporation annual reports and the 2018 *Water Quality Report*. Minister Eyre, could you please make your comments.

Hon. Ms. Eyre: — Thank you, Mr. Chair. I'm happy to report to the committee that in the two years under review, SaskWater has continued to grow its business and to focus on the provision of safe, reliable, and sustainable water services. In the years under review, SaskWater was successful in securing new community customers, including the town of Kindersley for certified operations and maintenance services, the town of Southey for remote monitoring services, and the RM [rural municipality] of Sherwood has returned to SaskWater for certified operations and maintenance services for its new water treatment plant.

In the years under review, the corporation has also been diligently working to complete a new pipeline and water treatment plant to serve the city of Melville. This is a multi-year construction project worth approximately \$37 million. The new system is expected to begin commissioning later this fall. Another major project in '17-18 was the replacement of the lake intake pump station and pipeline to the water treatment plant at Elbow. Some of the original infrastructure, such as the intake, dated back to 1966. Both the pipeline for the Melville system and the upgrade to the Elbow system benefited from federal-provincial grants under the Clean Water and Wastewater Fund, which provided 75 per cent funding of the eligible costs of those projects.

[09:30]

In 2018-19 SaskWater was successful in securing federal and provincial grants under the New Building Canada Plan for three significant infrastructure projects: first, a major upgrade to the water treatment plant for the Melfort regional system and the addition of a backup power facility for that plant; second, an expansion of the waste water sewage lagoon at Pierceland; and third, funding for a new regional potable water system east of Lloydminster. Funding under this program is one-third federal, one-third provincial, and one-third SaskWater.

Grant funding for all five of the municipal infrastructure projects I've mentioned was critical in each case in order to help the affordability of these major upgrades for the customer communities involved. The ability of SaskWater to access these programs is critical in the company's plans to help grow and diversify its business within the province.

Mr. Chair, I'll conclude my remarks at this point. And certainly my officials will be happy, and I will be, to answer questions responding to the annual reports unless, Mr. Chair, you would like me to speak very briefly to the *Water Quality Report* at this time as well . . . [inaudible interjection] . . . Very quickly?

The 2018 *Water Quality Report* has a different look to it than in past years, Mr. Chair. It is not a prescribed report to be tabled in the Legislative Assembly. Rather it's a report generated to summarize any key issues or deviations in the service to SaskWater customers as a way of ensuring transparency and accountability of the corporation. Under the permits to operate

issued by the Water Security Agency, SaskWater is required to provide a report to its customers once per calendar year on the quality of water and on compliance with sampling requirements. Those reports, referred to as annual notification to customers, are all available on SaskWater's website.

The water quality report under review today provides a summary of any deviations noted in those reports to customers. They are all disclosed on pages 12, 13, and 14 of the report, and I am pleased to note that any issues that arose have been resolved. The report also summarizes those instances where any precautionary drinking water advisories were issued. Those were summarized on pages 15 and 16 of the report. Mr. Chair, my officials and I would be pleased at this point to respond to any questions that committee members might have.

The Chair: — Do committee members have any questions on the items of this business? Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair. I do have questions. And I guess I have a few questions on the '17-18 annual report, although much rolls into the '18-19 report. When we're considering two annual reports in one go, that's often what happens. So I won't spend a lot of time on the '17-18 report; there simply isn't enough time today to do that.

So beginning with the Melville project, you indicated in your opening remarks, Madam Chair, that it's a \$37 million project. And I note there was a story online in February saying that Melville's paying 20 per cent, which I think is around 8 million and then the federal and provincial governments each contribute 10 million. So I get up to 28 million, but I'm just wondering where the other 9 million comes from.

Mr. Matthies: — Mr. Chair, I think the comment I would make is in the grant funding that was provided, we got \$10.3 million in grant funding, and that was under the Clean Water and Wastewater Fund. So 50 per cent of the eligible costs were federal and 25 were provincial. The only funding we got from grant was for the pipeline. The water treatment plant itself did not get any grant funding. The total cost of all of the project is \$37 million. The pipeline portion was approximately 13, and the rest of it was for the water treatment plant. And I'm not sure about the numbers that were in the stories, but that's our numbers.

Ms. Sproule: — So if I could break that down then, how much was contributed by the province? How much was contributed by the feds, and how much was contributed by the municipality itself?

Mr. Matthies: — So the total grant was 10.3 million, and the funding split, there was a 50 per cent of eligible costs was federal. I'll just look it up. So basically, well . . . [inaudible].

Hon. Ms. Eyre: — So on June 2nd, 2017, SaskWater was advised the application was successful. So it was 10.3 would be awarded, including 6.8 federally, so that's 50 per cent; 3.43 provincially, 25 per cent.

Ms. Sproule: — That's the \$10 million grant. And then of the other \$27 million that this project is costing, where is the source of those funds? So we've got 10 million.

Mr. Matthies: — So in essence SaskWater would be putting in the balance of the funds. We are actually in conversation with the community regarding some contributions that they might make as well, because if they make contributions then the rate would be lower.

Ms. Sproule: — Okay, so I get it now. The 27 million is the SaskWater's investment. What has the community indicated they would contribute to date? Has there been anything firmed up?

Mr. Matthies: — There was an initial investment by the community in some of the well-development and well-exploration costs, so we're going to count those costs. And I'm not sure if I want to provide the number because we're still in conversation with the community on it, but it would be in excess of a million dollars.

Ms. Sproule: — The reason I'm referring to this article is that the article headline is "Residents concerned about water costs in Melville." And there was a quote from one individual said, "It's one of the reasons we're leaving Melville" was because of the cost of water. And the mayor is quoted saying that they're gradually increasing water rates so "... residents aren't shocked by fewer and more dramatic rate increases." When we see people leaving communities because of the rising costs of these types of projects, what sort of relief can SaskWater offer to those residents?

Mr. Matthies: — Mr. Chair, I think that the comments that I would make are, as we've worked with the community, I think most folks in the community have sort of recognized that the original water treatment plant dates back to 1955. There's been some upgrade of the facility since then, but largely we're doing a total rebuild of the entire water system — brand new wells, brand new pipeline that's 30 kilometres from the community, and a brand new water treatment.

Typically when communities are doing water projects, it won't always necessarily involve an entire rebuild of the entire system. That's what Melville was faced with because of the age of their infrastructure and the condition it was in. So where you haven't seen some major investments for a number of years, then when you get these large dollar projects coming forward, the unfortunate result is rates need to go up to be able to afford it.

Ms. Sproule: — Thank you. In the letter to stakeholders — in that '17-18 report, it's on page 6 and 7 — one of the things you talked about on page 7 is a large solar panel installation at Wakaw-Humboldt water treatment plant in March of 2018. Have there been any other solar panel installations since then?

Hon. Ms. Eyre: — So thank you. SaskWater's looking at Melville for a second location for a solar installation there. And we just have to . . . That work is just ongoing in terms of timing and so on.

Ms. Sproule: — Thank you. Further on in that page you indicated that SaskWater's proud to have two projects under consideration for the federal government's Low Carbon Economy Fund. I think we understood, maybe it was in estimates, that the woodlot did not receive the funding. What was the other project, and did it receive that funding?

Hon. Ms. Eyre: — The other project was for the solar panels, and that also did not receive the funding.

Ms. Sproule: — Do you have any other applications currently under that Low Carbon Economy Fund?

Hon. Ms. Eyre: — Not currently.

Ms. Sproule: — Not currently. Do you think part of the reason that they were not granted was because Saskatchewan refused to sign the pan-Canadian agreement on clean growth and climate change?

Mr. Matthies: — Could you repeat the question?

Ms. Sproule: — Just wondering if the refusal for these projects was because Saskatchewan didn't sign on to the pan-Canadian agreement.

If I may, Mr. Chair, I'll just add a little clarity on that. On that question I just want to add a little clarity. As you know, in order to access the Low Carbon Economy Fund, it was a requirement to have signed on to the pan-Canadian agreement. So I'm just wondering why you went ahead and applied for those projects when your likelihood of succeeding appeared to be nil.

Hon. Ms. Eyre: — So we still applied in the hopes that that wouldn't be as crucial a consideration as it turned out to be. You know, our understanding is that yes, that was taken into account, the fact that we hadn't signed on to the LCEF [Low Carbon Economy Fund]. Still we remained hopeful that those projects would still be considered. I mean obviously in this case other projects were deemed to be more worthy, according to the federal government, of funding.

Ms. Sproule: — But the solar panel installation at the Wakaw-Humboldt water treatment plant is in place and this was just funded without the grant. Correct?

Hon. Ms. Eyre: — Correct.

Ms. Sproule: — Okay. And the woodlot, if I remember correctly, is no longer functioning at all. That's been shut down?

Hon. Ms. Eyre: — My understanding is that it was not financially viable without the grant program, and so the community as a result wasn't interested in pursuing it currently.

Ms. Sproule: — Remind me again which community. Was that Biggar? Biggar. Okay. Thank you.

Take or pay, you talked about that briefly on page 8 of the 2017-18 annual report. I'm just wondering if we can get an update on the status of take or pay agreements. I think there was one legacy agreement, last time we spoke, that was about to be wound up.

Mr. Matthies: — Mr. Chair, the take or pay provision is pretty much a standard clause in almost all of our water supply agreements, whether they're in the potash sector or in a municipal sector. It's kind of a standard provision for us. So it would apply typically in almost all cases.

The second part of the question I think was in regards to . . .

Ms. Sproule: — Was there one legacy in question?

Mr. Matthies: — Yes, we still have . . . Our Edenwold customer is one where we have recorded an onerous contract provision and we continue to try to identify possible solutions to that scenario, but it's challenged because it's a very small community.

Ms. Sproule: — Thank you for that. Page 35 of the '17-18 report, there is a list of SaskWater First Nations training program locations. I believe that two of those First Nations, which is Little Pine and Sakimay, if I'm right, are under a boil-water advisory, and I understand there's actually 13 communities in Saskatchewan under boil-water advisories only to appear on this training program list. And so I guess the question is, why are two of the communities under boil-water advisories in partnership with SaskWater on these projects? And have you planned to or have you reached out to the other boil-water advisory communities to offer assistance to them as well?

[09:45]

Mr. Matthies: — Mr. Chair, in regards to the communities that are listed on page 35, SaskWater does not own or operate any of those facilities. What we do is we provide support to the operators of the bands who are running it themselves. So we're not responsible for the condition but we provide technical assistance to the people who are running it. So that's the role that we play. The other First Nations in the province are not on our training support list. At some point in history all of them were, but over time some of the tribal councils have actually taken that role on themselves and so we're out of the picture on that.

Ms. Sproule: — Do you charge a fee to the First Nations for the training?

Mr. Matthies: — We have a contract with the federal government to provide that service. So it comes directly from the federal government.

Ms. Sproule: — But you do charge a fee then?

Mr. Matthies: — Yes, we do.

Ms. Sproule: — Yes. Okay. I think we'll move on to the 2018 annual report now, Mr. Chair. And we will start I guess, just again, Melville. On page 8 in your letter to stakeholders, you indicate it should be completed and that commissioning was to begin in September of 2019, which is right now. Can you give the committee an update on the status of that project.

Hon. Ms. Eyre: — Commissioning will begin in October, is my understanding. There was a little bit of a delay just due to the cold winter and just getting things in order. Following that, some other unforeseen things. But otherwise in October it's on track.

Ms. Sproule: — And then when do you expect it to be in service?

Hon. Ms. Eyre: — By the end of the year it's expected to be in service, yes.

Ms. Sproule: — Thank you. We'll look forward to an update on

that. At the top of page 9 there's a comment from the Chair and the president that SaskWater's support for private sector engagement . . . The last sentence of that paragraph says that it would utilize ". . . a design-build approach to enhance private sector engagement and encourage innovative solutions." I'm just wondering why the emphasis on private sector engagement here. As you know, I'm a big fan of the Crowns and public sector, and I'm just wondering what it is in the public sector that you feel would not meet what you feel the private sector can provide.

Mr. Matthies: — Mr. Chair, this comment is in regard to our major upgrades at our Melfort water treatment plant. And so what we wanted to do in this case is make sure that we were bringing innovation to the table. So in a number of our previous procurements, we've had a fairly prescriptive list of requirements. We want A, B, C, D. In the Melville circumstance, we wanted to invite industry to offer whatever innovative solutions they may have. So what we instead proposed is: this is the outcome we want; you tell us how we can get there the best. And so that's why we have used that approach in the Melfort facility.

Ms. Sproule: — So the change is basically how you ask the questions of the private sector.

Mr. Matthies: — Yes.

Ms. Sproule: — Okay. Below that you talk about endeavouring to source further efficiencies and renegotiate agreements on systems that were underperforming. And you indicated you reached new agreements with Pierceland in the Melfort region. Are those the only two that were underperforming? Are there others that are underperforming?

Mr. Matthies: — The most significant other system that we're still dealing with is the Edenwold one, where we have an onerous contract revision. In many of our cases, the Melfort system and Elbow, which were the two recent renegotiations — one in the current year, one in the prior year — what we've adopted is kind of a phased-rate approach to recognize the affordability concerns. So we may have increases phased over a number of years. So we're not necessarily at the rate we want today, but there's sort of a plan to get there.

Ms. Sproule: — In the hopes that the people don't move out of Melville because the water's too expensive.

Mr. Matthies: — I appreciate the comment. We're certainly sensitive to affordability concerns. In my experience it's been rare that anyone leaves a community because of one issue like that, but we take note of the point and take it serious to make sure that we're being as cost effective as we can in our operations.

Ms. Sproule: — Fair enough. I know affordability is usually a cumulative impact on families. You talk about the potash industry on page 10, and I'm just wondering with . . . There's a lot of variability, I think, in the industry right now. We see Yancoal not proceeding. Now we have Project Albany, and we have Golden . . . I forget the name of the company. Golden . . . You guys know who I'm talking about.

Mr. Matthies: — Golden Fortunes.

Ms. Sproule: — Golden Fortunes — great name for a company — coming on stream. We also see a significant number of layoffs in other potash enterprises. So in terms of the fluctuation in both production levels and the number of companies coming in and out of the scene, how is that impacting your bottom line? And I guess specifically with the latest announcement about the layoffs, how are you anticipating that will impact your revenues?

Hon. Ms. Eyre: — Well as you pointed out, Ms. Sproule and Mr. Chair, it's of course unfortunate some of the, as you say, fluctuations and events that we've seen over the past summer in terms of jobs more than anything being impacted. That's the most important in terms of the human effects of these, you know, what unfortunately can be called cyclical in that sector. It's an unpleasant reality that these types of production shutdowns aren't unusual and, you know, the industry responds to global market signals and so on.

Obviously we hope the shutdown is temporary, and the shorter the better of course. And SaskWater, we're monitoring the situation very, very closely. One of the risk mitigation measures that SaskWater has in place is its standard water supply agreements where there's a minimum monthly payment requirement — essentially take or pay, as was mentioned — but at lower amounts than would normally be used when in full production, of course.

And we're cautiously optimistic. SaskWater is cautiously optimistic that the shutdown, that the temporary shutdown won't jeopardize the '19-20 budgeted earnings just due to the very strong first quarter, non-potable water sales of 6.1 million which was \$900,000 higher than the same period last year. But absolutely some fluctuation there.

Ms. Sproule: — Right. So I think on page 10 you indicate that potash revenues are 38 per cent of the corporation's revenues in '18-19. Are you hoping then that it will remain at that 38 per cent level for this fiscal year?

Hon. Ms. Eyre: — Well obviously that's the hope. And long term, looking back over patterns and what we anticipate, that that's usually been around that level. I think there is some attention being paid to getting a bit more of a diversity in place so there isn't that dependency on potash specifically.

Ms. Sproule: — And that leads into my next question. Further on the page you talk about including different business models and partnerships that have not been the norm, and then at the top of page 11 you indicated that new lines of business will be explored further in the future including, and you indicate there, waste water woodlots. Is that something you're still pursuing in the absence of the Low Carbon Economy Fund grant money?

Hon. Ms. Eyre: — Thank you. Perhaps fair to say it's taken somewhat of a lower priority and that the increasing focus is on developing and increasing regional municipal systems.

Ms. Sproule: — And can you update the committee on those lines of business, the regional systems? Is there any progress there? In your opening comments you mentioned the RM of Sherwood. Is that one of the new business lines?

Mr. Matthies: — The RM of Sherwood is a success for us

certainly because they used to be a customer at one time. Then they decided they wanted to do it on their own, and they've come back to us. It's not really part of a regional system for us. It's good news but not regional.

The regional piece is where we've had more success recently, certainly is in the grant announcement that was made last year for our project east of Lloydminster where we're looking to put together a new water supply system to serve communities running down Highway 16. That work is under way.

And although it's not necessarily the year under review but it's current, we've recently seen a slew of announcements from the federal government on grant announcements. And so one of them that was made on September the 4th identified the town of Cabri and the southwest regional potable water system, and SaskWater is involved in the development of that system as well.

Ms. Sproule: — Thank you. Got to love election time. All right, carrying on. On page 15, 14-15, there's a few maps indicating the different systems that you have. And I note for Saskatoon southeast, there's a change from '17-18 in that Guernsey and Lanigan are no longer listed as part of that supply system. Can you update the committee on what has happened to those two communities.

Hon. Ms. Eyre: — So Guernsey and Lanigan, SaskWater used to provide those communities with non-potable water only and now they've moved to a well system. So they're simply just not needing of that anymore.

Ms. Sproule: — Thank you. On page 27 you talk about potash mine feasibility studies and in particular the Golden Fortune feasibility study. Can you update the committee on the status of that project, from SaskWater's perspective of course?

Hon. Ms. Eyre: — So the short answer is that SaskWater has completed some pre-feasibility work on the project but now there is a bit of a holding pattern as SaskWater waits for the company to indicate intentions moving forward. So it's in a bit of a, as I say, holding pattern.

Ms. Sproule: — Okay. On that page you indicated that you prepared a technical project proposal, submitted and received approval by the Ministry of the Environment in January of 2019. Who paid for that proposal? Were you hired to provide that?

Hon. Ms. Eyre: — The company paid for that.

Ms. Sproule: — SaskWater paid for that?

Hon. Ms. Eyre: — The company.

Ms. Sproule: — Oh, Golden Fortune. All right. In terms of Project Albany, been in the news recently a little bit too, is SaskWater involved in Project Albany at all?

[10:00]

Hon. Ms. Eyre: — There have been conversations with them, Mr. Chair, but there has been no further work requested or followed up on in that regard.

Ms. Sproule: — A couple of years ago we talked about cumulative effects on the Buffalo Pound and the Qu'Appelle River system. I understand Project Albany would be accessing that water system as well. Has SaskWater looked at this in light of that cumulative effect on other potash customers that you are working with?

Mr. Matthies: — You're absolutely right that there was a cumulative effect study that was done when we were considering doing the mine for Vale at the time. The Vale project is not moving forward and so if the water volumes for the Albany project were similar, then the analysis that was done for the Vale project would continue to apply.

Ms. Sproule: — I think the last time we spoke we talked about the Yancoal project taking the place of Vale. So is that not going forward either, as far as you know?

Mr. Matthies: — My observation is, you know, they're all continuing to promote their projects and they're doing some work but, as we've seen, these projects tend to have significant delays that may get attached to market conditions. So whether it's Yancoal or Albany or Western Potash, or there's a number of potential projects that are sort of on the books somewhere, including the BHP project where we've built the water supply system but there's been no commitment to move forward on the mine. So I think our observation is, when something becomes real, we'll know. And in the meantime we'll support the efforts of the parties that are looking at doing exploration work.

Ms. Sproule: — In terms of the cumulative effects, do you feel that only one other project would be . . . that the water system could only support one other project, so it's first-come and the rest are out? Or would you find other ways . . . Like where's the limits on the water system? Obviously there's got to be some limits.

Mr. Matthies: — The cumulative effect study that was done was to look at the draw on the water supply system for all of the existing customers and the proposed customer that we were dealing with. And so that's what it looked like. If you were to look at, you know, multiple additional potash companies taking water from the same source, then I suspect there would be additional conversation with the regulator about whether additional work might be required.

Ms. Sproule: — Okay. The regulator being Environment?

Mr. Matthies: — The Water Security Agency and Environment.

Ms. Sproule: — And Water Security. Okay. And Golden Fortune I believe is hoping to access the Hatfield aquifer as far as I know. Is that . . .

Mr. Matthies: — That's correct.

Ms. Sproule: — Okay. All right.

Mr. Matthies: — Just related to the discussion on the cumulative effects study, so that is a different water source than the Albany piece, and so it would not impinge, if you will, on work that was done related to that previous cumulative effects study.

Ms. Sproule: — No, of course. I would assume that there would be cumulative effects on the Hatfield aquifer if there were a number of projects that were to access that.

Mr. Matthies: — If there were a number, it may be required. But when we did the technical project proposal it was reviewed by the ministry, and the conclusion was that we didn't need to do a full environmental impact assessment because there was enough work done in the technical project proposal to assure them that there was no issues that couldn't be mitigated.

Ms. Sproule: — I'm just thinking about the use of the aquifer by the oil and gas industry as well, so I'm not sure if that cumulative study would include use by other industries for the Hatfield aquifer, but that may be a regulator question. Yes, I see heads nodding. Thank you.

Turning on to then page 28. An interesting development I think in terms of SaskWater's work is the involvement with the Lac La Ronge Waste Management Corporation's regional landfill project. And the way it's described on page 28 is that your involvement came about because of a working relationship with the people in the community and the region. I'm just wondering how this squares with your mission and mandate.

Hon. Ms. Eyre: — Thank you. And I know over the summer you'd expressed a little bit of puzzlement about precisely that. I guess SaskWater's northern engineering unit is in place and has been in place to provide project management services in the North for water and waste water projects. And it's also, you know, given technical advice ongoingly to the northern administration district that represents about 40 northern communities. It also assists those communities in responding to emergencies related to water and waste water infrastructure.

So in answer to that, it was a need for compliant solid waste landfills in the North, and SaskWater has the experience with those regional projects. And there was a desire and mutual understanding that there could be help for those northern communities because there's familiarity with the affected communities and because of the municipal engineering background that SaskWater has. And it was requested by the Ministry of Government Relations as well as the town of La Ronge, Air Ronge, Lac La Ronge First Nation to act as a project manager for the development of that new regional landfill. So you know, SaskWater will not be the owner or operator of these solid waste landfill sites, but it was requested in this case just based on the past relationship and current relationship.

Ms. Sproule: — I know that solid waste landfills are serious issues for many communities in Saskatchewan, not just the North. Would you see that this work that you're undertaking here in the North would now extend to other municipalities who have solid waste landfill issues with your municipal experience?

Mr. Matthies: — Mr. Chair, we have been approached to look at two additional projects in the North, but the only place that we're doing work on the solid waste side is in the North, and we have no plans at this point to do anything further.

Ms. Sproule: — So essentially this is a one-off?

Mr. Matthies: — Well you know, we're a commercial Crown

but we'll see where it goes. But we were invited in because of our expertise and our relationships, and so we think the first project is nearing completion and everybody's pretty happy. And if we do the next two and we get the same results, we'll see where it goes. As you were indicating, our core business is water. We've got the engineering expertise to project manage these ones and we'll see where it goes.

Hon. Ms. Eyre: — Also just to the previous question, Mr. Chair, about core business and so on, just in terms of the dollar figures, I mean northern project management revenue is reported in note 4 of the 2018-19 annual report, page 76. It was \$867,000 in '18-19 of which less than 20,000 was related to the regional landfill project. So just a bit of a dollar figure context as well.

Ms. Sproule: — Thank you. I'm going to move on. Page 39, there's a discussion about your new enterprise resource planning project, and I think it's meant to achieve a whole bunch of different things. And you've chosen a vendor now, Oracle Fusion cloud, as your provider. My question, I guess, is as a Crown and looking at the work of SaskBuilds and Priority Saskatchewan, is there any discussions with Central Services or SaskBuilds and Priority Sask in terms of the one-stop . . . like I think they're trying to streamline the procurement for things like IT [information technology]. As a Crown, do you have any discussions with Central Services or SaskBuilds on accessing those systems that they've developed?

Ms. Gibney: — Jacquie Gibney, vice-president of corporate and customer service. As we engaged in the whole discussion around ERP [enterprise resource planning], we did reach out to a number of agencies, including other Crowns as part of Crown collaboration. And what we're finding is when it comes to software in particular, they're very reluctant to do broader licensing. And so that has caused some issues about Crowns collaborating entirely as it relates to enterprise resource planning. In addition to that, everybody is at a different stage and is already using different types of software.

What we were able to do though, is we reached out to the Saskatchewan Health Authority who are going through a very similar although much more extensive process than we are in putting ERP, and they are using Oracle. So we were able to get preferred pricing and really piggyback on the pricing that they were able to receive for the Health Authority for SaskWater.

Ms. Sproule: — But no discussions with SaskBuilds or Central Services?

Ms. Gibney: — Not at this time, no.

Ms. Sproule: — Will there be layoffs as the result of the ERP project?

Ms. Gibney: — No. The intention of the ERP is to actually automate many of the things that we are already doing manually and to help us ensure that we can be more efficient and effective and use our resources more effectively. So there will be no layoffs.

Ms. Sproule: — Thank you. On page 40 the heading is "Corporate social responsibility and sustainability initiatives." There was a reference there to setting an emissions intensity

target to reduce greenhouse gas emissions by 20 per cent in 2020 from 2006 levels. As of 2017 SaskWater has achieved a 22 per cent reduction, with 507 tonnes of GHG [greenhouse gas] emissions per 1 million cubic metres of water pumped or treated.

You identified in that annual report that the target would be revisited to reflect the GHG targets identified in the Paris Agreement. Now if I understand correctly, Saskatchewan has not signed on to the Canadian government's response to the Paris Agreement. So in what context would SaskWater be meeting the targets in the Paris Agreement if we haven't signed on to the Canadian framework?

Mr. Light: — So the discussions that we've had at our greenhouse gas committee is that we recognize that the current targets that we are shooting for go only to 2020, and that's a 20 per cent reduction from 2006. So in the targets that were set on the Paris is the 30 per cent reduction from 2005, and so that's what we're going to adopt as our new targets once we . . . The thing that we're working on right now is, we need to develop the new base year 2005. And so we've done the initial calculation and now we just need to finalize that. Then we'll be able to set our new targets so that we have it going to 2030.

Ms. Sproule: — Do you know whether that is consistent with the pan-Canadian framework?

Mr. Light: — My understanding, it is. Yes.

Ms. Sproule: — So you are meeting those. You agree with that portion of the framework then, I guess, essentially?

Mr. Light: — Yes.

Ms. Sproule: — Okay. Thank you. Where do we want to go next? Let's go to risk management, page 66. You talk there about who your competitors are. And obviously municipalities are your competitors, so it's two levels really of government that are competing against themselves in some ways, a Crown versus the municipal level. So the first question I guess is, as a Crown, setting yourself up to compete with local governments, do you feel you're in a bit of an advantage because of your association with, for example Water Security Agency and the provincial government that gives you a distinct advantage over municipal governments?

Mr. Matthies: — So, Mr. Chair, the comments around the competitiveness with other municipalities, it's particularly larger municipalities. I'm going to use the Saskatoon area as sort of my best example. We have a regional system around Saskatoon that represents about half of the total potable water that we distribute. We buy water from the city of Saskatoon and then we distribute it around. And that's been the working relationship we've had for decades.

[10:15]

As Saskatoon is looking at how it's going to grow into a community of about a million people over time, they're now starting to scratch their head and thinking, well maybe they should provide direct service to some of the SaskWater customers. So we're seeing sort of that sort of competition where maybe we may be losing customers if they want to change their

philosophy. Or it may be as well one of the things is, in our agreement with Saskatoon, they want to make sure that they know who's using their water. So if we want to add a customer, we need to get their approval. And in some of the areas close to the city, we've had some challenges getting approvals to add a customer — maybe a new subdivision or something — until the city has gone through their own due diligence process to conclude does that development fit the broader community planning that they would like to see done.

So our competition is, you know, not just having Saskatoon as a supplier but potentially taking over some of our customers, as an example.

Ms. Sproule: — I guess though I was reading somewhere where you are able to access Water Security Agency's data. And I think there's some talk about sharing data with them. So it does give you a competitive edge over municipalities, regardless of what size they are. And so I'm just wondering about sort of the ethicalness, I guess, of competing against these municipalities with advantages as a Crown that they wouldn't have as municipalities.

Mr. Matthies: — So the work that we're doing with the Water Security Agency, this was on the data-mining aspect. This was about trying to identify areas around the province where it would make sense to look at a regional water supply system. It does not guarantee that SaskWater would be the supplier. And so you could see a regional system develop where a larger community might take on that responsibility with its neighbours. We would certainly like to be involved in those kinds of projects. But the relationship we have with WSA [Water Security Agency] is helping to identify opportunities. It doesn't guarantee us as the supplier of a service.

Ms. Sproule: — It certainly gives you sort of the inside track on where the opportunities are, I suppose.

Mr. Matthies: — Yes, I think our observation has been, it's great to identify the opportunities. That's something that's very important to us. But when you start talking to individual communities, you know, the brass tacks is, what are the dollars and cents? And so then we end up with a situation of, you know, what do we bring to the table. We've got lots of experience. We've got lots of skilled employees. We've got some capital. And then on the other side of the column what they sometimes look at is, but you're a commercial Crown and you're going to charge a profit, so can we do it on our own cheaper. So those become conversations that happen almost any time you want to do a service.

Ms. Sproule: — I guess talking then about the branding exercise that you're undergoing right now, one of the first questions I have is, for me, the confusion that I always experience between SaskWater and Water Security Agency is that you're located in the same building. Is there any talk of separating, physically, the two operations?

Mr. Matthies: — At this point I would say that's not been an item that we have considered. I would echo your comment that that confusion happens within my own family. I have farmer relatives that will complain to me about a drainage issue, and it's not my issue.

So I will say we are cautiously optimistic that with the branding exercise we can increase the awareness that our job is around providing a water and wastewater service, that we don't do the regulatory aspects. We don't do the drainage. But my observation is since 2002, when we were all together as one entity, it's been a slow climb up that hill for people to understand there's a distinction.

Ms. Sproule: — Definitely. I can say I'm one of those people, so . . . slowly.

Yes, I guess there's a comment on page 70 about your brand. I kind of jumped the gun in terms of that, where you say SaskWater's not 'well understood' and "confusion exists." I guess the addition of doing landfill work may actually . . . Solid waste management may add to the confusion, but if it's a one-off or at this point in time it's a current relationship, then hopefully that won't confuse people further.

Okay, water rates. Page 71, again corporate social responsibility, another page dealing with that. It says that you have developed a strategy for purchase and transmission systems to address water rates. I'm just wondering, are any of your customers looking at rate increases, and how do you deal with rate increases? We know with SaskEnergy and SaskPower, for example, those are reviewed by a panel. How do you determine rate increases and how are they supervised?

Mr. Matthies: — Mr. Chair, rates are done in SaskWater in a number of different ways. The first one that I'll speak to is we actually negotiate directly with customers on rate increases. And where we tend to use that the most is if we're looking at major capital investments to upgrade the system. Affordability, we've talked a little bit about earlier. That's always a sensitive topic. If you're putting major capital dollars into a system that hasn't had increases for a while you can get, you know, a significant rate adjustment.

What we've learned over our years of experience is if you increase rates too significantly all at once, you get a rate shock impact to the consumer and so your revenues will actually dip. And so we usually work with our customers then; if we're in that kind of a situation, then we'll sort of develop a phased-rate increase plan over a number of years. So that's typically what we've been doing in the last number of years now whenever we're looking at a major capital investment on a system.

Probably most notably actually is in the Saskatoon area. That is a cabinet decision item, and so that is a decision made by cabinet and then we announce. In the situation around Saskatoon, almost three-quarters of the total dollar value of the water bill that we charge customers, we turn around and pay back to the city of Saskatoon for the price of buying water from them.

So what we were discussing in the report here is to improve our own transparency with our customers. We just initiated this year, on these transmission systems, we'll actually tell them here's how much we're charging you, and here's how much of what we're charging you we're paying to our supplier, like to the city of Saskatoon. So then they know where the dollars are going, and then if there is a rate increase, they can understand who's getting the money. And in Saskatoon it's been particularly relevant because Saskatoon has had a fairly aggressive rate strategy for

the last several years.

Ms. Sproule: — Okay. I'm just going to move to page 90 at this point. And we see there's a new long-term debt of \$10 million that's been signed on to from '17-18. That's a significant amount of your debt, I think over 10 per cent for sure. Can you share with the committee why that debt obligation is now on the books?

Mr. Matthies: — So if we go back to when we were reviewing our budget estimates, every year in April, May-ish, part of our capital plan is that we will finance these infrastructure investments through a combination of borrowing and cash flow from operations. And so the \$10 million basically sort of was the debt portion of the capital projects that we've been working on.

Ms. Sproule: — Okay. Just back to page 73. You talked about, on your balanced scorecard for succeeding financially, the target to operate within the debt ratio approved by shareholders was actually off target in a positive way. And I think that's because . . . You say it's due to strong revenues and lower-than-expected capital expenditures: "The reduced capital investment was primarily a result of one project not proceeding when the prospective customer determined that without grant support it could not proceed." Which project was that?

Mr. Matthies: — That was our woodlot project with Biggar.

Ms. Sproule: — Oh, that's the woodlot. Okay. And then also included was a second project that was delayed waiting on a grant award. What project was that?

Mr. Matthies: — That was our Melfort expansion. We had anticipated announcements would have been several months earlier. But in order to maintain eligibility for your expenditures, you can't start spending money until you get the grant award, so we had to delay it.

Ms. Sproule: — So this year it will show up on your capital expenditures?

Mr. Matthies: — Yes.

Ms. Sproule: — And then the third was a project that proceeded more slowly than expected due to cold weather conditions. Which project would that be?

Mr. Matthies: — That was Melville.

Ms. Sproule: — Oh, okay. But it's still opening this winter?

Mr. Matthies: — Yes.

Ms. Sproule: — Okay. Thank you. Okay. I'm looking at note 17 now on page 91, employee benefits, and I note that there are two retirement plans for your employees. One is a defined benefit plan, the other is defined contribution plan. How many of your employees are under the defined benefit plan? I believe that's your executive and management and Unifor members.

Mr. Matthies: — We don't have anybody left in the defined benefit plan. We had an employee who retired recently, he was kind of our last individual that was in that plan. I can't remember for sure, but I think he decided to put in more than 40 years. He

was quite a dedicated individual.

Ms. Sproule: — Wow, that's incredible. So next year we won't see any money or amounts in that portion on page 91?

Mr. Bollinger: — Danny Bollinger, director of finance, SaskWater. With specific reference to the notes, the defined benefit retiring allowance plan is our retirement allowance. We have a policy in place where we give a number of weeks paid for services rendered upon retirement. So that's the retiring allowance. The defined contribution pension plan is our pension plan that we pay to . . . is the actual pension contributions to the public employees pension plan.

Ms. Sproule: — Thank you. The equity advance note, note 18, I just see the total equity is now up by over 4 million. So what's the change in equity? Is that something that is easily explained?

Mr. Bollinger: — The change in equity would be our net income less dividends paid.

Ms. Sproule: — Less dividends paid to the Government of Saskatchewan.

Mr. Bollinger: — Correct.

Ms. Sproule: — Thank you. I have a couple of minutes left, and I would like to touch on the pay disclosure, the most recent pay disclosure. Well there's one question I have on the '17-18 pay disclosure. There was a grant to the Water Security Agency for \$5,000, and I'm just wondering why SaskWater is giving a grant to Water Security Agency.

Mr. Matthies: — You're looking on page 3?

Ms. Sproule: — Yes.

Mr. Matthies: — This was a donation we made to the anniversary party for the construction of the Diefenbaker dam project.

Ms. Sproule: — Thank you. Dean Bellegarde used to be, I think, your Aboriginal liaison or I forget the name of his title. And I understand he left to go to Enbridge. Who is currently filling that position within the corporation?

[10:30]

Mr. Matthies: — We do not have an individual in that specific position anymore. What we've moved to instead is, when we have a project that requires First Nations engagement, we actually use a combination of other in-house staff and/or the consultants that we're hiring to do some of the development work will have some of their own staff that will contribute as well.

Ms. Sproule: — So you felt it wasn't necessary to have that position?

Mr. Matthies: — That's correct.

Ms. Sproule: — Okay. I don't know when the Chair is going to shut me down, but I'll just keep asking. In the last year reported payments, you indicated a \$65,000 purchase from Actionwear

Saskatoon. Is that for SaskWater clothing?

Ms. Gibney: — That would be for safety equipment for our employees.

Ms. Sproule: — Thank you. Final question. I think I'm out of time. There's a \$60,000 payment to Nestor and Allen Mryglod, and I'm just wondering what that would be for, if you can recall.

Mr. Matthies: — That payment was for a land easement for a pipeline project that we're hoping to construct.

Ms. Sproule: — All right. I believe, Mr. Chair, that's the extent of my time. And so at this point I just want to thank the minister and the SaskWater officials for a very good discussion this morning. Thank you for all the good work that you do.

The Chair: — Well thank you. Do committee members have any more questions on the items of business? I will now ask a member to move that we conclude consideration of 2017-18 and 2018-19 Saskatchewan Water Corporation annual reports and the 2018 Water Quality Report. Mr. Bonk has moved that we conclude consideration of the 2017-2018 and 2018-2019 Saskatchewan Water Corporation annual reports and the 2018 Water Quality Report. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with Saskatchewan Water Corporation. Minister, do you have any final comments?

Hon. Ms. Eyre: — Thank you, Mr. Chair. I would simply like to thank members of the committee for joining us today, and for Ms. Sproule's ever-thoughtful questions on SaskWater and to you, Mr. Chair. Obviously to Hansard, and of course SaskWater for indeed the work they do every day, and certainly pleased to represent them today.

The Chair: — Thank you. We'll now take a short recess to bring in the officials from SaskEnergy.

[The committee recessed for a period of time.]

The Chair: — Well welcome back, and we welcome Ms. Chartier. She'll be substituting for Mr. McCall while we consider SaskEnergy. We'd also like to remind the officials that they don't have to turn the mikes on and off. Hansard will do that for us now. So I don't know. Is that one mike still not working? . . . [inaudible interjection] . . . Yes. The mike over there isn't working yet, so you have to use the minister's mike.

SaskEnergy Inc.

The Chair: — We'll now be considering the annual reports and financial statements of SaskEnergy and the subsidiaries. This includes the 2017-18 and 2018-19 SaskEnergy annual reports, 2017-18 and 2018-19 SaskEnergy Incorporated and subsidiaries financial statements. Minister Eyre, would you please make your comments.

Hon. Ms. Eyre: — Thank you, Mr. Chair. Thank you, members of the committee, for the opportunity to be here to discuss

SaskEnergy's annual reports today and financial statements from 2017-18 and '18-19. With me today, SaskEnergy president and CEO [chief executive officer] Ken From; Christine Short, vice-president of finance and chief financial officer; Mark Guillet, vice-president, general counsel and corporate secretary; Randy Greggains, vice-president of operations; and my chief of staff, Jeremy Brick. So I'll make some brief remarks, Mr. Chair, on the highlights from the last two fiscal years, and then certainly we'll be pleased to answer any questions from the committee.

SaskEnergy's business focus continues to be its core operations of transporting and delivering natural gas safely and reliably to homes, businesses, and industry across the province. This focus has resulted in strong corporate performance the last two years as Saskatchewan residents continue to turn to natural gas as the fuel of choice.

In terms of customer and load growth, demand for natural gas has never been higher in the province of Saskatchewan. SaskEnergy's customer base expands every year and is now at its highest level ever at 397,000. 3,700 customers were added in 2017-18 and 2,775 more in 2018-19.

In addition to the growing number of customers, it is the continued growth of our industrial sector that is contributing most to the increased volumes of natural gas being transported across Saskatchewan. I'd like to take a moment to put this industrial load growth into perspective. SaskEnergy marked its 30th anniversary in 2018. Its industrial load has increased by a factor of eight times what it was in 1988. This is being driven by sectors such as mining, enhanced oil recovery, and power production.

In terms of reliability, throughout this growth SaskEnergy's number one priority is to maintain a safe and reliable natural gas system. Most customers never experience an unplanned natural gas outage, with SaskEnergy having a 99.9 per cent reliability rating. There are two areas that are critical to this focus: a comprehensive and well-coordinated gas line safety and integrity program; and strategic capital investment. In terms of investment infrastructure, it is vital that we keep pace with customer growth and manage our capital investments. SaskEnergy must stay ahead of the demand curve, planning years in advance where the gas line infrastructure will need to be and how much gas supply to contract.

In 2018-19 alone SaskEnergy invested almost \$300 million in gas line infrastructure projects. These projects were critical to delivering the higher volumes of natural gas that customers need. Over the past two years, work has been ongoing on an 80-kilometre gas line project to move major transmission lines outside Regina while bringing additional gas into the area. A similar project south of Saskatoon involving 60 kilometres of transmission gas line will be completed later this year.

Additional projects along the Alberta border are underway as well to access the increased volumes of natural gas needed to supply Saskatchewan. Close to 70 per cent of SaskEnergy's natural gas now comes across that border. This includes new facilities such as additional compressor stations at strategic points on our system allowing us to optimize our provincial gas line system.

In order to support these high levels of investment and its core focus on gas line and storage operations, SaskEnergy sold its two non-core gas processing assets — the Coleville gas plant and a 50 per cent share of the Kisbey gas plant — in 2018. The \$31.3 million from this sale was reinvested by SaskEnergy into critical operations and capital projects.

In terms of investment and safety, we've talked a lot about growth and infrastructure investment, but none of that, of course, would be possible without SaskEnergy's strong commitment to safety. Today's increased regulatory requirements and the public's expectations that gas lines will be operated safely require ongoing investments in safety.

[10:45]

To maintain 70 000 kilometres of distribution gas lines and 15 000 kilometres of high-pressure transmission gas lines, SaskEnergy invested \$109 million in 2017-18 in safety and system integrity and another 115 million in 2018-19. These are some of the largest ever safety investments in the corporation's history and will be maintained in the coming years.

Dozens of programs make up the safety investment. SaskEnergy monitors and inspects its transmission system using a combination of aerial and ground patrols, state-of-the-art remote monitoring, inspection digs, and in-line inspection tools which look for early signs of corrosion and check for unreported damage. SaskEnergy's proactive leak survey programs often find minor issues that can be addressed before they become a safety risk.

This type of surveying pointed to the need for adding Saskatoon, for example, to the ongoing province-wide service tee upgrade program, a multi-year program started in Saskatoon in '18 with 1,255 services connections upgraded. This service tee upgrade program has seen more than 21,000 services upgraded since 2011 in targeted communities across the province, including in Regina, Cabri, Kyle, Leader, Pense, Rouleau, Rosetown, Elrose, and Humboldt.

The number one safety risk to SaskEnergy's system continues to be unsafe digging when contractors or homeowners don't call for a line locate before beginning their work or don't have a plan for working safely around marked pipelines. In this area SaskEnergy has seen remarkable progress by working directly with communities. As a result of its safety program, SaskEnergy saw a 5.6 per cent reduction in facility damage last year and a 3.5 per cent reduction the year before. This continues a downward trend in facility damage, a total 37 per cent reduction in damage since 2013 which was a peak year for damage by contractors and homeowners.

In terms of rates, Mr. Chair, it's important to SaskEnergy that its service is not only safe and reliable but affordable. In 2018-19 SaskEnergy's latest rate application was approved by the Saskatchewan rate review panel and the Saskatchewan government, providing customers with our lowest commodity rate in 20 years at \$2.575 per gigajoule. Combined with a modest delivery rate increase, the average residential customer was set for annual savings of \$90 on their natural gas bill. This rate application period also marked the first time SaskEnergy utilized an interim rate decrease which allowed customers to benefit from

savings over the winter while the panel worked through the full application.

Looking ahead, SaskEnergy's gas price management strategy has allowed the corporation to capitalize on historically low natural gas prices. As a result, SaskEnergy does not anticipate that it will need a commodity rate increase for at least the next two years. Unfortunately these savings have been offset by the federal carbon tax which will continue to impact customer bills in the years ahead. Residential customers will experience \$109 annual increase this year and further increases annually of \$54 through to 2022.

In terms of financial highlights, financially the corporation continues to post strong results. In 2017-18 income before unrealized market value adjustments was \$110 million. Required non-cash adjustments had a favourable impact, increasing net income to 144 million. That year SaskEnergy was able to declare a dividend of \$39 million to Crown Investments Corporation.

In '18-19 SaskEnergy recorded income before unrealized market value adjustments of 134 million with non-cash adjustments strengthening that to 166 million in net income. A \$60 million dividend was declared to Crown Investments Corporation for 2018-19. SaskEnergy's debt ratio remained consistent at 56/44 in '17-18 and 55/45 in 2018-19.

For over a decade, Mr. Chair, Saskatchewan has experienced strong economic and population growth with an all-time high customer rate base and a two-decade low commodity rate. SaskEnergy has played a major role in supporting the development of our province. There are, of course, challenges associated with high levels of growth, system expansion, and increased safety demands. However, when we review SaskEnergy's last two annual reports, it is evident that the corporation has met these demands. Thank you, Mr. Chair. With that I conclude my remarks and would be happy to answer any questions.

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

Ms. Chartier: — Thank you, Mr. Chair, and thank you to Minister Eyre and Mr. From here today and all your officials. It's always good to have an opportunity to sit down and ask some questions.

I'm just reflecting back on the 2017-18 annual report, looking at the consolidated financial information. If you look at employee benefits, you can see that they have been dropping since 2015 and I'm just wondering why that would be.

Mr. From: — This is Ken From. Can you tell me which line item you're looking at, please?

Ms. Chartier: — The consolidated financial information under total revenue and margins, employee benefits for '17-18.

A Member: — Page 7.

Mr. From: — Yes, thank you for that. One of the things that we are challenged with, as the minister pointed out, that not only must SaskEnergy deliver gas in a safe, reliable fashion, but it

must also do so in an affordable fashion. So what we have done over the last number of years is introduce areas where we can have some efficiency gains. And sometimes those efficiency gains come through better productivity in terms of employee benefits. And also through the capital work that we're doing, some of the employee costs are capitalized.

So there's a combination of the work that we're doing in capital and the work that we're doing with efficiency gains that will continue to allow us to be always conscious of costs, both from an operating side and from a capital side, and which then also turn into our affordable rate structure.

Ms. Chartier: — Forgive me here. I need that in layperson terms a little bit better. So when you talk about better productivity for employee benefits, what does that translate into? Like in simple terms, why have employee benefits dropped?

Mr. From: — It's not quite . . .

Ms. Chartier: — I understand it's not one or two things. It might be many things. But just in simple terms, what those things would be.

Mr. From: — Simple terms, we can become more efficient. And I give you one example of efficiency gains that might be in that category but they may not be in that category. And one is looking at, for example, meter reading. We now have all of our meters, virtually all of our meters with an AMI [advanced metering infrastructure] package, or automated meter reading. And with that we no longer have to have employees out there reading meters. It's all done once a month as opposed to once every three months. So when you look at things of that nature, then you can have your employee savings and that nature.

Ms. Chartier: — So spending less on employees.

Mr. From: — Not spending less. Just having people doing different things.

Ms. Chartier: — Okay. So that's one example.

Mr. From: — That's one example.

Ms. Chartier: — Could you give me a couple other examples?

Mr. From: — I'll give you another example that is a bit different. But when we're doing a lot of capital work, the work that people do on capital projects is not an operating expense but it's capitalized. So for example, if we had absolutely no infrastructure being built, if we had no capital plans, then everybody is in terms of operating, and those costs are treated differently than capitalized costs.

When you're building a lot of infrastructure, which we have been for the last 10 years, then you have costs that are capitalized. And that amount can vary from year to year depending upon the projects, the magnitude of the projects, timing, and issues like that.

Ms. Chartier: — Are you anticipating . . . So that's dropped from '15 onward. Do we anticipate that continuing to go down?

Mr. From: — I think when we look at our forecasts, Christine, that our forecasts right now are showing that the employee benefits would be higher on an ongoing track. That is in the forecast, although as we get into actuals with other projects that come into play, those forecasts then become realized and might be slightly different than what we forecast. In fact they will be different because it's a forecast.

Ms. Chartier: — Okay. Thank you for that. I appreciate that. On page 6 it says “. . . the SaskEnergy Board of Directors and leadership came together in 2017-18 to develop a SaskEnergy 2018-2023 Strategic Plan.” So I'm just wondering if that plan has been released publicly and if you could give me some of the highlights. And is it still in reference today? Is that what you're working from today?

Mr. From: — Okay. I'll talk in general on business planning. What we do is we meet with our board on an annual basis to refresh our plan. We do put forth a five-year outlook of where we're going and that five-year outlook must take into consideration things in not only the Saskatchewan market but also things in the federal market and also North American. And now we're getting into global issues that we must be cognizant of.

In some of our planning exercises that we're doing, we're looking at primarily the first thing is, where is the gas located now and how is that different than what it was five years ago? Are we projecting the issues that we need in terms of transportation? Where is power generation, for another example? Where is mining activity going? We look at all those factors and look at what is our customer base, how is it changing, is it changing on a geographic point of view. Are they expanding an existing plant or is it a brand new greenfield plant? We look at all those things as to how we put together our business plan from that asset perspective. We also refresh what we're thinking about in terms of the very broad categories that we're working on, for example safe, reliable, affordable. All those issues are top of mind.

From time to time we'll bring in new things. For example, this is one I like. Young people these days use this phone for darned near everything. And we hear people say, well we wish that you could have a system where I can pay your bill online, okay? So we have to work at that and we have to put together, you know, a business strategy as to how do we become more customer focused in terms of transactions; how do we become more customer focused in terms of meeting our customers' needs in terms of times. We will, in fact, and one of those strategies that we had resulted in us putting in a new program whereby we can better schedule our activity with customers. I think most customers would feel that we're not responding to their needs when we don't meet an appointment.

And we also can't be driving around all over the province, so what we do is we have a package that deals with things geographically and can say, we have these 10 customers; how do I deal with these 10 customers? Well I can make this trip, this trip, and this trip. It's very efficient for our folks to do things of that nature. So business planning, we look at all aspects. We look at where we're going in the future, where we are today. Were our assumptions three years ago accurate? How are they going to go forward?

For example again, you look at one of the things that we did around the commodity. You know, we have a hedging program. I think you're familiar with that. The minister mentioned it in her remarks about a hedging program going out to capture some of the low prices that we're now seeing. Well from time to time we'll look at that and say, are we capturing the right time frame? You know, given what we understand that might be happening in the industry, should we expand that? Should we do this and how does that fit into our overall strategy book — rates that are consistent, easy to understand, and affordable?

Think of everything you do in your household and anything else you do, put that all into the business plan, and we examine that on a five-year go-forward basis.

Ms. Chartier: — So for this particular plan, has it been released publicly? Because it references the five-year plan, and I'm just curious if that has been released. Is it simply an internal document?

Mr. From: — We do not have a published document, no, on the business plan.

Ms. Chartier: — Okay. And so as you said, you referenced there's some flexibility every year. So you've got a five-year plan but built into it is some flexibility and nimbleness.

Mr. From: — Sure, we have to have that, yes.

Ms. Chartier: — Okay. Staying on page 6 here again, the minister referenced this in her remarks, but I just wanted to pin down a number here. So "In 2017-18, approximately 65 per cent of gas consumed in the province was imported from Alberta," and it's referenced that that figure is expected to grow each year. And I know, I think the minister said almost 70 per cent, so I'm wondering where we're at in terms of the gas consumed in the province coming from Alberta.

Mr. From: — I think our current mix is, if I was going to pick a number, it's approximately 70. It's closer to 70 than it is to 65 now. And that's a number depending upon the reserve situation, where they are in the province and how fast that's declining, and then also load growth. So the more load we have, basically every incremental molecule of gas will have to come from Alberta.

Ms. Chartier: — Okay. So we anticipate that continuing. What is it projected to be in the next few years then?

Mr. From: — Well actually the change in that percentage is only about one or two points each year, consistent with our expectations, yes.

Ms. Chartier: — Okay. And you had just referenced in your comments too about paying online or people wanting to use their phones to pay. On page 12 in the '17-18 annual report, it talks about adding 3,706 customers to the distribution system, bringing that number to 394,592. So how many of those customers today are accessing paperless billing? So the number in '16-17 was about 21,000. How have you done in terms of getting people online?

[11:00]

Mr. From: — I can't give you an actual number of customers, although I could multiply it. But it's about 18 per cent of our customer base is on paperless billing.

Ms. Chartier: — Do you know how that's increased in the last few years?

Mr. From: — It's slow. It's getting one or two points per year. It's something that I'd really like to see improve. If people knew the savings that can be attributed to paperless billing, I'm sure everybody would sign up right now.

Ms. Chartier: — Could you share with us then?

Mr. From: — Absolutely. So when we publish a bill, you know, first of all we have the paper stock that we print it on, and then we have to mail it in a letter. That costs — what is a stamp these days, a dollar, a dollar five, things of that nature? — so let's just say it's a dollar per bill per month per person. When you multiply all that out, you can see that there's a 4 to \$5 million cost to sending out a paper bill, which is why we want to again do things that are what the customer wants to do today in terms of their transactions. And it also makes absolute sense when you look at the environment. Why do you want to have all this paper going around, doing all that other stuff? And then also with the cost that's involved in doing that.

So that's certainly something that we want to promote a bit more in terms of e-billing. I know other utilities are in the same boat that we're in, roughly around the 20 per cent. Some are a bit higher, depending on which utility you talk to. So we're working together as an industry to really promote paperless billing and to say, you know, if you want to help the environment, here's one way you can do it immediately. It's not a five-year thing. It's your decision today and it's fixed tomorrow.

Ms. Chartier: — So what kind of efforts are you making to that end?

Mr. From: — Well the effort so far is when we talk to customers we do mention about the e-billing. We also do mention about different forms of payment which have different costs in transacting for the corporation. So it is right now not, I would say, a real hard forward campaign. It's more of, when we have interactions with the customers, we bring it up and just educate them on that and then have them make the decision that's best for themselves.

Ms. Chartier: — Is there a plan in that strategic plan, just out of curiosity, to ramp that up at all?

Mr. From: — It's certainly an initiative. And I would say right now we're just starting to formulate, again in concert with what works with other utilities, the best method by which we can inform our customers about that decision on e-billing in an economical way. Like we don't want to spend more money advertising it than what we would save in terms of the e-billing issue.

Ms. Chartier: — For sure. Thank you. Just on page 20 of the '17-18 report, it mentions that:

... SaskEnergy reviewed the future prospects of its

non-core business with the objective to maximize enterprise value. As a result, certain gathering, treatment and compression assets are being marketed for sale.

SaskEnergy endeavors to work with private sector partners to grow its non-core business.

So we know that that particular sentence was in reference to Kisbey and Coleville, which sold to Steel Reef, and we talked about that last spring in committee. And we've since heard from you, Mr. From, in estimates in 2019, that non-core business services like gas gathering and processing were no longer part of your mandate. So in light of that, what non-core business was being referenced? And was SaskEnergy planning on working with "private sector partners to grow"?

So it's referenced in the '17-18 report that "SaskEnergy endeavors to work with private sector partners to grow its non-core business." Then we heard in committee that your non-core business services like gas gathering and processing aren't part of your mandate. So I'm curious what non-core business was being referenced in that '17-18 report.

Hon. Ms. Eyre: — I'll just begin, and then obviously Ken can carry on in terms of that specific comment. But I think it's important in terms of the broader context, you know, that this started with the Coleville, Kisbey thing. And as you referenced and as I referenced in my remarks, I mean there's no real "there" there, because SaskEnergy made a business decision to sell Kisbey and Coleville, which were not part of the core assets, because SaskEnergy's core services are distribution and delivery, not gas processing.

And then following on that, of course there was the interest by a private company and the purchase by a private company of those gas-processing plants. But there are 36 other gas-processing plants in Saskatchewan and they're all private. So I think that's important context. And last year these two facilities made 7 million, but they also cost 6.8 million to maintain. So I think when we're talking about focusing on core responsibilities of this Crown, I think that's relevant.

And that 6.8 million, that was less than 1 per cent of SaskEnergy's total revenue of 910 million at that time. And again, I mean on the Coleville and Kisbey thing, as you know, I mean no job losses and so on, and a pretty smooth transition. So anyway, Ken can go from there.

Mr. From: — Thank you for that. With regard to your question as to working with the private sector to grow its non-core business, the private sector, as you know, in Saskatchewan are the only ones that actually do natural gas or oil exploration and production. We've also heard over a number of years that there's some associated gas that is flared, and what we want to do is we want to work with the private sector to find ways by which — either through their gathering system or through something that we can do — to help assist in putting together an item, even though it's non-core, to get that gas on stream.

One of the ones that we were very successful at, it's called a SEEP plant [Southeast Ethane Extraction Plant], Southeast . . . I forget exactly what that stands for, but what we do is we work together with the private sector. They needed some assistance in

putting in a plant near Estevan and Weyburn, whereby the liquids-rich natural gas, meaning it has propane in it, propane, ethane and all those nice things that are used in the petrochemical business, that we can put that plant in together with them.

That's not part of our business doing that, but sometimes the private sector needs a bit of help in getting things going, a bit of size. So we put that plant in and it's operating very, very well, and then we sold our piece back to them. So that's an example of some of the non-core activity that we want to help because it's in the best interests of the province, in the best interests of our gas system, and it adds some dollars to the bottom line for the private sector and for us as well.

Ms. Chartier: — So when did that particular project take place?

Mr. From: — That took place, I would say, I'm going to refer to my colleagues here to get the exact date on that one. That particular one that I referenced as an example was started in 2014 and the eventual sale of that was likely in about 2016. I'm just off the top of my head looking at that one. So that's an example of how we can work with . . . And that's one that we have done.

And we're continuing to find and examine other methods by which we can work on the flare gas situation. It's a complicated exercise and it requires us to work with the private sector and also other Crowns in order to come to a very successful conclusion on that.

Ms. Chartier: — Are there some projects or things in the works right now like supporting the non-core stuff?

Mr. From: — What we're working on right now, again as I mentioned to you, is some things with some private sector partners with respect to associated gas. And they're the ones that are going to be putting in the non-core facilities. But once they're in the ground, we need a core facility to get that into our system. So they're working at that end, which quite frankly we're not very good at because that's not our mandate, nor have we done much of that. So we're working with some companies that can put together a project, and then they come to us and then we see how we can hook that into our system. And we're always looking for ways where we're running a pipeline so we can hit as many of those possible scenarios as we can.

And we have a number of those in the planning stage at this point in time. In fact in our forecast budgets we have made a note of that internally as to where we're focusing some of our activity. So that would be kind of the heart of what was working to there. It's not as if we're trying to grow our non-core business. We're trying to help people do the business that supports the natural gas business in Saskatchewan by focusing our core activities which are required to augment what they're doing. It's kind of circular.

Ms. Chartier: — Yes. So you said some of those are in the planning stages. So how far along or when might we see some of that work?

Mr. From: — Well again we're dealing with companies that are in the marketplace in terms of, you know, they have to operate. They have costs. They have markets. Right now there's some volatility out there in the energy sector. Every time you turn on the news you hear about the volatility in the oil and gas sector.

So some of those real issues for them are likely ones that make a time frame, to pin down a time frame very, very difficult.

But I can tell you it's a lot more than just having a conversation. We have customers that are saying to us, hey, you know, if we could get a plant down here, how do we hook it on? How do we do this? How do we do that? Not all of them are going to come to fruition. We're hopeful that several do because that's good for us. And we'll continue to work on that particular aspect of our mandate.

Ms. Chartier: — In terms of forecasting, or you had mentioned in budget planning, how much would be set aside in this year's budget for that?

Mr. From: — This year's budget, likely very little. Like I said, this is in the preliminary stage and there'd be very, very little that would be looking at that. The nearest time frame we'd be looking at stuff is a couple of years out in terms of really putting some hardware in the ground.

Hon. Ms. Eyre: — I'll also just add to that, Mr. Chair. Of course Mr. From mentioned and referenced venting and flaring. And I mean there's a common sense reason why venting and flaring, you know, that we should be working toward conserving some of that gas. And so to that end, SaskEnergy has worked with the Ministry of Energy and Resources. Ms. Chartier will be aware of *The SaskEnergy Amendment Act*, the main purpose of which is to support the methane action plan, which is all about reducing emissions from venting and flaring by 4.5 million tonnes per year by 2025. And so SaskEnergy and Energy and Resources are working, as I say, together on that.

One of the things about Saskatchewan is the spread-out nature of operations. And so in order to facilitate operators being able to actually conserve that gas and link up to each other in order to actually conserve it, you know, that's part of the reason why we've brought out the incentives that we have around that so that operators, who perhaps aren't quite there in terms of being able to afford to do that themselves, are getting some assistance in that regard in order to conserve the gas. So it's really about more gas and conserving more of it from this obvious goal that we want to pursue to reduce venting and flaring. That's at least part of branching out into this new area.

Ms. Chartier: — Okay, thank you. I just wanted to jump back to Kibbey. I know you'd referenced in your remarks that the Kibbey and Coleville plants, the proceeds from that you had mentioned went into capital projects and critical operations. Do you have a sense where that money was directed when you say capital projects and critical operations?

Mr. From: — Sure. That money would have just come in as income. We don't put it into slots at that point in time. It just comes into the . . .

Ms. Chartier: — Into general revenue?

Mr. From: — Into the general revenue, yes.

Ms. Chartier: — Okay.

Hon. Ms. Eyre: — Which includes of course core assets and

increasing volume capacity. So right back into the ground.

Ms. Chartier: — Okay. Thank you for that. When we look at page 22 and the greenhouse gas emissions, so on March 31st, 2017 the actual was 338 and the target was 425. On March 31st, 2018 actual was 324 and the target was 425. On the 31st of 2019 it was 326 and the target was 395. So in the 2017-18 annual report, your targets have gone down or you've been lower than targets and you've managed to change targets. So what has changed to give SaskEnergy enough confidence to lower their target emissions number by almost 20 per cent?

Mr. From: — Well thank you for that question. We're working hard at it. That's what gives us the confidence. We have put in new technologies that are able to either emit less or be able to recycle it so the plant works better. We have upgrading our older facilities, and you can imagine an older facility, it's like an older car. They all pollute more than a new car would. So those have changed. We continue to work on that.

There's very minor things as well. I'll give you one example of how we emit methane. As you can imagine, as the minister pointed out, we are spread out throughout the province. We have more gas lines than any other utility in Canada in terms of kilometres. And in there you have valves, and a lot of the valves are operated remotely. And what they do is they use the actual pressure of the natural gas in the gas line as the power. Okay, so then the gas . . . The valve is constructed so that the pipeline pressure will move it either on or off. And then that gas is released, pfft, into the air. Well, that's no longer acceptable.

[11:15]

So what we've done is we've gone into those areas and we've put in an air compressor just like you have in your shop at home. An air compressor which can then actuate that valve and not have any of the emissions going pfft into the air. Because that does it every minute. You add that up; that adds up to a lot. So we're continuing to work on those things that will bring down our emissions. And of course methane is 25 times more harmful than CO₂. So looking at those things is where we're having those savings.

And our board challenges, our board says, you know what, your target's way too high; that's not our stretch. So we go, yes, you're right. And we've been consciously moving those targets down as the technologies respond, as industry responds, and as we find more ways to do them as well.

Ms. Chartier: — Well thank you for that. Moving on to the 2018-19 annual report, in the consolidated financial information there's a line where it says, "other (gains) losses." So I'm wondering what the other is. What would that include?

Mr. From: — The other in that reference would be the Kibbey, Coleville.

Ms. Chartier: — Okay. And nothing else? Just the Kibbey, Coleville.

Mr. From: — Yes, primarily. Yes.

Ms. Chartier: — Okay. Okay, thank you. In terms of the

consolidated net income, so it continues to rise despite the regulatory requirement that SaskEnergy not earn profit on natural gas prices, which I just learned in committee in the spring from you. So why does this number continue to grow so quickly? And do you expect that trend to continue?

Mr. From: — The last number of years have been somewhat of an anomaly. They've been very cold. And when the weather is colder it's not that we are selling more gas, which we are, but as you noted there's no profit made on that. But what we're doing is we're transporting more. We're delivering more. And we do make income off of that. So that is one of the reasons why.

The second reason is that, as you know, we have a lot of assets in the ground. I just mentioned to you that we have, you know, more kilometres of pipeline than anybody else. We do have interconnection points. As you know, we're taking gas from Alberta and we're doing things with it here. There has been over the last two years — and last year was the most impactful year for this — there's been a change in the marketplace, whereby if you have some assets that aren't being used . . . And if you look at today, we're not using our gas system very hard today, are we? It's just water heating. So there's spare capacity.

And let's say today I could do something with that spare capacity and make a profit on it. Now that profit isn't because we're selling the molecule to our residential or commercial customer. It's because maybe I'm selling it to somebody who needs it down in Toronto or down in Chicago.

So the last two years have enabled us, the way the market has worked has enabled us to take advantage of our assets that we have — which is pipe and transport capacity and storage capacity — to take advantage of those assets and make income off those for everybody in Saskatchewan because we have that opportunity. And we do that and we have a team that does that. We do it every year, and the last two years we have kind of overachieved on that. Not that we're taking anything . . . speculative positions, but the marketplace allowed us and gave us that opportunity.

As you know, there's now an Associate Minister of Natural Gas in Alberta because there was a lot of things that are happening within that province where there's constraints on pipelines and the gas can't get to market and the gas goes down to almost . . . well it does go to zero. Can you imagine buying a commodity for zero? I don't think I have a lot of people selling wheat for zero. No one is selling gold for zero. But natural gas goes for zero on some days. So it is a mess. It will be fixed because it's not an efficient market, and the markets always become efficient. It just takes time.

So as we forecast into the future, being prudent, we are forecasting less and less of income to be derived from that item that allowed us to have that significant gain. Also in some of that there is the realization of the Coleville, Kisbey sale. So again, those assets are done. We don't have any other assets up for sale, so there won't be any gains from that perspective as well.

So there's about three or four things that were kind of one-offs that just aren't happening again. You know, cold weather and markets, they come and go. You know, we can't really predict any of that. We base all of our income basis on normal weather,

so if we get a warm weather this year, unfortunately you're going to see the earnings go the other way a little bit in terms of we didn't quite earn enough.

Ms. Chartier: — Well thank you for that. I just want to chat a little bit about the furnace rebate program. So you launched that on August 1st of just this last year, providing \$650 or about 10 per cent of the cost toward the purchase and installation of a new high-efficiency furnace. And I understand the furnace must be a minimum 97 per cent AFUE [annual fuel utilization efficiency] modulating furnace with an electrically commutated motor. This was not in the 2018-19 annual report but it was in the news release related to the report. So any idea of the uptake on this particular rebate program yet?

Mr. From: — Yes. The last piece of data I have shows that we've issued 60 cheques and I believe there's just over 200 that are in application right now. So it's been taken up quite well.

Ms. Chartier: — What was your estimated uptake?

Mr. From: — I think we were targeting about 1,500.

Ms. Chartier: — Fifteen hundred for the length of the program or for the fiscal year?

Mr. From: — For the length of the program which expires, I believe, at the end of November. Yes. We just put that in as a trial and we will look at it to see if it was successful, if it met the goals that we had set internally and whether or not we should continue past, or like for a subsequent year.

Ms. Chartier: — Okay. Sorry. So 1,500 was your target.

Mr. From: — It was an estimate, yes.

Ms. Chartier: — An estimate. And at this point right now you're only at about 260. You've said 60 cheques in the works and about 200 more in application?

Mr. From: — Two hundred plus, yes.

Ms. Chartier: — So it's a little bit below where . . . and granted there's still September and October to go.

Mr. From: — Yes. I think we're on tracking with respect to the time when it started as to the number of people that we have. I think we're doing very, very well.

Ms. Chartier: — Okay.

Hon. Ms. Eyre: — I'll also just add to that. Then obviously the idea was to put this in place before we went into the winter. And what has been noteworthy, I believe this is the correct understanding, is that for the network members who have been involved in selling these furnaces that they have felt that it has driven a lot of business for their businesses in a season where they don't typically see a lot of furnaces being sold. So we have a number of very positive comments from those vendors about, you know, the \$100,000 or, you know, other range of numbers that they have achieved in additional business. And as I say, a number of those companies have found that there's been a quite significant effect on their business at a seasonal time when they

don't normally, as I say, sell many furnaces.

Ms. Chartier: — Yes. Just out of curiosity. So anybody who is a vendor can participate in this program in terms of selling. Does it matter to whom people go to purchase their furnaces?

Hon. Ms. Eyre: — They have to be part of the residential network member contractors group and so it's not just any vendor.

Ms. Chartier: — And how do people become part of the residential contract group?

Hon. Ms. Eyre: — Well it's a well-established network member group. They have to meet criteria that's established by their own industry and so that includes, you know, strict safety standards, a fully qualified and licensed staff, proper commercial insurance. And they have to have an established business location where customers can actually come in and meet with them and talk with them face to face in terms of, you know, face to face with the contractor. And so from SaskEnergy's perspective and from the network's perspective, there's a sense then that they're assured of dealing with real reputable businesses that are established in the program. It's well established.

Ms. Chartier: — Yes. Is the network industry driven then? Was that an industry . . . So I mean, I have a Bachelor of Social Work; I'm not a registered social worker. So there's a regulatory body for me if I chose to be a registered social worker. I'm wondering if that is an industry-driven network then, or SaskEnergy driven. How did that network come into being?

Mr. From: — The network membership was formed about 20 years ago, and it is indeed a collaboration between members of industry associations and independent contractors. There are several associations out there. One is the Mechanical Contractors Association of Saskatchewan, and the other one is the Natural Gas Appliance and Equipment Dealers Association. So those are ones that really are trying to work with all of the vendors — those associations — all the contractors, to ensure that the contractors are up to speed on the latest equipment so that they know how to install. They can give the consumer the proper advice. Is that really applicable to your home or are you just wanting that for some other reason?

So it was through that association, and it is really driven by industry. SaskEnergy is there to help out. We do advertising which helps them. It costs \$1,000 to join. And if you're also a member of the Mechanical Contractors Association or that other one, the Natural Gas and Equipment Dealers Association, it only costs you \$250. So it's not a large sum of money. And the network members that I've talked to, and we have about 60 that are signed up . . . No, pardon me, 160 in 60 different locations. Sorry. You know, it is well run. The advertising that SaskEnergy does, the branding helps them in their business. So for them they are very appreciative of it. And you know, it's an association that's lasted over 20 years so it must be doing something right.

Hon. Ms. Eyre: — I'll also just add there's that training component, right. And so in terms of, you know, SaskEnergy offering that component that's delivered to those network members that require a furnace commissioning note checklist and training in that regard, it's just that one of the goals of the

program was to raise the bar in that sense, just in terms of quality furnace installation. So there's that benefit as well.

Ms. Chartier: — Thank you for that. Do you have any data on who has tapped into this program? Like in terms of folks who are buying the furnaces and getting the rebate. Do you have any sense of who has been able to use this program?

Mr. From: — I have no granularity on that, no. My assumption is because of who it's applicable to it'd be residential customers. In fact, yes, it would be residential customers. Locations, I have not asked that question.

Hon. Ms. Eyre: — Very anecdotally, it will be people who are in the market for a new furnace.

Ms. Chartier: — Yes, for sure. I think what I'm getting at, I represent a constituency where people are of more modest means, and a rebate of \$650 I'm sure is appreciated, but that's really a small fraction of the cost and not everybody can pay upfront for those kinds of things. I know this is a pilot, you had mentioned, or a trial program. But I would say that it might be wise if you want to increase uptake, that thinking about how you might be able to rejig this program, recognizing that not everybody has thousands of dollars to spend on a furnace. So I'm wondering if there's any thought of analyzing the program with that kind of lens.

Mr. From: — Thank you for that question. And what we're going to be doing, obviously, is we want to do an evaluation of the program. We want to do an evaluation with the contractors just to see what are their issues out there. SaskEnergy has, over the last 20 years, had a number, a number of programs — low-interest loans, a whole variety of things, tune-ups, checkups, thermostat, CO₂ detectors. We do a whole variety of things. And we'll talk to the folks in the network to understand from them, from their customers, what worked very, very well, what suggestions they might have to modify the program, should it continue on.

Ms. Chartier: — Okay. And again, I'm just . . . Those people with whom they'd be dealing were people who are able to buy a furnace. I'm talking about the people who maybe aren't tapping into the program that should possibly be considered, because costs are going up for people, like the day-to-day costs of other utilities. People are struggling, and to spend money on a furnace is cost prohibitive for lots of people who could really benefit from having high-efficiency furnaces and all those other kinds of great things that reduce your household costs. So I'd suggest that that might be a good lens to use when evaluating the program.

Hon. Ms. Eyre: — I'll just add, it's also important to note that network members have a financing program and so that, you know, they run that. So that that helps those who might not be able to pay fully upfront. So precisely to your point, Ms. Chartier.

Ms. Chartier: — But not everybody would know that. I'm just saying, those kind of people that I represent, that would be a significant barrier to them to purchase a furnace.

Moving on here. Page 15, the report talks about:

A comprehensive employee survey was conducted in June

2018, with a strong employee response rate of 83 per cent [which is awesome]. The overall engagement score of 60 per cent is 12 per cent below the public sector norm . . . The survey identified areas of opportunity for better communication and information flow, compensation and work/life balance.

So I'm wondering how SaskEnergy is planning on addressing these shortfalls, particularly around work-life balance.

[11:30]

Mr. From: — One thing that we have done in response to that survey — and we take those surveys seriously — we actually have put together a, I don't know, I'm going to call it a task group. What we've done is we asked people who want to participate in a group to kind of do a deep dive into some of the suggestions that came out of the employee survey. There were a lot of comments, like paragraphs of comments that required more in-depth examination rather than just, you know, the boxes that are ticked *yea* or *nay* or *most likely* or *less likely*.

So we're going into that. We have some suggestions that have come forward. And I believe we're going to be, in the next stage, examining some of those to see how we implement them throughout the organization.

So we're taking it very, very seriously as to how we can address the needs of our broad employee base which is quite diverse because we're spread out all over the province. And not everything works everywhere, but you know, how can we make it work for the majority of the people.

Ms. Chartier: — And what were some of those things that came up as possibilities to work on?

Mr. From: — As you can imagine if you've ever done surveys and listened to them, listened to the results, communication comes out as one that is important. And as I mentioned, you know, we are an organization that is diverse. We have 1,100 employees, but we have some that are spread out along the way. And one of the things that was raised is, you know, we don't get to see the executive very often. And they're right. So our next meeting with the board, we're actually holding it in Saskatoon, and we decided that we're going to have an executive meeting in Saskatoon the next day so they can see us.

They talk about understanding the business plan. So we continue to, as we have made some changes, as you know — you have pointed them out — communicating those changes to folks. So we're taking that very, very seriously as well. We have a very nice way of communicating with our staff through the internet, or intranet I guess it is. And what we do there is we highlight some people and talk about different things and that one goes very, very well.

But overall, when you're looking at it, a lot of things are communication. If we can do a better job at communicating, communicating the right thing to the right people at the right time, that's where we can really improve some of the comments that were there.

Ms. Chartier: — I'm very interested in the work-life balance

stuff. I actually used to work in that particular area. So I'm curious what people were flagging around work-life balance.

Mr. From: — You know, without looking at the definitive things, I can't give you a real good example, but I think with some of the issues that we're, you know . . . We're asking people to do more with less. So, you know, a lot of them are kind of saying, you know what? I'm doing more with less and it's kind of tough on my work-life balance. And so how do we find ways of doing that in a better way?

Ms. Chartier: — Have employees raised what they'd like to see different?

Mr. From: — That is what the task force has been doing, yes, trying to put some real specific actions in place for some very specific items that have been raised. As you can imagine . . . I'm just going to throw out a number. Let's say there were 100 items that were raised. Well it's likely that there are five that garner most of that activity. You know, more people would talk about these than they would about the one down here. So we need to really focus in on the ones that are more common and that will affect more people, and then how do we address that.

And the task force, that's what they want to do. Like they're part of the group. They're part of the ones that are filling out the survey, making comments and, okay that's your comment; what do you see as a solution?

Ms. Chartier: — So in terms of those themes that emerged, and I know with surveys like you said, like there'll be 100 different suggestions, but some things that rise to the top. So of those things that rose to the top, what were some of the top three or top . . . You mentioned communication and the report references both compensation and work-life balance. So I'm curious what cracks those top five.

Mr. From: — Yes. Well really the top five consists of all the ones that you would normally expect, which is communication: I don't know what the business plan is; I don't see my manager enough. Okay? So those are common.

And then you get into certain things around compensation as well. When they compare to their peers and this and that, they feel that compensation should be this or that. We have I think a fairly robust compensation system. We have a benefit package system that is equal amongst the Crowns basically.

And to sum it up on all of that stuff, we have a very low turnover rate in the corporation. So you know, despite right now we're dwelling on some negativity, the corporation is well run. The employees like to come to work every day and they put in a full day's work and get the job done and, you know, we run that safe and reliable system.

So surveys are, you know, they always kind of . . . it pulls out the dirty laundry. And when, you know, you have your clothesline full of nice white, bright sheets and then you've got a piece of dirty laundry there, it just kind of stands out. But we've got to look at what are we doing right and how do we do more of those right things to everybody across the entire province and across the entire spectrum of job functions.

Ms. Chartier: — For sure. And taking a strengths-based approach obviously is important. But again, I'd hate to harp on this, but I am very curious about the work-life or work-family balance stuff that cracked the . . . It made the annual report, so obviously people . . . I don't think people normally say my work-life balance isn't great, but they'll say, I wish I had more time for X. So I'm just wondering what warranted making it into the annual report.

Mr. From: — What I can tell you is, in terms of work-life balance, we have flexible hours for people that need them. We're very receptive to that. So I would have to do a deep dive into that, and if you want I would have to really get in there and look at all those specifics which likely might apply to I don't know how many. You did make a good point, though. It is in the annual report, so it's there and whatnot.

So it is something that we look at. And I think if you ask people, too, are you making enough money, people are going to say no. So it's one of those things where . . . How's your work-life balance? Well, I was stressed that day. And you know, we're looking at the entire company, the entire geographic distribution. We have a task force in place to come up with solutions for items that are raised, and these are items that were raised in that employee survey.

And then you also have to look at the time in which a survey was taken. And I don't know the exact time of this, but I think we have found in the past when you do a survey right after a winter when everybody — especially a very cold winter — when everybody's had to work a lot and there's been some overtime because we've had, you know, an incident happen here, you know. Like in Saskatoon, for example, we had that. The city of Saskatoon was digging up a waterline, I think, and they hit our gas line. Well, there were people . . . And then we had to do changing a bunch of shifts because you've got to worry about the shifts.

So all those things. If you ask the people right after that, how's it going, they'd say, you know what, I'm working hard. And what they're looking at is their last memory of that outage and how they worked in minus 30 and how they had to work two shifts in a row or back-to-back with 12 hours rest and this and that. So there are issues when you're doing a survey as to find out what is consistent. And that's why we have that task force. Deep dive into it. Find out what the actual words mean and then let's see what kind of solutions are being proposed. and then let's see what kind of solutions we can implement on that. And that's really the best I can do on that one.

Ms. Chartier: — Will we see that in the next annual report, like what's coming out of the task force?

Mr. From: — There might be a nugget or two that are worthy of being in the annual report.

Ms. Chartier: — Well just on that whole question around compensation and work-life balance, because often people don't just need compensation. I mean, millennials don't want to work . . . they are much more interested in making sure that they have quality of life than previous generations. And work-life balance is about recruitment and retention, and I know you talked about your retention rates. It's about decreased absenteeism. It's about

making sure that you have company loyalty — all those things. But when we talk about that, obviously we're at a place . . . I'm just wondering where you're at in terms of getting an update on the contract that I think is now expired or is set to expire.

Mr. From: — Expires in two years.

Ms. Chartier: — Two years, yes. Okay, sorry. I was looking at . . . So where are you at in terms of being at the bargaining table right now? How are things going?

Mr. From: — Well we continue to be at the bargaining table. The union gave us a notice of impasse, so with that what we're doing is negotiating an essential services agreement, and we're in the process of doing that. And as you know, the membership is voting this week as to whether or not to give a strike mandate.

Ms. Chartier: — And any plans, I mean if there is the will of members to go on strike, what is SaskEnergy's contingency plan?

Mr. From: — Sure. We have a business continuity plan that covers off every possible disturbance that we might have to our business, whether that be a storm, whether it actually be like another SARS [severe acute respiratory syndrome] epidemic, or a work stoppage or slowdown. So we have all that in our business continuity plan and we update those as we need to over time.

Ms. Chartier: — And what does it look like in the case of a labour disruption?

Mr. From: — Well as you can imagine in a labour disruption, the items that can be handled are minimal and our focus is on emergency services work and that is why we're doing that essential services agreement.

Ms. Chartier: — Okay, thank you for that. Just talking a little bit more about the workforce, in that same engagement survey, so youth under 30 employment is at 12 per cent which is below the public sector norm of 16 per cent. How are you addressing that youth employment deficit to bring it closer to the public sector norm?

Mr. From: — Well one of the reasons why it's not quite at the norm is because we haven't been hiring a lot of people and the ones that we had who were under 30 are now over 30, so that has kind of moved that little metric on us because we have just not been hiring a lot of folks right now.

Ms. Chartier: — Okay and just because you haven't had positions . . . You're just at a cycle in your workforce age demographic?

Mr. From: — It's a combination of that, absolutely. You know, we plan our workforce around the work that is needed. We also are cognizant of upcoming changes as you mentioned with retirements and things of that nature. We want to make sure that we have people who are well trained so that if there is a retirement in a certain area, we have backup. When you look at our field work, we have to have things in a certain geographic area, so you know, we're always working on that.

But the fact of the matter is that we haven't had the need to hire as many people that would be required for us to meet that metric

in terms of the age. It's not that we're not hiring young people, we're just not hiring enough of them, and the ones that we hired five years ago are now over that age.

We have what we call a gen E committee and that was only eligible for people under 30. The gen E people themselves just changed that to be under 35 because they all got old and they don't want to get off that. They love the committee. They love the work that's being done. So they're saying, okay well I like this; so can we call it . . . can we modify that to be under 35? When we look at those demographics, those are snapshots in time that really don't reflect some of the trends that we have to follow as an employer, as a business manning the operations and manning all the things that we need to do.

Ms. Chartier: — Well thank you for that. On page 16-17 it talks about SaskEnergy leaks per 1000 kilometres of mains and the quote actually is:

. . . unique ground conditions associated with a long winter with many freeze and thaw cycles started to cause failure of a certain type of fitting used during early system installations. This resulted in SaskEnergy's leaks metric being higher than historical levels and greater than the 2018-19 target of 5.50.

So what is the certain type of fitting that failed due to freeze-thaw?

Mr. From: — Okay, thank you for that question because it's nice sometimes that we have a metric that is meant for public safety that we actually are finding more than what we had thought. That means that we're doing our job in terms of our leak surveys. It means we're doing our jobs with the odorant detection and other methods of detection.

So what it was, I think the reference is to a fitting in Saskatoon. And really what it is, is it's a valve. It was a valve that was installed in the '50s and it was only installed for a short period of time over a couple of years. So we know the geographic areas in which this fitting resides. And the fitting has some rubber in it.

And the theory that we have right now is when in Saskatoon, I think it was two winters ago, there was not a lot of snowfall so the frost went down really hard, really fast and that even a slight twisting of the line in that rubber would cause a minute leak. So we actually detected these leaks and as we were excavating to get down to do the repair, we'd get down to the repair and it was no longer leaking because we had relieved that geotechnical pressure the line was under and it kind of reseated itself.

Having said all that, it wouldn't be very prudent to just fill it back up because we know it's a 50-year-old fitting. We have new ways of doing things now. And so what we do is we go in there and we repair that. And we're now into a program that can repair those on a proactive basis rather than having to find it through leaks. Those fittings were basically in the alleys in certain areas in Saskatoon. We call it a curb valve, which is similar to water . . . you have a valve at the curb for water. These were valves in the back and the industry hasn't used those for a few decades.

Ms. Chartier: — How far into replacing these are you? Only in Saskatoon, you think? I guess how far, what percentage of these

valves have been replaced and still need replacing?

[11:45]

Mr. From: — In particular to Saskatoon, this particular fitting I'm talking about, the number that we believe are installed, due to the time of installation and the equipment and product that was used at that time of installation, we'll put together a program. I think we're getting into year two of likely a 10-year program to get them fixed.

What we're doing here is we use a risk-based approach. We're still going out there and doing our leak surveys, leak surveys where, you know, we actually send out a person. He's got an instrument and they walk the line to see if there's any minute traces of methane escaping. And so we will categorize certain areas by what we call our leak frequency, or how many leaks are we finding per household type thing. And that's the area we'll target and go in and replace them all. It's very similar to what we did in Regina as well with some of the fittings that are in Regina. Humboldt's also another area where we've had to change some of the fittings. The soil conditions just didn't match that particular fitting.

Ms. Chartier: — Okay. Well I guess that was a question too then. The quote is . . . "unique ground conditions associated with a long winter with many freeze and thaw cycles . . ." So that's Saskatchewan. Like how are ground conditions related to a long winter considered unique in Saskatchewan? Like I think you had said, no snow and then . . .

Mr. From: — Yes. The theory is that because of the lack of snow at the start of the winter that the frost penetrated a lot faster, and that caused maybe the frost to go down to that level it had before. And perhaps the main was, you know, another few feet lower; it didn't have that same freeze pattern. And therefore you get what we call differential ground movement which can cause a very minute leak. And as I mentioned to you, when we removed the soil, it would actually stop leaking. So the stresses had taken care of themselves, but we've still got to replace the darn thing because it'll leak tomorrow or next week.

Ms. Chartier: — Another day. Yes, for sure. Well thank you for that.

So just sticking on the same theme here around natural gas or line failures, so TransGas line failures per thousand kilometres of gas line are mentioned in the report as well. The quote from the annual report:

TransGas continued to manage risk for its transmission lines using a combination of aerial and ground patrols, state-of-the-art remote monitoring, inspection digs and in-line inspection tools that look for the early signs of corrosion and check for unreported damage.

In 2018-19, there were four failures on the transmission system resulting in this metric being higher than target. One occurred due to a third party digging prior to the lines being located. A second was discovered by a leak surveyor, and a third was found through direct examination while performing a planned repair. The fourth failure was the result of a rupture of a natural gas line in a remote part of

the province. There was no loss of natural gas service to customers as a result of any of these failures.

How does TransGas set its line failure targets?

Mr. From: — In concert with industry best practices.

Ms. Chartier: — Okay. Is there any link or correlation between the four leaks that would account for the failure number being four times higher than targeted?

Mr. From: — We have so few leaks that when you have three or four it makes a big change in our leak frequency. Yes, just because there's so few.

Ms. Chartier: — Yes. Okay. Sorry, I know we're running out of time here, so I'm just prioritizing questions here. On page 20:

SaskEnergy continues to concentrate on environmental sustainability throughout its operations by measuring the intensity of greenhouse gas emissions relative to the amount of compression used to transport natural gas. This measure is calculated using a cumulative average at the end of each quarter. The 2018-19 compressor emissions reduction target was exceeded by 17 per cent.

Why and how was that target exceeded?

Mr. From: — Well as I mentioned earlier in answer to another question that you had, we were just doing more work on that. We actually have some compressors that are being retrofitted into a new technology that allows for continued reductions. So when you add up all those little things that we're doing, we exceeded the target.

Ms. Chartier: — Okay. Is this the only greenhouse gas emission number currently being measured by SaskEnergy? What else is being measured?

Mr. From: — Okay. We also do a lot with methane, as the minister talked about the methane action plan. That is really part of what's specific to the oil and gas industry. Every consumer has a lot of, you know, CO₂ that we emit when we drive our car and heat our homes and things of that nature. So we're very cognizant of the methane.

So the methane one, what we're trying to do there, as I mentioned to you earlier, is things like the valves that we had. The gas-operating valves, we've now discontinued that. We have new instructions on how we're to inspect a valve that is just sitting out in the middle of nowhere.

The good thing about Saskatchewan is we have a lot of infrastructure. We have a lot of valves that come above surface because you need that. And all we have is some posts to protect it from, I guess, from either from the tractor or from the cows. So they're out there exposed. And we go in there, we want to make sure our maintenance is at the right frequency because when a valve works, it has space allowing it to turn. So nothing is absolutely perfect in terms of not emitting. But we need to do proper maintenance so that the greases that we use and other things keep that stuff in check. So we're increasing our frequency on that.

I mentioned to you the valve things. And there's a whole variety of issues that we're doing with respect to methane, making sure that instead of using what we call threaded fittings — you know, like you'd screw on a jar — we're welding some that can now be welded. So it's a combination. And what we're talking about here, when you look at the entire volume of gas that we move, it is very, very minute. And that next incremental gain in reducing the methane emissions is difficult because it is so, so low.

Ms. Chartier: — Well that's good news that you're making progress though.

Mr. From: — Yes. Yes.

Ms. Chartier: — Just on the financial side of things, we talked about this, obviously in committee in the spring, where the borrowing capacity was granted and increased. So in the next fiscal year do you anticipate reaching borrowing capacity of 2.5 billion?

Mr. From: — No.

Ms. Chartier: — No.

Mr. From: — No.

Ms. Chartier: — No. So when . . .

Mr. From: — The number that we had asked for in the borrowing capacity is one that we want to have in place for some time. Five, ten years, I would say that's the time frame that we might hit that.

Of course what would be required there would be accelerated growth. We'd have to continue to grow the system. If we're into a bit of a slowdown, for example in the oil industry and the enhanced oil recovery activity slowed down, then we're not putting that capital in place. Obviously we don't need to put that capital to use. And some of our capital is from debt, not all equity, so it depends on where we sit. But it's down the road 10 years, 5 to 10 years, 7 to 10 years. Yes. It's not in our current business plan, that's for sure.

Ms. Chartier: — Okay. Just refresh my memory, and I may be confusing this with another Crown increase, but was there another borrowing limit increase in the last five years?

Mr. From: — In 2010 we went up to the level that was in place before. So that was in 2010. So yes, eight years, eight years between them, I guess you could say.

Ms. Chartier: — And can you refresh my memory and remind me what that increase was?

Mr. From: — That one, I believe, went 1.3 to 1.7.

Ms. Chartier: — 1.7. Okay.

Mr. From: — And so now we're going from the 1.7 to the 2.5.

Ms. Chartier: — Perfect. Thank you for that. So on page 32:

SaskEnergy plans to invest more than \$976 million over the

next three years. This investment will be primarily funded through long-term debt, with an additional \$533 million planned over the next three years. The additional load growth will generate more revenue for the Corporation; however, the investment in infrastructure will also increase operating costs and put pressure on delivery and transportation rates.

Is this additional load growth anticipated with the slowdown in both residential growth and the resource sector? I've also heard you say that industrial growth is carrying on even with the slowdown in the resource sector.

Mr. From: — The industrial sector is still strong. The forecast would not be for it to be accelerating. It would keep that same trend line.

Ms. Chartier: — Okay. So you're still anticipating additional growth even with slowdown in the resource sector.

Mr. From: — I think you can appreciate the fact in the oil and gas sector . . . You know, when you watch BNN [Business News Network] news, all of a sudden there'll be a news flash, "Crescent Point cuts its budget by \$400 million." Those are things that obviously those companies don't tell us, so we have to go on what our best ideas are in talking to our customers as to what their plans are, because we have an obligation to serve and we want to make sure that we understand their long-term projections so we can have all the facilities required in the ground at the right time. There can be things that are market anomalies. A company can be bought by somebody else and that new organization might change where they think they should deploy capital.

So those are the things that we can't foresee at all and they do impact the larger capital items that we have. But really the capital, if you look at where we're spending money over the next five years, it's due to our changing gas supply and our changing demand, our growing demand. And when I talk about the gas supply, I mean that we have to now access, and we talked about this earlier, the percentage of gas out of Alberta is more and more coming into Saskatchewan to meet the load. What's required there is new infrastructure to move that gas to even the existing customers. So we are putting in a lot of capital just to maintain our existing customers because everything is changing and will continue to change.

Hon. Ms. Eyre: — I'll also add, Mr. Chair, and again we just have to, I think, keep in mind that we're moving 70 per cent more gas than we were a decade ago. And you know, we're still seeing growth. There's no question. Perhaps not at the same accelerated rate, but the customer base is the highest it's ever been. It's almost 400,000. And you know, I went through in my initial comments just some of the increases in that regard in recent years. And there are of course many, many more assets compared to a decade ago that SaskEnergy has to manage. And so it's an ongoing continuum. I mean there's absolutely been marked growth in light of the headwinds certainly that we're seeing.

Ms. Chartier: — Thank you for that. I know we're running out of time here. Just curious. Does SaskEnergy have a contract with WBM for photocopying or photocopiers? Are you aware of that?

Mr. From: — I get a nod that the answer is yes, we likely do.

Ms. Chartier: — Yes. You likely do or you do?

Mr. From: — We do. Yes.

Ms. Chartier: — When was that contract tendered to any . . .

Mr. From: — Do not have those details available right now.

Ms. Chartier: — No. Would it be possible to get those details?

Mr. From: — Yes.

Ms. Chartier: — And report back to the committee?

Mr. From: — Sure.

Ms. Chartier: — That would be okay. So just when was it tendered and how many people applied and what is the length of the contract. That would be great. And was it related to any contracts for WBM with any other Crowns. So would it be all right to report back to the committee?

Mr. From: — Yes.

Ms. Chartier: — That's okay? What's a good time frame?

The Chair: — A year from now.

Ms. Chartier: — A year? I would suggest perhaps a month. Would that be fair?

Hon. Ms. Eyre: — We can certainly undertake to get that to you by the end of the fall session.

Ms. Chartier: — How about the start of the fall session?

Hon. Ms. Eyre: — We'll do our best.

Ms. Chartier: — Well could we agree on something here? The end of the fall session is four months . . . three months away. I would suggest that perhaps . . . I mean it's not hard to look up when something was tendered, is it?

Hon. Ms. Eyre: — Do our best.

Ms. Chartier: — You'll do your best to have it . . .

Hon. Ms. Eyre: — We'll do our best to have it by the beginning of the fall session, or throughout the fall session, by the end.

Ms. Chartier: — Thank you for that. I think that those are all the questions for now.

The Chair: — Do any committee members have any questions on this at all? Okay. I guess then we will conclude consideration. I'll now ask a member to move that we conclude consideration of the following annual reports and financial statements: 2017-18 and 2018-19 SaskEnergy annual reports, and 2017-2018 and 2018-2019 SaskEnergy Inc. and subsidiary financial statements. Mr. Nerlien has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

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

Hon. Ms. Eyre: — Simply to thank committee members. Ms. Chartier. You, Mr. Chair, for convening today. And certainly I would like to thank SaskEnergy whom I'm very proud to represent and who do amazing work across the Crown every day.

The Chair: — Thank you. Ms. Chartier?

Ms. Chartier: — Well thank you, Mr. Chair, and thank you, Mr. From and Minister Eyre and all the officials. Again, it's always very appreciated to have an opportunity to ask questions and learn a little bit more about SaskEnergy. So thank you so much for that.

The Chair: — Thank you. We will now recess until 1 p.m.

[The committee recessed from 12:00 until 12:59.]

The Chair: — Well welcome back, committee members. I would like to say that Laura Ross is substituting for Steven Bonk now. Other than that, it's the same committee members as we had this morning, with Mr. McCall back again also.

I would like to repeat the announcement I made this morning about our high-definition upgrades for our new viewers. And just to let everybody know, Stacey's dad, Ed, is tuned in, so it's going to be interesting to see him watch his daughter.

Committee members, we are currently in the final stages of the high-definition upgrade and, as a result, today's proceedings are being live-streamed online on the Legislative Assembly website and will be archived and broadcast on the legislative channel at a later date.

Saskatchewan Telecommunications Holding Corporation

The Chair: — Welcome to Minister Morgan and SaskTel officials. We will be considering the annual reports of SaskTel and subsidiaries, then followed by one Provincial Auditor chapter.

We will now be considering the annual reports and financial statements of SaskTel and its subsidiaries. This includes the 2017-18 and 2018-19 SaskTel annual report; Saskatchewan Telecommunications financial statements for the years ending March 31st, 2018 and March 31st, 2019; Saskatchewan Telecommunications International Inc. financial statements for the years ending March 31st, 2018 and March 31st, 2019; Directwest Corporation financial statements for the years ended March 31st, 2018 and March 31st, 2019; SecurTek Monitoring Solutions Inc. financial statements for the year ended March 31st, 2018 and March 31st, 2019; Saskatchewan Telecommunications Pension Plan annual reports and financial statements for the years ended March 31st, 2018 and March 31st, 2019.

Minister Morgan, would you please like to make your comments.

Hon. Mr. Morgan: — Thank you, Mr. Chair. Good afternoon to you and to the committee members. A special welcome to

Stacey's dad who I'm glad is watching. As the Minister Responsible for SaskTel, I'm honoured to be here to provide some opening remarks for today's meeting. We have a lot to cover, so I'm going to keep my comments brief.

With me are senior officials from SaskTel. Today I'm joined by Doug Burnett, president and CEO; Charlene Gavel, chief financial officer; John Meldrum, vice-president, corporate counsel and regulatory affairs; Darcee MacFarlane, vice-president, corporate and government relations; Scott Smith, senior director, finance; and Michelle Englot, director, corporate affairs, external communication; as well as officials from my own office here. These officials will be available to answer any questions you may have about the 2017-18 and 2018-19 annual reports and the Provincial Auditor's report which we are covering today.

Before getting to too much detail I want to note that SaskTel adopted the new international financial reporting standard, IFRS 15 in 2018-19. The adoption of IFRS 15 did result in a change in the accounting of certain revenues and cost. SaskTel's financial results for 2017-18 have not been restated under the new standard. However, in order to help draw a picture between the two years, I will report the figures based on the standards in effect at that time.

In terms of highlights, SaskTel reported a net income of \$127.4 million in 2018-19, an increase from \$121 million in 2017-18, resulting from higher service and product revenues and a strong focus on managing expenses. While revenue from legacy services such as the land line continue to decline, the year-over-year increase in service revenues was largely attributable to a growth in earnings from wireless and broadband, as well as the launch of SaskTel's maxTV Stream, which has brought in hundreds of new subscribers, actually in excess of 1,200. Business Solutions' services revenue also grew, reflecting higher sales of Tier III Data Centre services and other innovative ICT [information and communications technologies] solutions to its customers.

While the competitive intensity of the telecom industry does pose its challenges, SaskTel has succeeded in a competitive market in Saskatchewan year over year. This is in part due to its attractive residential service bundle offers, an accelerated option of popular OTT, or over-the-top, streaming services, and On Demand TV programming.

In terms of expenses, SaskTel has effectively managed its operating costs. Compared to last year, goods and services purchased by the company decreased by \$11.8 million and internal labour costs have remained consistent with expectations.

In line with SaskTel's commitment to deliver the highest level of service, SaskTel invested an additional \$268.2 million in capital expenditures during 2018-19 to improve customers' experiences today and set the stage for future network enhancements. The launch of the Wireless Saskatchewan program, for instance, has helped thousands of rural residents better connect with their world. In 2018 this program saw the expansion of SaskTel's Fusion internet services with the addition of 34 new Fusion sites. In addition, the continued implementation of phase 2 of the program is helping to close wireless coverage gaps in underserved parts of the province with small cell site solutions.

The first 50 towers were completed at the end of March 2019, and another 53 communities have already been announced and will receive their new tower over the course of the next year.

SaskTel recognizes that as customers' consumption of data and digital content continues to increase, traditional and wireless broadband will become even more indispensable in their lives. Moving forward, SaskTel will continue to invest heavily into these networks to bring Infinet and faster speeds to more communities in the province. SaskTel has now begun its work to expand its fibre optic network to communities outside of the majors, including Emerald Park, Martensville, Warman, and White City.

J.D. Power recently gave SaskTel top scores for customer satisfaction with television and internet providers for the seventh year in a row. This result reflects SaskTel's strategic investments in quality television and internet services as well as the strength of its network which interconnect our communities.

Looking ahead, SaskTel will continue to set robust targets for growth and leverage their long-standing track record of success to engage customers and deliver value for the people of Saskatchewan.

Mr. Chair, that concludes my opening remarks, and with that we will happily take questions from the members present.

The Chair: — Well thank you, Minister. Are there any questions? Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair, Mr. Minister, officials. Welcome to the consideration of these annual reports and the activity of the SaskTel and suite of subsidiary corporations.

I guess we're here today on a fairly auspicious moment. The end of the month, as I was preparing for today's considerations, September 23rd to 27th has been declared by the Minister of Justice and the province of Saskatchewan as the Right to Know Week in Saskatchewan. And certainly this is part of the right-to-know work that we undertake as the people of Saskatchewan, trying to understand what's happening with the stewardship of the resources that belong to the people of Saskatchewan and as that works out in entities like SaskTel and the various subsidiaries attached. So it's great timing that you're here, Mr. Minister.

And certainly in that vein we have a number of questions that we'll try to, you know, again given that we've got two years of annual reports under consideration here, different subsidiaries, we'll try to . . . If it gets a little curly at points or a little complicated, please forgive me, and please ask for any clarification as to what the heck I'm driving at.

But I guess, Mr. Minister, we've had occasion in this committee to talk about the different and seemingly ever-changing plans on the part of the provincial government as relates to seeking sale or an equity stake of SaskTel. Now in terms of the information and the questions that have been asked to try and get that information for the period under consideration, there are different questions that beg to be asked today. And I guess we're a parliamentary democracy, and certainly you're here as a minister of cabinet and

the collective decision making that that represents and the direction that is given through yourself and through the board to an entity like SaskTel.

So I guess this is as good a place as any to ask the minister what his understanding for the period under consideration, what the interaction was between SaskTel and the cabinet committee on Crown structure, what that interaction looked like? How was that staffed? How was that reported out? How was that not more properly the domain of the Crown Investments Corporation? And why wasn't that brought to the public's attention in the form of an order in council, whereby the membership was appointed? And if that has been done, Mr. Minister, you can point me to where that took place any time, or where that activity is described in the annual reports here under consideration.

Hon. Mr. Morgan: — Thank you for the question. There has been no change in the structure of SaskTel or the SaskTel affiliates and subsidiaries. As you're aware, SaskTel and SaskTel Holding and the various other entities are all under the purview of Crown Investments Corporation, and have been for a long time.

Prior to this period of time, legislation in the form of Bill 40 was introduced, which would have added some definitions with regard to what is or what is not privatization. That was repealed in its entirety insofar as it affects SaskTel.

And you're asking about what information was made available to the public. I would read to you from a news release that was released by the government November 21st, 2017. And if you'll apologize for me quoting myself, in that news release it says this:

"We have listened to Saskatchewan people and are making these changes because of what we heard," Morgan said. "Saskatchewan people were concerned about this legislation and the potential sale of even a small stake in a Crown corporation."

So Bill 40 would have allowed for possibly a partnership or a divestiture of some portion of it. Then the legislation that was in Bill 40 regarding that will be repealed. And then I go on to say, "We have said from the beginning that when we make a mistake, we will admit that mistake and take action to correct it."

So the simple facts are the legislation that could possibly have led to a share sale or a partial share sale has been withdrawn, withdrawn in its entirety. That was my bill as minister of Justice and the legislation is gone. And since I have had SaskTel now which is in excess of a year, so far as I know — and you can ask the officials — there has been no discussion on sale, divestiture, or any other equity transfer of SaskTel, SaskTel holdings, SecurTek, or any other portion of SaskTel's business.

I think it's been made abundantly clear by the citizens of our province that our Crown corporations such as SaskTel are not for sale. These are things that people regard as being part of the province, part of their identity as a province. They're not interested in having a discussion about it, so we've taken it off the table in its entirety.

Mr. McCall: — I guess the minister will, you know, be able to refer to the record where certainly those steps were applauded.

That decision, that recognition of this government on the clear opinion of the people of Saskatchewan as regards the privatization of SaskTel or different of the Crown entities, how they were definitely not in favour of that. I'm glad to repeat that here today.

But for the period under question, Mr. Minister . . . And again this is not something that was brought to the public's attention by normal channels, be it an order in council appointment of different committees of cabinet and their activities. It wasn't brought to the public's attention by the actions or the reports from the Crown Investments Corporation, which is the holding corporation for SaskTel and, you know, is there to prevent exactly the kind of off-the-books activity that has come to light and that came to light, Mr. Minister.

And again I feel it's always a difficult job doing this because there's a government that's in charge of these entities. There's a government that is responsible for these entities. So I don't want you to, in any way, shape, or form, mistake what I'm saying as critical of the hard-working men and women that work for SaskTel and the leadership that is represented here today. And when we raise these concerns, Mr. Speaker, we want to make sure that this entity is accountable to the people that own it, the people of Saskatchewan.

[13:15]

And when we've asked questions like this in the past, Mr. Minister, we've had what I would characterize as less-than-forthright answers as to what kind of activity was being undertaken by the government of the day. And you may not have been the minister during that period, Mr. Minister, but you were certainly a past minister of SaskTel and you certainly sat around that cabinet table as things like the cabinet committee on Crown structure were struck and then did its work.

So, Mr. Minister, again in terms of information that's been dragged out into the public domain by order and by request from the Information and Privacy Commissioner — and again here we are in Right to Know month and Right to Know Week coming up — that information is critical to the people of Saskatchewan, Mr. Minister. So in terms of what happened with the cabinet committee on Crown structure that had been set up to oversee the potential sale of up to 50 per cent of Crown corporations . . . It was struck by your former boss, the former head of cabinet, the then premier, Brad Wall. You were part of that cabinet, Mr. Minister. Who chaired that committee?

Hon. Mr. Morgan: — I'm not prepared to have discussions regarding anything that took place in cabinet or breach cabinet confidentiality in any way. I can say that Bill 40 was introduced, was introduced in the legislature, and became law of the province. If anything that was going to be more open and more transparent than a piece of legislation, I don't know what could be. The proceedings, the discussions regarding Bill 40 were done in the House, were done in this room, and were carried live on television, were passed through in the ordinary and usual course — nothing hidden, nothing there, every opportunity to ask questions.

And then it was apparent to the MLAs [Member of the Legislative Assembly] on our side of the House and I suspect to

members of the public made similar comments to your members as well. And then we introduced Bill 99 which repealed the provisions of Bill 40 that had to do with the definition of privatization.

So what I can tell you is nothing happened with regard to it. There was nothing else that was there. Whatever discussions that took place in cabinet, I'm not prepared to or don't have the ability to discuss. If you're wanting to ask the officials at SaskTel what took place there, you're welcome to, but I don't have anything more that I can add with what took place in the government other than to say legislation was introduced, legislation was passed, legislation was repealed.

Mr. McCall: — Mr. Minister, how many years have you served as a minister of the Crown?

Hon. Mr. Morgan: — I have served since 2007.

Mr. McCall: — In that time, Mr. Minister, how many cabinet committees have been struck without some recourse or reporting out through order in council appointments or the like?

Hon. Mr. Morgan: — I don't know. I would have to check with the Clerk.

Mr. McCall: — Do you think it's, you know, one? Do you think it's two? Do you think it's a regular practice that's seized upon to circumvent the sort of accountability practices that are there to make sure that people know what their cabinet governments are up to?

Hon. Mr. Morgan: — We have cabinet meetings several times a month. There are committees such as this. There are a variety of other committees that complete their work either by way of live-streaming or by way of having *Hansard* done. Some of the committee meetings are informal and are there in an advisory capacity and I'm not familiar with what the process might be on individual committees. And I'm not prepared to get into a debate as to whether it's 1, 10, or 100.

The fact is we have a committee structure which you're participating in at this moment. We're in this room for purposes of answering questions with regard to the work that's been done by SaskTel and you had mentioned the very good people that work at SaskTel. So I thank them for their work and if you want to ask questions about SaskTel, about their work, we're more than prepared to answer those questions.

Mr. McCall: — Let me make this easier for the minister. Can the minister name one cabinet committee that has been constructed as such, without the normal appointment process through orders in council or any kind of reporting out, let alone existing alongside the Crown Investments Corporation?

Hon. Mr. Morgan: — I have no intention of having a discussion about cabinet committees or about cabinet meetings or about things that took place in cabinet. For that information, you're welcome to look at the website. You're welcome to have a discussion with the court Clerk, but it's not something I'm prepared to discuss.

Mr. McCall: — So it's the minister's contention that . . .

The Chair: — Mr. McCall, Mr. McCall, if you wouldn't mind please, we're discussing on the SaskTel end of it. I don't think we're discussing cabinet or anything else, and I would like you to please keep your questions to what is in the agenda.

Mr. McCall: — Well for the years under question, Mr. Speaker, the then minister of SaskTel was the Vice-Chair of the cabinet committee on Crown structure, the express purpose of which was to sell off up to 50 per cent of the Crowns. And under questioning in the House and in committee, we had a great number of answers from the Premier on down, Mr. Chair, that were apparently at odds with the reality. So I try not to do this work as an angry person, Mr. Chair, but what does make me angry is being lied to over years . . .

The Chair: — Whoa, that's . . .

[Interjections]

Hon. Mr. Morgan: — You might want to withdraw and apologize on that remark before it becomes a matter of privilege before the House. You want to make that kind of an allegation, I take strong exception to it. So I'm going to give you the opportunity now to make the apology for the record.

Mr. McCall: — Is the minister the Chair and the witness now, Mr. Chair?

The Chair: — No. I would be . . . Look, I would ask you to withdraw and apologize. That is unparliamentary language. Mr. McCall.

Mr. McCall: — Mr. Chair, in past I've had, you know, answers provided and then apologies rendered not long thereafter for the way that the answers provided were at odds with the truth. This is a policy of this government that they didn't get a mandate from the people for . . .

The Chair: — Mr. McCall . . .

Mr. McCall: — And I want . . .

The Chair: — Mr. McCall, you're out of order. I am asking you . . . What you are doing is you're using unparliamentary language and I am asking you to withdraw and apologize.

Mr. McCall: — Mr. Chair, I apologize and withdraw.

The Chair: — Okay. Thank you. Now we can continue questioning, but if you would please stick to what the agenda is.

Mr. McCall: — Okay. So can the minister or officials point out to me where in the two annual reports under question, where the activity and the interaction of the then minister for SaskTel worked in conjunction with the cabinet committee on Crown structure? Where is that pointed out in the accountability that we have here before us?

Hon. Mr. Morgan: — Yes, there is nothing in the reports that would indicate because I don't think it was ever a direction that there was going to be a sale taking place. I know there were exploratory talks. If you want to ask what the nature of those discussions were, we have an official here that would answer

those questions.

Mr. McCall: — So in terms of the exploratory talks that occurred, how was that directed by the minister? Was it directed in writing or through correspondence or was it directed verbally?

Hon. Mr. Morgan: — I have no knowledge. I gave no direction on that.

Mr. McCall: — In the minister's experience, for decisions to be made on the magnitude of exploring an equity sale up to 50 per cent in an institution like SaskTel, what's the minister's experience of how much that would be communicated verbally versus what would be laid out in writing for people to see?

Hon. Mr. Morgan: — I think if you examine the public record, the Premier made a number of statements that we could be looking at equity partners. I don't think it was anything hidden or anything concealed because Bill 40 was introduced for that specific purpose. Bill 40 was subsequently repealed to the extent that it affected privatization of any portion of it. So I'm not sure where the discussion would be because everything was done in public and I don't know what the Premier might have said at that point in time. There may be something in *Hansard* or in records but, you know, I have nothing on that. And there's nothing, I'm told by the officials, there's nothing in the annual reports.

Mr. McCall: — I guess this also begs the question, you know, while we're at it with the fundamental structures of parliamentary democracy, what's the point of an annual report?

Hon. Mr. Morgan: — If nothing happened, then there's nothing need be in the report. If you decide not to do something or nothing goes ahead on it, then there's nothing to report. If nothing got to the point of a decision, discussions are simply that.

Mr. McCall: — Can the minister characterize to the committee how many tables of exploratory talks were under way?

Hon. Mr. Morgan: — I have no idea. I'm not familiar with what those discussions were. If you want to ask Mr. Meldrum, he may have some better information than I. I understand that an FOI [freedom of information] request was made. As you're aware, we don't see the FOI requests nor do we see the response to the FOI requests. So I understand, from talking to Mr. Meldrum earlier, that he may have some background information as to what he was preparing and at whose request. I have nothing more than that. I'm not trying to be evasive or avoid the questions. It was just something I wasn't privy to.

Mr. McCall: — The minister is here to answer for the two annual reports under consideration, as you've already pointed out. So if the minister is not able to answer those questions, then please, by all means do refer it to an official.

Hon. Mr. Morgan: — If you want me to answer the questions about what's in the report, there's nothing that's in the report. If you want to pose a question to Mr. Meldrum, I'll ask him to come up. But if not, then we'll carry on.

Mr. McCall: — How many exploratory talks or sets of exploratory talks were under way, and with how many parties?

Hon. Mr. Morgan: — I have absolutely no idea. It was something that I was never privy to. They're not referred to in the report, so I presume whatever took place I have no knowledge of.

Mr. McCall: — In which case, please call Mr. Meldrum to the . . . If he's able to offer more light into this darkness, that'd be great.

Hon. Mr. Morgan: — Mr. Meldrum is here, and I'll let you ask him whatever questions that you like that fall within the area that he is responsible for.

Mr. McCall: — Welcome, Mr. Meldrum. Can you characterize for the committee for the two annual reports under consideration, how many sets of exploratory talks were under way?

Mr. Meldrum: — I'm aware of two sets of exploratory talks.

Mr. McCall: — Roughly when did they begin and when did they conclude?

[13:30]

Mr. Meldrum: — They began in early May of 2017 and concluded definitively with the announcement in November of '17. There was very little, if any, discussions past about September of 2017.

Mr. McCall: — Where did the impetus for those talks come from? Was it by the direction of the SaskTel board? Was it by the direction of cabinet? Where did the direction come from?

Mr. Meldrum: — My understanding is that our president and CEO would have had discussions with the minister. And certainly as our current minister has indicated, it was generally known that the government was interested in the potential of selling up to 50 per cent of the Crown corporations.

Mr. McCall: — So again, to be very clear, the direction emanated from the minister at least, if not cabinet as a whole.

Mr. Meldrum: — To the extent that that occurred, yes.

Mr. McCall: — Thank you for that. In terms of information that was provided to the third parties, how much of that is covered by non-disclosure agreements?

Mr. Meldrum: — We did not provide any information to any third parties. None whatsoever.

Mr. McCall: — In terms of the deck that was constructed at the minister's request to the former CEO of SaskTel, what information was contained in that deck that went forth as the basis for these exploratory talks with the two parties Mr. Meldrum has referenced?

Mr. Meldrum: — So that information has been reviewed by the Privacy Commissioner, and he has found that that is subject to cabinet privilege and is therefore not to be disclosed pursuant to the freedom of information Act. And I would think that, as cabinet privilege, that isn't something that I should comment on.

Mr. McCall: — In terms of the direction for the conduct of the talks generally, was that provided by the minister on an ongoing basis or did that come forward from the cabinet committee on Crown structure? What was the involvement of the cabinet committee on Crown structure with the file on the whole?

Mr. Meldrum: — I don't believe there was any discussions whatsoever or interactions with the committee of cabinet.

Mr. McCall: — So it was purely a function of the minister communicating out broad wishes and then the corporation executing as requested.

Mr. Meldrum: — As you know, the heads of all of the departments and the Crowns have weekly and monthly discussions with their ministers. And I'm sure that it came up as part of that discussion, given the public pronouncements and the passage of Bill 40.

Mr. McCall: — Can the official or again the minister . . . And this is where, you know, I don't understand everything about cabinet government. I don't understand everything about the way this government does its business. But in terms of committee, subcommittees of cabinet that are off the books and operate separate and apart from Crown Investments Corporation or the kind of process that you've described here, Mr. Meldrum, again what sort of interaction was there with this subcommittee?

Mr. Meldrum: — None that I'm aware of.

Mr. McCall: — So that would have taken place . . .

Mr. Meldrum: — I certainly didn't. I didn't have any . . .

Mr. McCall: — Purely through the ministry?

Mr. Meldrum: — Part of my problem is I'm speaking on behalf of my understanding as it came through the then president and CEO. But I certainly had no discussions, interactions whatsoever. I knew that a committee of cabinet existed, but that was the extent of it. I didn't even know the name of it or the makeup, nor do I know the names or the makeup of any other committees of cabinet. Like I don't believe the orders in council are actually passed when committees of cabinet are created. But it's not an area that I practice in so I can't say definitively, but I don't believe that's the case.

Mr. McCall: — In terms of, while we're at it, can the official identify who's the Minister Responsible for Crown Investment Corporation?

Mr. Meldrum: — Yes.

Mr. McCall: — And in terms of discussions that we've had at this committee previously, in terms of the interaction of SaskTel and Crown Investments Corporation when it comes to questions of privatization of SaskTel or the partial privatization of SaskTel, why wouldn't that involve interaction with Crown Investments Corporation and instead move through things like the Goldberg report or seeming . . . you know, cabinet's subcommittees that are subject to cabinet confidentiality and can't be reported out on their activities? Why would this be such an unusual process?

Hon. Mr. Morgan: — I'm not sure what you're regarding as being usual or what would be unusual or the process that took place. If I can offer this to simplify it, the premier spoke about the possibility of selling an equity portion of SaskTel. There were a variety of reasons that he talked about it at the time, about synergies or whatever else might take place, given the rapid changes that were taking place in telecommunications. Further to that, so that those discussions might take place, Bill 40 was introduced and was passed.

I think around that time SaskTel prepared some material that they dealt with, with me. I presume that that would have come as a result of a request from either the premier or the minister. I'm not sure that anything would have went through any particular committee, minuted or non-minuted or anything else. There's certainly nothing hidden or nothing secretive about the premier's statement that that is something that should be considered. In fact he actually went and had a bill passed specifically for that purpose.

So there's no doubt if you are saying that the government or cabinet wished to consider the sale of some portion of SaskTel, that's absolutely correct. The discussions took place and the premier talked about them publicly, and that was a possibility that came forward. And as you are aware, when Bill 40 went through the House, there was no definition of the word "privatize." So they wanted to define that up to 49 per cent would not constitute a privatization.

So it was abundantly clear from the public at that time that this was something that the citizens of this province did not want. It was clearly a misstep on our part. And I was, as minister responsible for Justice, that bill fell under my purview. So we introduced Bill 99 to repeal it, did a news release saying it was a misstep on our part, and when we make a mistake we want to admit it and it will go no further.

These were decisions that were made by cabinet, and I don't have the discussion of who was there, who said what on what particular date. But there's no doubt it was a decision made by cabinet, by the premier to consider that. And obviously there would have been some background work done by SaskTel. Mr. Meldrum indicated that they had had discussions with two proponents. This was the first time that I've heard that was today, so I don't know what the discussions were. I have not seen the slide deck that was provided at your FOI request, and I understand is under whatever review is taking place right now by the Privacy Commissioner.

I don't know if that helps you put it in context. If you're looking for an admission that it was a government decision or a ministerial decision, I'm not trying to evade that. It wasn't my portfolio at the time. It was certainly a decision made by the government. Does that help?

Mr. McCall: — It all helps to varying degrees, Mr. Minister. And I guess, one of the questions we got to, you know, hear different stories about was the federal tax implications for the equity sale up to 50 per cent with the Crown corporation, and whether or not there had been work done on that. And the minister said there hadn't been, and then the minister got to apologize for any confusion that might have arisen in terms of the work that had taken place, or who he was meeting with, or

where they met with them. And we've seen a lot of games played on this front, Mr. Minister. And I guess my point is this . . .

Hon. Mr. Morgan: — I would take some strong exception to that. The minister made an answer in the House that he believed was correct at the time. It was brought to his attention that there was in fact some other professional review. The minister went back and made a correction the next day in the House. So there was no intent to make the matter confusing or anything else. The minister made it abundantly clear at the time that he had incomplete information, and as soon as he had complete information he brought that information forward so he could correct the record in the House.

So if you want to ask the officials about the tax information, I'm not a tax lawyer, nor am I a tax expert. I'll be glad to have one of the accounting staff from SaskTel give information as to the tax consequences, or what their analysis might've been on a sale.

Mr. McCall: — So that took place at the end of April, and that was two months into the operation of the appointed-by-the-Premier cabinet committee on Crown structure. And again, you'd presume that federal tax implications would be part of the considerations of that committee, but we don't know that because of course the minister claims well, you know, that's cabinet confidentiality.

And in terms of the work that had been undertaken within individual Crowns or not, it's a very frustrating position to be in, Mr. Minister. It's especially frustrating to come along, after elections where there was a lot of fanfare that went into the appointment of the transformational change committee that popped out like toast after the 2016 election, but again in terms of something that is fundamental to the politics of this province and over which there has been a considerable amount of debate for decades.

That there's a cabinet committee tasked with work to operationalize an equity sale is again . . . I guess we'll find out when the cabinet confidentiality expires on those papers because we're not finding out from this government, and we're only finding out by dribs and drabs, again at odds with the promise of this government to be the most open and accountable government in this history of this province.

Hon. Mr. Morgan: — What I am able to tell you is that the minister made an indication that there had been no work done on tax. He made that in the House. Clearly he didn't know that there had been some background work that had been done at SaskTel. It was not part of work that was done in cabinet or at a cabinet committee. The next day or the next sitting day he realized that the information was being worked on by SaskTel, obviously not communicated to him or he would've known about it. So he made the correction in the House.

I don't think there's anything any more sinister than something was taking place in the Crown, and there's lots of things that take place in Crowns or at CIC that are not brought to ministers' attention. People work on or review or prepare material all the time. And that should be something that we should thank our staff at SaskTel for, is providing background and considering whatever other options are there.

Clearly there was a direction from the Premier, maybe not specifically given, but that we were considering divestiture of a portion of the shares of SaskTel. So some work would've been done at SaskTel.

The Chair: — Mr. McCall, I just want to caution you on . . . Some of the language you're using is getting very close to accusing the government of not telling the truth or hiding the truth and I just want to caution you on your use of language within that because that is very unparliamentary.

Mr. McCall: — Duly noted, Mr. Chair. In terms of the work that went into the partial privatization or privatization of SaskTel, can the minister describe what sort of impact that would take, what kind of toll it would take on the capacity of the leadership team of SaskTel to do the work responsible for the proper stewardship of these resources that are SaskTel?

Hon. Mr. Morgan: — I don't know whether that was a question that was ever asked, and I don't have any information as to what the effect of those changes may or may not have been. Perhaps Mr. Meldrum might have more information on that than I do.

Mr. Meldrum: — I would say Ron Styles has an unlimited capacity for work problems, issues, so him having to deal with and handle those aspects of the job would not have detracted from his ability to run the corporation and deal with all the other issues that we face on a daily basis.

[13:45]

Mr. McCall: — For the period in question, can the minister, Mr. Meldrum, Mr. Burnett describe to the committee what happened with the debt load and the debt limit for the corporation?

Hon. Mr. Morgan: — You're asking for the period of time affected by these annual reports?

Mr. McCall: — Yes.

Hon. Mr. Morgan: — Sure. Yes. I'll have Charlene come back. As you're aware, the nature of this industry is that it's very capital intensive and the newest technology has to be in place. We are continuously adding capacity through Max TV and additional cell towers across the province. So I'll certainly let Ms. Gavel answer the questions as to what would happen with the debt load and where it's at.

Ms. Gavel: — So we did have an OC [order in council] passed to increase our debt ceiling and it's at \$1.8 billion. In June 2018 we acquired \$50 million of debt and in April 2019 we acquired 100 million. And as the minister said, that's to fund our capital plan. We do have a substantial capital plan every year to ensure infrastructure is up to date and we're serving the province of Saskatchewan.

Mr. McCall: — Not to nitpick, but are you referring to an order in council or to a change that was made in SaskTel's legislation? Just for the record.

Ms. Gavel: — It's by legislation. My apologies.

Hon. Mr. Morgan: — We can confirm whether there was a

legislative change or an OC that allowed for the authorization. It may well have been a legislative change. In either event it was done. At the time those things are done, the Provincial Auditor reviews the books and there's always caution exercised with regard to the debt/equity ratio of the corporation and the corporation's ability to continue to pay dividends to the province.

Mr. McCall: — Perhaps I'm misunderstanding this, but the increase in the debt limit wasn't at the request of the Provincial Auditor. Surely the minister's not saying that.

Hon. Mr. Morgan: — No not at all. It was a request from the corporation with the idea for that. No. The auditor reviews the debt/equity and makes whatever comments that office feels is appropriate, and it's done in conjunction with CIC. It was done at the request of the corporation.

Mr. McCall: — For the period in question, Mr. Minister, what was the capital build, both target and realized, for each year?

Mr. Burnett: — Maybe I could answer that. So in '17-18, our capital build, we spent \$302 million. That's what our budget was and that's virtually exactly what we did spend. And in '18-19 our budget was \$301 million worth of capital improvements. Without IFRS we would have spent 282 million; under IFRS, 268 million.

Mr. McCall: — For the period in question, what was the dividend paid for each period into CIC and then on through?

Mr. Burnett: — For '17-18 the dividend would have been 90 per cent of our net income, which was 108.9 million. And for '18-19 it was paid based on the IFRS numbers, so it was 114.7 million.

Mr. McCall: — For the periods in question, what was the payroll paid out both to in-scope employees and to out-of-scope employees? And if you could break it down by SaskTel overall and by the main corporation in particular.

Mr. Burnett: — I don't have the total payroll. I can give you the weekly salaries for in-scope and out-of-scope if that's of assistance, and then we can perhaps find the total payroll.

So for in-scope the average weekly salary is \$1,368, and for out-of-scope the weekly base salary is \$2,113. So on average for all employees the weekly base salary is \$1,547. In terms of the split between in-scope and out-of-scope folks, SaskTel has . . . approximately 78 per cent of our staff would be within the scope of the union and 22 per cent are outside of the scope of the union, and we have a total of approximately 3,327 employees — FTEs [full-time equivalent].

Mr. McCall: — Thank you for that. And could you state as well for the record, for the in-scope employees that are covered by collective bargaining agreements, if you could enumerate how many collective bargaining agreements are involved, the FTE complement attached to each of those, and when those agreements expired.

Mr. Burnett: — Certainly. So all three agreements have expired. We have an agreement with SaskTel. We have an agreement with Directwest, and we have an agreement at SecurTek. All three are represented by Unifor.

In terms of the number of folks that are within and out of the scope of those unions, at SaskTel there is approximately 2,594 FTEs that are within the scope of the union and 732 that are outside of the scope of the union. Within SaskTel International, 16 folks are within the scope of the union and approximately 33 folks are outside of the scope of the union. SaskTel International and telco all fall under one collective agreement, just for clarification. Directwest has 52 folks that are within the union and 47 that are outside of the scope of the union. And SecurTek would have approximately 70 folks that are within the scope of the union and about 61 that are outside the scope of the union.

All three of the collective agreements expired in March of this year.

Mr. McCall: — Given the relation to what we're here today to consider, and the importance of those men and women and the work they do for SaskTel in a field that is incredibly competitive and where the pace of change is rapid and unrelenting, can the minister or officials describe for the committee the current state of affairs as relates to collective bargaining?

Hon. Mr. Morgan: — I think I'm reluctant to say a lot in this area, but at the present time as the CEO has indicated, the three contracts with Unifor have expired. Negotiations are under way. I would urge both sides to get back to the table and resume negotiations. Negotiations are never easy, have lots of challenges with them, but our hope always is that a negotiated settlement can be reached. A bumpy negotiated settlement is always better than having a strike, for everyone. So we're hopeful that the parties will continue to work, and what's being exchanged between the parties at the present time I'm not able to comment on.

Mr. McCall: — As regards the approach of the government to bargaining, is there any understanding made for sectors or corporations where competition is particularly fierce? And certainly over the years there's sometimes a difference that gets made between the public sector generally, the Crown sector, and the different sort of competitive imperatives that each sector faces. And then some hope to be more . . . to provide some flexibility to address those competitive pressures, and that of course relates to bargaining. Is there a mandate that has been put in place for all the Crowns and that's where this all rises or falls? Or is there some kind of understanding that each table has its own unique imperatives and challenges and that that is being respected?

Hon. Mr. Morgan: — I don't think I would comment on the differences between the different bargaining tables. If your question is because of the competitive nature of SaskTel — and it certainly is because it has private sector competition in every aspect of its business — would that result in a tighter or a more aggressive mandate, then I can tell you that it's not. It's not a factor that's been in discussion.

You know, the factors that they work in are broad-reaching across a number of different factors — Western Canadian averages, and workload of and education and training of employees — a variety of different things that would be taken into account. But no, the fact that SaskTel is highly competitive and does a good job at being competitive would not be a factor.

Mr. McCall: — So there's not a situation where there's been a blanket mandate enumerated for public sector bargaining generally and for the Crowns particularly. Each table is its own unique entity and that is given the room and the wherewithal to be respected.

Hon. Mr. Morgan: — I didn't say that. What I did say was that the competitive nature of SaskTel did not require SaskTel to have a different mandate than anywhere else or anything differently. And I wouldn't comment on the difference between what any particular table may or may not choose to have. There's negotiations under way in a number of different sectors and it would be highly inappropriate for me to comment on those right now.

Mr. McCall: — In terms of the different human resources plans for the corporation, what sort of satisfaction or confidence level is there around aspects like employee morale, succession planning, basic wage competitiveness, being able to be competitive on wages and benefits? What can the minister tell us about that in general, drawing of course upon these two years under question?

Hon. Mr. Morgan: — I'm going to let Mr. Burnett answer that. And I know, given the current stage of negotiation, it will sound hollow, but the work that's done by SaskTel employees — and I've had them in and out of my place here and elsewhere — these are some truly exceptional people. I've had neighbours that have worked for SaskTel, and I continue to be amazed at the great work that they do and the level of commitment that they have to their job and to the customers that they serve. As a province, we are very well served by these women and men, and I should use this as an opportunity to thank them.

Mr. Burnett: — Thanks, Minister. Just to speak to the three points, in terms of morale, we have a fairly rigorous survey process that we conduct with the employees on an annual basis to assess their engagement, and we compare those results to a benchmark that's established nationally. And at SaskTel, I can tell you that over the last little while we've typically been within one or two points of kind of the national average.

This last year we did drop by, I believe we dropped by four points. So in leading up to this labour issue, we have seen a decline, whether that's as a result of labour issues or as a result of kind of belt tightening, other initiatives that we have taken to reduce costs. It could be a combination of those things.

But generally speaking on most factors, morale or employee engagement, I would describe as very good. It's an area that we are constantly focused on. And as a result of this survey I can tell you the work that goes on afterwards is that we take that, we dissect the results, we put together action plans, and we do our best to try and then address the kind of bugbears that we see. So that's kind of where things are at in morale.

Wages, as we look around at wages, I would say SaskTel's wages tend to be probably above the average wage. So wages, in our opinion, are quite strong at SaskTel throughout the entire company.

[14:00]

And I'm trying to remember. The last one I think was succession planning. We also do a fair bit of succession planning. Again we have a very deliberate process, starting with kind of the executive, our director level, our in-scope level, and our out-of-scope folks. And the objective is to have the immediate level take a look at whether or not there are folks that could step into their job from the jobs that are reporting to them, to ensure that we have that type of talent.

We also are constantly looking at evolving our skill sets. As you know, technology is constantly evolving for us. And so we not only look at do we have people that have the right leadership skills, but are we training our folks to be able to manage the company, kind of as it evolves. So a fairly strong succession planning process as well.

Mr. McCall: — So can the minister or officials describe for the committee the last time there was any widespread job action with the corporation?

Hon. Mr. Morgan: — What is the . . . [inaudible] . . . Is there job action?

Mr. McCall: — So in terms of the last time that SaskTel went through job action, are there any lessons that you're gleaning as you head into what seems to be a pretty good likelihood of more job action?

Mr. Burnett: — Well there are lessons that we learned last time, which I think was in about 1995 if I remember correctly. And generally they are just around things that we might be able to do better to ensure that the customer service is disrupted as least as possible. So there's those types of lessons.

I really believe that back in 1995 . . . And by the way, at the time the union was a different union. It was CEP [Communications, Energy and Paperworkers Union] at that time and now of course it's a combination of CEP and the auto workers' union, being Unifor. So we have found as time passed through that merger that they are quite a different entity to work with. Quite frankly, the CEP tended to be more local folks that you could reason with and talk about the local issues. Not so much anymore.

So in terms of lessons, I would say that we probably are a little wiser in terms of what things we can and can't keep going in the event of a disruption. But the business itself has also evolved to the point where we're almost a different company from 1995. We're quite a bit more of a technical company, a knowledge-based company, a lot less manual. So we have done a fair bit of work around trying to assess what it is that we need to do if this company ends up being run by managers — 22 per cent of the organization — and how best we can run the organization with the least disruption.

Hon. Mr. Morgan: — I appreciate the questions you're asking. I'm loath to allow the officials to go much further down the road on an area where we're at this point in the negotiations. And I'm sure you'll understand that would be inappropriate for them to talk about what the strategies might be in case of job action.

Mr. McCall: — Again to restate, in terms of making certain that you've got a complement of management or out-of-scope employees ready to ensure that SaskTel keeps chugging along,

what's the division again between out-of-scope, in-scope, and what sort of service impacts do you predict in terms of the time?

Hon. Mr. Morgan: — I think that's an area we wouldn't go to. We can certainly tell you the numbers as the CEO did earlier as to how many are in-scope and out-of-scope, but the effect that would have or not have is something that ought not be discussed.

Mr. McCall: — Well to put it a different way, to date there've been different cost-cutting requests made of different of the Crown entities. Certainly SaskTel's been party to those. Can the minister or officials describe for the committee what sort of cost-cutting exercises have been undertaken for the years in question? And what requests have been made? And what sort of targets have been either achieved or exceeded upon?

Hon. Mr. Morgan: — CIC urges all of the Crowns to strive for continuous improvement, to look for attrition management, and to try and make the corporation operate as effectively as it can while maintaining or increasing customer service. Score cards are prepared periodically and discussed as a management tool. And there is ongoing decisions to try and make our Crowns among the best in Canada.

Now with regard to the efficiency targets, I'll let Mr. Burnett answer that. You'd indicated cost-cutting. We wouldn't regard something as cost-cutting; we would regard things as striving for efficiency, striving for good service. The Crown certainly has been in a growth mode for the last number of years, but I'll certainly let him talk about the steps that the Crown is taking to try and operate as effectively and efficiently as possible.

Mr. Burnett: — Sure. We set all sorts of productivity and efficiency measures. In terms of people, if that's one of the areas of focus, our business is evolving so quickly that we are constantly assessing what the size of the organization should be, how many folks the business can afford. And you know, we have reduced I think over, since about 2011, something in the order of about 12 or 1,300 people. So we have for a long time been mechanizing various aspects of the job. Directory assistance is a perfect example. You know, I think at its peak we had somewhere in the neighbourhood of 5 to 700 employees doing directory assistance. Today we have none.

And so every time a position becomes vacant we take a long, hard look at whether or not that position needs to be filled or maybe we need to use that capacity someplace else in a different area, a growing area. So we do have some cost-reduction targets relative to head count. We do also in terms of training. We also have a number of productivity targets, so where we strive to achieve a certain number of broadband connections, all of those kinds of things. Customer satisfaction levels. So we have a large number of targets, whether you call them productivity targets or efficiency targets.

Mr. McCall: — I guess alongside the immediate past, there've been different requests for cost-cutting emanating forth from the government. And the Crown corporations like SaskTel are left to make up 3.5 per cent of payroll — or whatever the figure was after the new Premier was elected — for SaskTel. So could the minister or officials describe what actions were taken in regards to those specific demands that were made of the SaskTel workforce and finances?

Hon. Mr. Morgan: — The direction was, and it was publicly given, that an offer was to be made of minus 3.5 per cent. The offer was on the table for a period of time, and I don't know the exact length of time, and has been withdrawn in its entirety.

Mr. McCall: — So alongside of that though, from 2016 — and again we can go back and go through the record — there have been different requests made of the Crown sector generally and SaskTel in particular. In terms of vacancy management, or productivity gains, or whatever combination of actions needed to be taken by the corporation, I believe the corporation has responded above and beyond in terms of the requests that have been made of them. So could the minister or officials describe what has been undertaken in these years under question?

Mr. Burnett: — The minister is correct that there was a request at one point to reduce wages by three and a half per cent. That was subsequently withdrawn. And then in working through other targets with CIC, there was a request to reduce total compensation by 3 per cent. I think that might be what you're referring to. And that I can tell you was a target that we accomplished and in fact, as you mentioned, far exceeded.

So what we have seen, within our business anyway, is that not only do we manage our resources in accordance with some of those requests, but our business actually necessitates that we need to do more of that. So as an example, this year alone, there is no request for any reduction. We anticipate that we probably will need to come down by in excess of 100 people, just to give you a sense of how quickly our business is evolving and what, you know, the revenue will allow us to have in terms of the size of an organization. So we are constantly kind of refining the size of the company.

And there certainly was that one request. We were well above that out of necessity, and we will be well above anything that is . . . In fact there is nothing being proposed again this year.

Mr. McCall: — So again the 3 per cent of payroll, was it not 5.8 per cent reduction that was actually achieved? Am I remembering, or misremembering, that correctly?

Mr. Burnett: — Yes, you're remembering it better than I am. It was far in excess of the 3 per cent of total compensation that was requested.

Hon. Mr. Morgan: — Again there wasn't a government direction that was given other than a minus 3.5, and as a general and an ongoing expectation, that the Crowns be operated as efficiently as they can. We're in a time of changing technology. The nature of how the workforce provides its services changes relatively rapidly in this one and we're watching, I think as all of us are, the income that's coming from Tel and, as Mr. Burnett indicated, the employee satisfaction that's there.

Going back to 2007, and we've in almost every year used 90 per cent for dividends. But in 2007 the net income was \$97 million; 2001, 101.5; then 2002, 65; 85; 2004, 94; 2005, 64; 2006, 72; 2007, 84; and in 2008, 121; then 129; 2010, 155.2. And then we've generally been in the 125,135 million dollar range for net income since that time. And for that I thank the good staff and workers at all levels at SaskTel for being competitive, doing great work. So you know, we are continuing at that 90 per cent target

and hope to be able to continue.

Mr. McCall: — I'd really hope that's getting through at the bargaining table, Mr. Minister, in terms of that gratitude that you've admirably expressed.

Hon. Mr. Morgan: — I'm not at the bargaining table so I wouldn't comment on what's taking place at the bargaining table. I know that SaskTel and their team are working hard to try and get a resolution and we're hoping that everybody is working their best.

[14:15]

Mr. McCall: — So again in terms of, you know, the many and varied demands that are put before the hard-working men and women of SaskTel to provide that big dividend and to provide great service that's ever increasing in a wildly changing landscape, and to provide competitive wages across the piece, and to keep that eye to customer service and customer service satisfaction, it's a tremendous demand that we place on SaskTel to get that work done. And, Mr. Minister, I don't know that all those sometimes competing objectives are going to be able to be kept in balance.

So again, you and I have sat around this table a few times and had these questions. And in terms of what's going to happen with the corporation, is the minister not concerned about the state of affairs with the labour unrest at SaskTel and what that means for customer service, customer satisfaction, again in an ever-competitive environment?

Hon. Mr. Morgan: — Of course I am. I think all of us are and all of us should be. SaskTel and the Crowns that we have in our province are absolutely important to every citizen in this province — one, for the services they provide; secondly, for the dividends that are paid out, and as part of the fabric and backbone of our province. Some people refer to our Crown Corporations as the jewels in a crown, and of course we're concerned. We want to see a negotiated settlement and end to it.

You talked about the various challenges to provide service and how things have been over the last number of years. You see a number of the members of the senior management team at SaskTel that are here today so these are people that I think are doing above and beyond what would ordinarily be expected from them. The pressures in this corporate environment, as you say, are intense and I think they are doing a good job as indicated by (a) the bottom line, and like I said are there. Once again, I hope that we're able to get a settlement across the line.

Mr. McCall: — In terms of other challenges that have emerged for the years under question, Mr. Chair, could the minister or officials offer some comment, some observation on the way that the whole question of plans for 5G are evolving, and specifically as regards the situation around Huawei.

Hon. Mr. Morgan: — Sure. The officials may want to add something to it. As you're aware, the province, SaskTel has got an investment in Huawei equipment in the range of \$200 million. The equipment that's provided by Huawei is some of the best equipment that is available and certainly is the most competitively priced. So it's very much the preference of SaskTel

to continue to use that as the 4G and 5G networks are rolled out.

People are likely aware, maybe not, that 5G is an enhanced network that will allow for wireless transmissions to take place. 5G is short for fifth generation and they refer to that sometimes as the internet of everything, where you've got more and more stuff that's interconnected.

The concern with Huawei is of course that it's a Chinese corporation and is it capable of being accessed inappropriately by officials within the Chinese government. There's certainly no indication that that's happened. It's more the spectre that it might happen. And now at the request of the United States government we're holding an official of the Huawei government at house arrest in Vancouver.

The United States government is taking a strong stand against China in a general sense but Huawei in particular. Different countries around the world are responding differently. So in our province, we're waiting for direction from the federal government and from Bell and Telus, who are our two largest partners in joining together to provide wireless service. They partner with SaskTel on providing towers and a variety of things.

So the strategy of the present time is not to purchase or invest any further in Huawei equipment other than ongoing operating expenses for service contracts, etc., but rather to build and be ready so that if there is a resolution that they'll be able to respond quickly and have towers become operational.

So they're locating tower sites and running the electricity and the fibre to those sites. They're installing a universal tower. There are two pieces of Huawei equipment. We've got one, a head unit at the top of the tower and a radio unit at the hut that's at the bottom of the tower. So the equipment that's there, the tower, the fibre, and electrical would be ready so that a person, SaskTel worker, would be able to come and complete the installation relatively quickly. Unfortunately for them, if it's January a trip up the tower might not be a real pleasant climb, but I've never climbed a tower. But in any event that's sort of the strategy of where we're going right now.

It becomes even more complex because China is, for our province, one of our major trading partners. We sell large amounts of our agricultural products to them. Those have been put on hold as well. So we have lentils and live animals, hogs that are not going to be able to deliver to market. So it's become not a problem of just Saskatchewan and SaskTel, it's an international problem between our province and China. But we are caught in a global trade war between the United States and China, and it's something that we don't, in our province, have a good answer for or any answer at all right now other than to wait and see what direction we get from the federal government.

The federal government indicated earlier this year they would not have an answer or a direction until after the next federal government. If there's a change in government, I'm sure it will take some time for them to get up to speed as to what the pluses and minuses are. And if it's the same government, I hope that they're able to work through whatever the issues and give us a direction.

An answer that might come from them is to replace all of the

equipment or not to add any more grandfathered equipment that's in there. And we don't know the direction that's there. The equipment that is in place now is all used in conjunction with 4G, but we have not installed any 5G equipment. I don't know if that's a long answer and if you need any more detail.

Mr. McCall: — Well global questions, Mr. Minister, global answers. That's how that goes, but . . .

Hon. Mr. Morgan: — Unfortunately it is and I wish I had better answers. So the plans that SaskTel have adopted are to be ready for a resolution so that they can react and get to work getting the stuff in place and turned on. So you're exactly right.

Mr. McCall: — The last time I paid attention to the polls, Mr. Speaker, there's certainly a great likelihood that there'd be a federal Conservative government. They're on record as being quite militantly anti-Huawei. And you know, if fellow committee members have, you know, different observations, I'd welcome that, but that's my understanding of their position. That would seem to presuppose some kind of ripping out of all the Huawei technology that exists. What's the price tag on that?

Hon. Mr. Morgan: — The expenditure to put it in was \$200 million. To replace it will be more than that, and then the costs of ripping out, and then it's orphan equipment after that. So I don't have a dollar value of it. It's an expense that we do not want to incur.

I heard the federal Conservative leader make the comments and I'm not certain whether I would read into that, that that is definitely the plan or whether the plan would be that we'd say, okay you can use that for 4G or you'll grandfather the equipment that's in. I think you and I could both speculate as to his meanings. And I don't know and I haven't had any discussions with that party.

Mr. McCall: — So in terms of the question of trade damages — and we've talked about this before — is there a case that SaskTel is making or prepared to make as regards the trade damage that ensues if that is a decision made by the national level of government?

Hon. Mr. Morgan: — I can say this. We've had letters and correspondence going to our federal counterparts and I've had discussions with a number of federal ministers and federal officials, as I'm sure our officials have as well. We've let them know what the problems are for our province. Bell and Telus are in exactly the same position we are but on a much, much larger scale so they will be raising the same type of issues that we are as well.

Mr. McCall: — In terms of the inquiries and the demonstrations that have been made on the part of SaskTel and the Government of Saskatchewan to the federal government, to the CRTC [Canadian Radio-television and Telecommunications Commission], what have you, has there been any sort of indication made as to acceptance in principle of the whole question of trade damages arising from a federal decision?

Hon. Mr. Morgan: — There is not because right now they haven't made a decision. Right now the federal government is reviewing and analyzing, so it would be premature for us to

quantify our damages or them to take a position on what damages might be there.

Mr. McCall: — Well not for the first time, there's a lot riding on a federal election, Mr. Minister, but . . .

Hon. Mr. Morgan: — There is, and I'm not sure how the outcome of the election may or may not change this. You know we've heard positions and statements by party leaders but what that boils down to in terms of specific policy on this issue, I don't think I'm in a position to comment on it other than to say that we're watching it with significant interest.

We're also watching the statements that are made by the president of the United States and Mr. Kudlow and Mr. Navarro who are his trade advisers, and looking to see what type of things they're saying, whether we can glean some form of a direction. And then we're also looking at what's taking place in various countries around the world, and there's a variety of different positions.

The advice that I would give the federal government is to have some careful discussions with the United States so that we are not out of sync with the US [United States], and that we don't do anything that aggravates our trading position or our ability to share technology and have our networks interconnect. I think you're aware our economy and the economy of the United States are for the most parts highly interconnected and the idea of having a very interconnected telephone system or telecommunications system is something that's absolutely imperative to the businesses and the citizens of our country.

I think most of us have got relatives that are Americans. I certainly have first cousins and an aunt that's an American and their family. Not just the ones that are family, but other citizens across the US, these are people that we're close to. These are people that are our natural allies as far as a trading partner. And I think you're aware of the John Kennedy statements which are, you know, these are the things that we need to work on. And I don't want to see that relationship damaged by virtue of what's taken place with the Huawei executive or our current trading relationship. And I hope that at the end of this, we can look back and say, this was a bump on the road, not a derailment.

Mr. McCall: — Well I certainly appreciate that, Mr. Minister, and certainly it's a good clarification. It wouldn't be the first time Saskatchewan's had a lot riding on a federal decision, let alone an election.

But I guess just one last on that, Mr. Minister, looking at the clock on the wall, what other sort of federal regulatory or spectrum option questions, what other sort of federal reefs are there out there to be navigated?

Hon. Mr. Morgan: — Most people would be aware that the ability of our cellular networks is based on the ability to provide spectrum, which is the radio frequencies that the equipment operates in. And if you don't have sufficient bandwidth to operate your equipment in, you're unable to make the equipment function properly or it bogs down.

The federal government has, through CRTC, has a system of auctioning off the bandwidth as it becomes available. And I've

had the process explained to me a number of times, and it is (a) a moving target, and (b) it is incredibly confusing and complex and you do a lot of head scratching. It's not as complex as you might think, but it is totally baffling the way they do things with a seconder bidder or the second-bidder price. But anyway I will let, I think, Mr. Burnett explain to you where we're at with that with spectrum and spectrum options.

Mr. Burnett: — Sure. Just in relation to spectrum, we were very successful in purchasing spectrum in the last auction. So we managed to get all three blocks, 10-megahertz blocks, so 30 megahertz for almost the opening price, which was as good a price as you could get it. So we got all the spectrum we needed. That's a 600-megahertz spectrum. That's kind of the lower end spectrum.

We do still anticipate another spectrum auction coming probably in the latter part of 2020 for 3500 megahertz spectrum. That too is valuable for being able to deploy a 5G network. That's the higher level spectrum, shorter distance but much better in the cities and those types of areas. So that's what's going on with spectrum. The rules, we already understand that the rules will be different for the 3500. That's why none of us can properly articulate exactly how the rules work. They seem to change every time the federal government holds an auction. But we will be very interested in the 35, as will all of the other major carriers in Canada.

[14:30]

Just a little on terms of 5G. Our kind of road map to deploying 5G is probably, it really is dependent upon Huawei. If Huawei is still a vendor and equipment that we can use, we will be looking to deploy 5G in 2020 in some of the major cities, in Regina and Saskatoon, maybe at the stadium, those kinds of things. It won't be a real large deployment, but at a minimum we'll be hopeful to do that.

If Huawei's out of the picture, then we will need to do some testing and work with Bell and Telus to make sure whatever the solution is that we choose isn't inoperable. Probably takes us all into 2021, so it will definitely delay the rollout of 5G. And then of course you still need the handsets and the rest of the environment to be able to turn it up. So in Canada we have very few if any handsets that are 5G ready today. So we'll need that to evolve as well. I know you'd asked the question about 5G, and spectrum certainly leads into that.

But in terms of other things from the regulator, the regulator just does not tend to be very friendly to incumbents. They are focused on encouraging competition. They tend to forget in Saskatchewan we have four incumbents. They talk about getting a fourth national provider, forgetting that SaskTel is already the fourth provider here. And they tend to treat SaskTel very much like they treat the rest of Canada, or Saskatchewan in Canada and SaskTel and the rest of the big providers, despite the fact that there are some very unique things in Saskatchewan and about SaskTel that would make some of their policies less applicable.

So we find that we get side-swiped a little bit by some of their policies. You know, the most recent policy around wholesale broadband had minimal impact on us, but has the potential as it expands, you know, possibly to fibre, to make it very difficult for

us to justify some of the business cases to drive fibre out into rural locations. If suddenly you have to share it at a low price, it makes it that much more difficult to build a business case that will allow you to sustain pushing it deeper and deeper into rural.

So those are some of the things, you know. As you've heard talk before, they eliminated the high-cost serving area subsidy, despite the fact that in Saskatchewan a very large portion of our customers are still in high-cost serving areas.

So those are the types of things that we see with the regulator. Their policies don't tend to be as surgical as we might think they should be, and we get caught up in some of them, and some of them take us by surprise. So generally speaking, they add more cost to our business and they don't generally help us be more competitive. So that's kind of the regulator in a nutshell, you know, and there is a number of different areas that the regulator is looking at today, all of which have the potential to impact us.

Mr. McCall: — Thank you very much for that. I believe we've come to a fork in the agenda, Mr. Chairman, and to quote Yogi Berra, I believe we'll take it. But just to Minister, officials, through yourselves to the hard-working men and women of SaskTel, again we've had a good discussion of what is a tremendous corporation that is tremendously valued by the people of Saskatchewan. That takes a lot of diligent effort to make it all go round. So again our thanks to the hard-working men and women of SaskTel. And with that, Mr. Chair, I conclude my questions and observations.

The Chair: — Well thank you. Do any other committee members have any questions? Seeing none, we conclude consideration.

We will now ask a member to move that we conclude consideration of the following annual reports and financial statements: 2017-18 and 2018-19 SaskTel annual report; the SaskTel Telecommunications financial statements for the years ended March 31st, 2018 and March 31st, 2019; Saskatchewan Telecommunications International Inc. financial statements for the years ended March 31st, 2018 and March 31st, 2019; Directwest Corporation financial statements for the years ended March 31st, 2018 and March 31st, 2019; SecurTek Monitoring Solutions Inc. financial statements for the year ended March 31st, 2018 and March 31st, 2019; Saskatchewan Telecommunications pension plan annual reports and financial statements for the years ended March 31st, 2018 and March 31st, 2019.

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

Some Hon. Members: — Agreed.

The Chair: — Before we begin this afternoon, I'd like to take a moment to remind committee members and officials of the format that we will be using this afternoon. First I will recognize our Provincial Auditor, who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once completed, I'll recognize the minister to introduce his officials and respond to the chapters under consideration. After all the auditor's chapters have been reviewed, I will exercise . . . excuse the auditor — okay I won't exercise you; I'll just excuse you — excuse the auditor and then

move on to consideration of annual reports.

Any questions about the above process? Seeing none, I will now turn it over to Ms. Ferguson to introduce her officials and make her presentation on the 2019 report volume 1, chapter 38.

Ms. Ferguson: — Thank you very much, Chair, members, and officials. With me this afternoon is Ms. Kim Lowe. Kim is the committee liaison. And I've got two people that are sending their regrets: Trevor St. John who is the deputy provincial auditor responsible for the portfolio, and Nicole Dressler who led the work that's before the committee this afternoon. They were unable to attend because of other work priorities.

So before I actually do, we've got a short presentation on the report here. Before I launch into that presentation, I do want to take a moment and say thank you to the organization and the officials at the organization for the co-operation extended to our office. We greatly appreciate that in the course of our work.

As the Chair indicated, we're talking about chapter 38 of our 2019 report volume 1. For those of you online who are following, that's on pages 339 to 342. This reports the results of a first follow-up of a 2017 audit of SaskTel's processes to purchase goods and services related to its fibre optic network upgrade and other network hardware. We're very pleased to report that, within just two years, SaskTel has fully implemented all of the recommendations that we had made.

Since that 2017 audit, they continue to expand its fibre optic network. In '18-19 it purchased approximately \$100 million of network equipment and equipment related to the fibre optic upgrade. Also since that time, they've improved the processes for resolving supplier performance issues and using supplier feedback. They revised forms so it logs actually the names of the individuals that are involved in evaluating competitive purchase proposals, again that provides an audit trail and a management trail. In addition it revised its processes to obtain proper authorizations when there's successive purchases of materials that can increase the dollar value beyond the initial approval threshold.

All in all, having solid processes to buy goods and services helps make SaskTel's purchases transparent, fair, and achieve best value. That concludes my presentation.

The Chair: — Well thank you. Minister Morgan, do you want to please introduce your officials — oh I guess you don't have to; you've got the same ones as before — and make any comments.

Hon. Mr. Morgan: — I have the same ones, Mr. Chair. Mr. Meldrum has had to leave, and I think I'd indicated that earlier to some of the officials and committee members that he was going to have to leave. So he's gone. Other than that, I have the same officials that were here before.

The Chair: — You have no comments?

Hon. Mr. Morgan: — I have nothing at this point.

The Chair: — Okay. Any questions? Seeing there are no more questions, the 2019 report volume 1, chapter 38 has no new

recommendations for the committee to consider. I'd ask a member to move that we conclude consideration of this chapter. Mr. Nerlien so moves that we conclude consideration of the 2019 report volume 1, chapter 38. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This concludes our business with SaskTel. Mr. Minister, do you have any final remarks?

Hon. Mr. Morgan: — Yes, Mr. Chair. I would like to just use this opportunity to thank the committee members for the work that they've done this afternoon and in preparation for this meeting. I would like to thank as well the SaskTel staff that are here today. These are people that work hard all year long and do a lot of work to keep us prepared for the things that we need to do. I want to thank as well the Hansard staff, the people from the building, the Legislative Assembly staff, as well as all of the staff and employees of SaskTel throughout the province and all of the fine civil service that we are so well and ably served with across the province.

So with that, Mr. Chair, that's all that I have at this point in time. And thank you as well.

The Chair: — Thank you, Minister. Mr. McCall, do you have any closing remarks?

Mr. McCall: — I believe I've already said them.

The Chair: — You've already said them.

We'll now take a short recess to bring officials in from SaskPower.

[The committee recessed for a period of time.]

[15:00]

Saskatchewan Power Corporation

The Chair: — Well we finally welcome Minister Dustin and SaskPower officials. We'll be considering three Provincial Auditor chapters and then the annual report of SaskPower and subsidiaries. I'd like to mention that Ms. Sproule is in here substituting for Mr. McCall. And I'd also like to table a document: CCA 78-28, SaskPower Corporation: Responses to questions raised at the May 6th, 2019 meeting.

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

We'll begin with the Provincial Auditor chapter. Ms. Ferguson, please introduce your officials and make your presentation on the 2018 report volume 2, chapter 25.

Ms. Ferguson: — Thank you very much, Chair, members, and officials. With me this afternoon is Ms. Carolyn O'Quinn.

Carolyn's the deputy that SaskPower's included in her portfolio. Behind is Ms. Charlene Drotar. Charlene led some of the work that's presented and before the committee this afternoon. And Ms. Kim Lowe is our committee liaison.

This afternoon we're going to be making three presentations. We'll be presenting each chapter individually. Carolyn will be making the presentations. We'll pause after each chapter for the committee's consideration. There's only one chapter that contains new recommendations. That's the first one on the agenda. So there's new recommendations for the committee's consideration, and the other two are follow-up chapters. Before I turn it over to Carolyn, I just want to take a moment to thank the officials for the co-operation extended to our office during the course of this work. We appreciate that.

Ms. O'Quinn: — Thank you. I will start with chapter 25 of our 2018 report volume 2 which starts on page 169.

SaskPower maintains one of the largest electricity transmission and distribution systems in Canada. Effective maintenance is key to providing its customers with a safe, reliable source of power.

Chapter 25 reports the results of our audit of SaskPower's processes to maintain above-ground assets used to distribute electricity. Above-ground distribution assets include wood poles, power line conductors, voltage regulators, reclosers, overhead switches, poletop transformers, and capacitor banks. Its over one million wood poles are the most significant above-ground distribution asset. Above-ground distribution assets are key to SaskPower providing power to its over 500,000 customers.

At March 31, 2018, SaskPower owned about 2.4 billion in distribution assets. In 2018-19 it had expected to spend about 39 million maintaining its existing distribution assets. We found that SaskPower generally had good processes to maintain its wood poles; however, it needed to improve its processes to maintain its other above-ground distribution assets.

We made seven recommendations in this chapter, and I'll highlight each recommendation along with an explanation of why we made the recommendation.

First, on page 178 we recommend that SaskPower formally assess the risks associated with its inspection and preventative maintenance strategies for above-ground assets used to distribute electricity.

At the time of the audit, SaskPower was in the early stages of adopting new corporate-wide strategies based on an industry-accepted framework. It had broad maintenance strategies for each of its above-ground distribution asset types. For example, it had decided not to maintain certain of these assets, like poletop transformers. For these it replaced them when they failed. This is referred to as a run-to-failure strategy.

For others it determined preventative maintenance was needed and determined preventative maintenance intervals. For example, its strategy required voltage regulators to be inspected every four weeks and reclosers annually. However SaskPower had not completed formal, evidence-based risk assessments to support its selected strategies and the frequency of its preventative maintenance and inspections.

Not having formal risk assessments to support maintenance strategies and inspection frequency increases the risk that SaskPower may not be doing the right maintenance at the right time to limit the risk of asset failure safety issues, or that it knows whether its maintenance strategy is cost effective.

On page 179 we recommend for above-ground assets used to distribute electricity that SaskPower plans to maintain, it determine the condition to which it expects to maintain each type of those assets.

SaskPower had not determined the condition it expected to keep each of its above-ground distribution assets. SaskPower only had a clear condition rating for its wood poles. While it had determined expected service life for the other above-ground distribution assets, it had not documented what it considers an acceptable condition for these.

Determining the desired acceptable condition for each type of above-ground distribution asset helps guide the nature and extent of maintenance activities and would help SaskPower to focus its maintenance resources on those assets with the highest risk of failure. It also facilitates monitoring the effectiveness of its maintenance strategies.

Next, on page 181 we recommend that SaskPower consistently maintain in its IT systems key information about its above-ground assets used to distribute electricity to support evidence-based decision making.

We found SaskPower tracks various information about the same above-ground distribution assets in multiple IT systems. Each IT system tracks different types of information about that asset. Our comparison of information in these systems found SaskPower did not have complete and consistent key data about all of its above-ground distribution assets.

As shown in figure 7 on page 180 of the chapter, for some types of assets, significant differences existed. SaskPower was aware information in these systems did not agree. It knew it did not have an efficient way to reconcile information between these systems or compare information on the same assets.

SaskPower uses the information in its IT systems to determine when to inspect certain assets, to track the maintenance that it completes, and to track power outages caused by the failure of assets. Without consistent key information, SaskPower does not have sufficient information to support evidence-based maintenance planning for the non-wood pole above-ground distribution assets.

Next, on page 182 we recommend that SaskPower maintain up-to-date information about the condition of its above-ground assets used to distribute electricity to support risk-informed asset planning.

So inspections of the individual assets determine their current condition and enable the capture of key up-to-date information about the asset inspected. SaskPower completed its inspections of wood poles as planned and had reasonably up-to-date information about their condition, however it did not always inspect the other types of above-ground distribution assets as often as it expected. We found that it completed less than

two-thirds of planned inspections; therefore it didn't have up-to-date information about their condition.

Without asset condition information about other above-ground distribution assets, SaskPower cannot analyze if it's completing the right maintenance at the right time to achieve desired asset condition levels. It needs this analysis to better inform its planned maintenance of those assets throughout their lives.

Next, on page 183 we recommend that SaskPower formally prioritize its maintenance of above-ground assets used to distribute electricity to support risk-informed allocation of resources over the longer term. SaskPower informally prioritized specific maintenance activities for the upcoming year. It used its staff knowledge and experience to decide which specific maintenance activities to do first; however staff did not document the basis of those prioritization decisions. We also found SaskPower did not formally assess the longer term implications of those maintenance prioritization decisions.

For example, SaskPower did not determine the impact on future resource needs of deferring this maintenance to the following year. It did not have mid- to long-term maintenance financial forecasts linked back to its maintenance and capital plans. Also it didn't formally determine if deferring maintenance activities would pose increased safety risks, contribute to a higher number of unplanned outages, or result in future additional maintenance costs. Not documenting the basis of prioritization of maintenance activities makes it difficult to assess if the judgments made and the assumptions used when making those decisions are reasonable and supportable.

On page 185 we recommend that where SaskPower does not follow its plan for maintaining above-ground assets used to distribute electricity, it formally assess the consequences of not completing such maintenance. SaskPower completed the maintenance of its wood poles as planned; however, it did not complete preventative maintenance of its other above-ground distribution assets as it had planned. In addition, it did not monitor the completion of corrective maintenance identified as being needed for those assets during inspections. SaskPower also had not determined the consequences of not completing inspections and the related preventative maintenance as often as expected or the impact of not scheduling corrective maintenance within the near term.

Our testing found information in SaskPower's IT systems was not always accurate. SaskPower uses information from these systems to make its maintenance decisions. For example, our testing found work orders were incorrectly recorded as completed and maintenance records were not updated as expected in the IT systems. In addition, we found SaskPower often did not issue work orders to schedule corrective maintenance as expected or know the impact of not doing that corrective maintenance in the near term.

Not formally and routinely determining the consequences of not completing planned maintenance, including identified corrective maintenance, increases the risk of failure of the distribution assets. Failure of those assets in turn can contribute to more and/or longer unplanned power outages and higher costs for repairing or replacing the assets.

[15:15]

On page 188 we recommend that SaskPower regularly report to its senior management on the status of its maintenance activities and, if applicable, the consequences of not completing planned maintenance for above-ground assets used to distribute electricity.

While SaskPower periodically reports on the frequency and duration of power outages and provided some information about the completion of maintenance for its above-ground distribution assets, we found the reports were not sufficient. They did not include a robust analysis of SaskPower's progress in carrying out the maintenance plan.

In addition, for the assets other than the wood poles, the reports did not clearly identify whether maintenance was on schedule, or compare planned to actual costs of key maintenance activities, or set out the consequences of not completing the preventative maintenance or identified corrective maintenance.

Furthermore the reports did not take into account the consequences of not having accurate information about its maintenance in the IT systems. Not regularly reporting to senior management if expected maintenance was completed increases the risk that senior management will not be able to correctly assess if the right maintenance is being done at the right time to prevent power outages and safety issues and to manage costs.

That concludes my overview of this chapter.

The Chair: — Thank you. Minister Duncan, would you please introduce your officials and make your comments.

Hon. Mr. Duncan: — Thank you very much, Mr. Chair, and members of the committee. I am joined today . . . To my right is Mike Marsh, president and CEO of SaskPower. To my left is Troy King, vice-president of finance. And seated behind us are Rachelle Verret Morphy, vice-president, corporate and regulatory affairs; Tim Eckel, vice-president, asset management; and Shawn Schmidt, vice-president, distribution and customer services.

We're pleased to be here today to discuss consideration of Provincial Auditor report chapters. For the chapter 25 recommendation, SaskPower is very open about the challenge that we're facing with dealing with aging infrastructure in the province. Much of the above-ground infrastructure was built in the 1950s and '60s and is nearing the end of its useful life. This is one of the reasons that we invest substantially every year to upgrade and grow the province's electrical grid.

I'd like to thank the Provincial Auditor and her office for the review of processes used around maintaining above-ground distribution assets, and was pleased to read the conclusion of the chapter stating that SaskPower has effective processes other than the recommendations that have been put forth. I'd like to give a brief update on progress that SaskPower has made with each of the seven recommendations put forth in this chapter.

For recommendation no. 1, a new distribution asset risk management was developed for both overhead and underground assets. Risk assessments were conducted for the seven provincial

audit assets plus four other critical assets. These risk assessments support the inspection and maintenance strategies which were documented in the life cycle asset management plan, or LCAMPs, for each of those assets. These plans portray the characteristics of the population of assets, condition indices, acceptable condition, and strategies to manage the assets. Key stakeholders were consulted in the risk scoring for these assets and the entire package was approved by the SaskPower vice-president of asset management, planning and sustainability on June 19 of 2019.

For recommendation no. 2, the LCAMP plans described in recommendation no. 1 included condition indices and acceptable condition for each asset, so this item was also completed on June 19th of this year.

For recommendation no. 3, a comprehensive information technology improvement road map was completed for distribution asset management. A business case for \$2.9 million was approved by the SaskPower VP [vice-president] of asset management, planning and sustainability and subsequently by the strategic investment and risk executive subcommittee as a non-discretionary project. A formal project kickoff was held on June 18th of 2019. Going forward, the business case projected a three-year timeline for execution on the technology improvement project. Detailed timelines for implementation of the first two releases will be established by June 30th, 2019 for future reporting.

For recommendation no. 4, SaskPower agrees that there is a gap in maintaining information on the condition of its assets. Most of the improvements required to address this gap are contingent upon implementation of the technology improvement plan described in recommendation no. 3. Progress towards maintaining up-to-date asset information will be reported quarterly as a part of recommendation no. 7. Progress will be reported as a part of recommendations no. 3 and no. 7. No additional implementation tasks have been identified as a part of this recommendation.

For recommendation no. 5, risk-based short- and long-term maintenance process improvements were modified and approved as part of recommendation no. 1. SaskPower is currently preparing the first three- to five-year maintenance plans starting in the fiscal year '20-21 for the most critical assets based on the risk framework.

For recommendation no. 6, process development and mapping to track maintenance deferral decisions and assess the impact on risk was completed as a part of recommendation no. 1. Quarterly progress reporting on maintenance activities is in place with additional work being done to automate this reporting. A summary report for the end of the fiscal year was provided to key executive stakeholders.

Maintenance plans for the new fiscal year have been issued and are being tracked with progress reported to key executive stakeholders quarterly as part of recommendation no. 7. One, to collect information and report on deferral of maintenance quarterly, and two, to conduct risk impact for maintenance and capital deferral decisions annually and update future year plans accordingly.

For recommendation no. 7, distribution asset management planning has approved and partially staffed a new performance and continuity department effective April 1st of 2019 to support this recommendation. An outline for the content for the regular quarterly report was completed. Some projects in recommendation no. 3 will automate reporting which is required to broaden the report scope for each asset. The first, complete collection of information for first quarterly maintenance and data quality report, and the second, expand report quarterly to more assets and processes.

So with that we'd be pleased to take questions from the committee regarding this particular chapter.

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

Ms. Sproule: — Thank you very much, Mr. Chair. And I just want to comment on receiving this report is very helpful, I think, for committee members to identify what has just been reported by the minister. I like the format, so thank you for that. The updates, I guess, is what they're called.

The first question I have is in relation to your response to recommendation no. 1. And you identified that there are seven provincial audit assets. I'm just wondering what those seven are.

Mr. Marsh: — Yes, the Provincial Auditor outlined them in her opening statements.

Ms. Sproule: — That's the same ones?

Mr. Marsh: — Yes, the same ones.

Ms. Sproule: — I'm just going to get that on the record though. That would be . . .

Ms. Ferguson: — So if you just look on figure 4 . . .

Ms. Sproule: — Wood pole, voltage regulator . . .

Ms. Ferguson: — Figure 6, I mean on page 176. You'll see that there's seven listed there.

Ms. Sproule: — Oh, it's also on figure 4. Okay.

Ms. Ferguson: — Yes, I think it's on both.

Ms. Sproule: — So that would be the wood poles, voltage regulators, reclosers, overhead switches, capacitors, poletop transformers, and power line conductors. All right. Thank you for that.

There was some fairly concerning information in this particular chapter I think, and I guess the first question I would have is, is how did it get to that point? There's some very high statistics in terms of gaps in the maintenance of everything but wood poles, above ground at least. And I'm just wondering if you could describe for the committee how it came to be that these gaps were so significant.

Mr. Marsh: — I'll make a couple of comments, then I'll invite Tim Eckel, who is our VP of asset management, planning and

sustainability to answer in maybe fuller detail.

I would have to say that in the life cycle of managing assets, SaskPower has indeed come a long way despite what you read in the report. Compared to where we were a decade ago, we have come a very long way in understanding the health indices of most of the assets. Do we have gaps? Absolutely. The sheer volume and sheer number of assets that we have in place in this province . . . There's hundreds of thousands of different components and pieces of equipment.

We have done a very good job over the past number of years of compiling data that used to be in . . . and I'm sure the Provincial Auditor's heard this. They were in file cabinets, they were in desk drawers, they were in binders. This is before anything was automated. So we have come a long way in getting it automated.

In this particular case for your audit, you have shown that there was a discrepancy. And we're not going to dispute that. We probably have many more of those in our systems as we continue to evolve our asset management framework and structure.

And the second part is the introduction of an enterprise risk management framework into SaskPower and making sure that as we go forward we integrate our asset management model and our risk model appropriately and make sure that we're testing everything that we do in our asset management area against our enterprise risk model. And that has been developed, as the Provincial Auditor knows, over the last couple of years as well.

So with that I would invite Tim to — oh, he's sitting up here already, sorry — to maybe elaborate further.

Mr. Eckel: — Tim Eckel, SaskPower. Yes, there is discrepancies in the two IT systems. Over the past number of years we've made a big effort to update what we call our asset system, Electric Office. It's our geographical information system. So that is the one we've been having the focus on. SAP [systems, applications and products], we put our work orders into that system. For the recommendations 3 and 4 where we have IT systems, part of that will be to synchronize those two systems so that when you make a change in one it automatically changes in the other.

A number of the ones that show up in the work order system under SAP, some of those have been retired assets but weren't marked that way, so that made it appear we had more of those assets than we have. The closer number is the Electric Office, but even that one, you know, with getting construction as-builts back in a timely manner and those types of things, that number is off as well a bit.

Ms. Sproule: — For example, the reclosers, whatever those are — maybe you could tell us what they are first — it looked like your asset system showed 2,500 and your work order system showed 4,000, so the difference was 57 per cent. Is that because of the retirement that you were referring to, or is there other issues?

Mr. Eckel: — A significant number of those would be because of retirement. In some cases we took three individual devices and replaced it with one three-phase device. So suddenly that made it look like we had three old ones and one new one, so those types of things. But that was the main driver of that.

Ms. Sproule: — What is a recloser?

Mr. Eckel: — It's a big electrical breaker.

Ms. Sproule: — Okay.

Mr. Eckel: — So it protects the line when there's a fault on the line. You know, if a tree falls on it, whatever, it opens up and it'll wait a period of time and then close back in. So they call it a recloser.

Ms. Sproule: — Okay, thank you. On the top of page 181 there's a reference to corrective maintenance orders. And in as late as February 2018, the auditor's office found that 95 per cent of them did not even include a circuit number, and 99 per cent of them did not record an asset identifier. I'm assuming that's part of the corrective work that's being done now that these will actually be identified. Can you share with the committee how almost 100 per cent of them did not have that critical information?

Mr. Eckel: — As part of our asset management program we've been coming up with a naming convention for all of our assets and how we connect them to a circuit in our system. Prior to introducing Electric Office, we didn't really have a . . . We had different naming conventions throughout the organization. So now we've standardized on one and we're going through a process of updating all those circuit numbers and connecting all the customers and all the equipment to those circuits.

Ms. Sproule: — So at that time they would have known the circuit number but didn't bother recording it because the naming protocols were all over the map?

Mr. Eckel: — Yes. Typically what happened in the past was each operating area would have a naming convention. We've since gone and standardized one for the province and now we're rolling that out across the whole province.

Ms. Sproule: — The auditor identified that the wood pole inspections was actually in very good shape. It was the other types of above-ground distribution assets that were not being maintained in the same fashion. So why the focus on wood poles and the lack of focus therefore, I guess, on the other above-ground assets?

[15:30]

Mr. Eckel: — Wood poles are the most critical asset. All of our equipment hangs on it. Our linemen climb those poles and as part of a safety program, as well as an asset management program, we focused on those for our first, most important task. And so we've gone through a process over the last probably 10, 12 years of getting the criteria based on what's acceptable and what's not, different types of species of poles, and went through that.

We have a safe climbing program for linemen which came out of our wood pole testing program as well.

Ms. Sproule: — You know, we've talked a lot about wood poles in the last few years. But one of the examples I was given, at the top of page 182, is that you had never inspected over 70 per cent of your switches. Again was this just a shortage of maintenance personnel, or was it a management decision to not inspect? And

what sort of risks were identified when those inspections weren't taking place?

Mr. Eckel: — Well up until 5, 10 years ago, switches were almost one of those operate-to-fail devices as well. Through our outage reporting we've noticed that some of these devices fail prior to the end of their life, so that's why we started having an inspection program. And so we're just in the early phases of the inspection program, and for work-related reasons, not all of them got done last year.

Ms. Sproule: — As a result of this chapter, will there be additional maintenance personnel being added to ensure that these inspections are . . . I guess, and the IT systems that support them, will there be additional personnel to make sure that these recommendations are followed?

Mr. Eckel: — We have a big focus with our operating staff on this. They're doing right now a scheduling software program they're rolling out to all their staff to schedule and plan the work in a prioritized manner. So that started earlier this year and about two-thirds of the province have been put onto this new system. And the areas we have put onto this new scheduling system have really showed huge results in getting a lot more planned work done. It's more visible to be able to track it, so we are putting more emphasis on it.

Ms. Sproule: — Is there any analysis being done as to whether this lack of maintenance has caused outages in the past years?

Mr. Eckel: — Well we're starting to go through all of our frequency of maintenance, and from some of that we're seeing that some equipment we should maintain more often, such as switches for example. Others, voltage regulators, we're finding that we can probably reduce the frequency of inspections and maintenance on those devices.

Ms. Sproule: — Why is that?

Mr. Eckel: — Because we're finding that we're doing lots of inspections and not finding any deficiencies, and comparing ourselves to other jurisdictions across Canada, we probably inspect more often than some of the other jurisdictions.

Ms. Sproule: — Can you describe for the committee what a voltage regulator is?

Mr. Eckel: — A voltage regulator is just a device that will increase the voltage on a power line. Typically what happens is the farther out you get away from the substation, one of our stations, the voltage will start to drop off. So that everybody in their house has proper voltage levels, they have to be between 110 volts and 120. And just so that all of our equipment operates properly inside our houses, if that voltage starts to get down, we put a voltage regulator in our distribution line. It'll increase the voltage, and everybody behind that will have acceptable voltage.

Ms. Sproule: — Are those located on poles?

Mr. Eckel: — On a platform, typically. Yes.

Ms. Sproule: — But not on each pole. It would be on intervals along the line.

Mr. Eckel: — No, at one location we'll put three of these devices. But in each circuit we could have one or two of these voltage regulators.

Ms. Sproule: — I guess I'm asking, is there a voltage regulator on each pole?

Mr. Eckel: — No, there's maybe 1 or 2 per cent of the poles might have voltage regulators on them.

Ms. Sproule: — Okay. Thank you. 185 is a reference to work orders. And the analysis that the auditor referred to said that in February of 2018 there was work orders only for 4 per cent of corrective maintenance identified through inspections. How will these recommendations or the implementation change that statistic?

Mr. Eckel: — Well for a lot of our corrective maintenance we used to have — what do you call it, not a mass order — a standing order where it would just be a number that field staff could charge to when they saw something that needed to be corrected within the next week or two. So what we've done now is we've actually created a separate order for each time, so we should be able to start seeing these. The work was getting done; it just wasn't being recorded.

Ms. Sproule: — Okay. So this new system will assist with that.

Mr. Eckel: — Yes.

Ms. Sproule: — Just one second, Mr. Chair. I think that is all the questions I have for this chapter. Thank you.

The Chair: — Do any other committee members have any questions? So I'd conclude consideration on this. The 2018 report volume 2, chapter 25 has seven recommendations for the committee to consider. What is the wish of the committee? I recognize Ms. Lambert.

Ms. Lambert: — I would move that we concur with the recommendations nos. 1 and 2 and note compliance.

The Chair: — Ms. Lambert has moved that we concur with the recommendations and note compliance on 1 and 2. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Ms. Lambert: — I would move that for nos. 3, 4, 6, and 7, we concur with the recommendations and note progress towards compliance.

The Chair: — Ms. Lambert moves that we concur with the recommendations and note progress towards compliance on 3, 4, 6, and 7. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Ms. Lambert: — For recommendation no. 5, I note that

SaskPower is currently preparing the first three- to five-year maintenance plan. So would we consider that partially implemented, or we're working towards compliance? So would we consider that partially implemented . . . [inaudible interjection] . . . Moving toward.

A Member: — The report says it's not implemented.

Ms. Lambert: — Yes, it says not implemented. So I just wasn't sure, because we are working on it, whether the not implemented was accurate. We can just move towards concurring with the recommendation then, if that is okay. For no. 5, we'll concur with the recommendation then.

The Chair: — Ms. Lambert has moved that we concur with the recommendation on no. 5. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Ms. Ross: — One second. I'm not quite sure if we stated that last part correctly because, listening to the presentation by both the ministers and the officials, they indicated that in fact they were working on it. But the way that that was stated, it says "not implementing." So I think that there's a discrepancy here. Am I not correct? Would it not state that in fact, working towards compliance as opposed to doing nothing? It just doesn't seem correct to me. Unless I misunderstood what was being presented by "note progress."

The Chair: — And note progress. Okay.

Ms. Ross: — Can we make that amendment, or what do we have to do to fix that?

The Chair: — Let's amend the one so that it'd be 3, 4, 5, 6, and 7, we would concur with the recommendation and note progress towards compliance. Ms. Sproule?

Ms. Sproule: — If I may, Mr. Chair, we received a letter from Blair Swystun on September 6th which indicated that, based on the information they had from SaskPower was starting to prepare a maintenance plan, and the identification as of September 6th by CIC was that this recommendation was not implemented. So I'm not sure what's changed between September 6th and September 19th, or perhaps CIC incorrectly identified the work that was being done. But if there is a clarification from SaskPower, it would be helpful.

Mr. Marsh: — Yes, I will try. According to the table that we have in front of us here, there's only three statuses: it's either implemented, not implemented, or partially implemented. I was unaware of the table from CIC, but we have taken steps to move towards definite prioritization of our maintenance activities and programs. I would consider that progress towards.

Ms. Lambert: — Okay. Based on that information then, I will rescind my motion for no. 5. So do we vote on that?

The Chair: — Okay. And we will re-vote on 3, 4, 5, 6, 7. Okay. Ms. Lambert has rescinded her motion on where we concur with the recommendation on no. 5. And is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Ms. Lambert: — Now I will move to amend the motion I made to include no. 5 with nos. 3, 4, 6, and 7. So it will read nos. 3, 4, 5, 6, 7 that we concur with the recommendation and note progress towards compliance.

The Chair: — Okay, Ms. Lambert has moved that we concur with the recommendation and note progress towards compliance on 3, 4, 5, 6, and 7. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on, we will now turn it over to Ms. Ferguson to make her presentation on the 2018 report volume 2, chapter 45.

Ms. Ferguson: — And I'll keep moving it down the table to Ms. O'Quinn.

Ms. O'Quinn: — Thank you. SaskPower buys power from independent power producers. In 2017, which was the time of our audit, SaskPower spent about 386 million to buy power from about 30 independent power producers.

Chapter 45 in our 2018 report volume 2, which starts on page 297, reports the results of our first follow-up of four recommendations we made to SaskPower back in 2015 related to its processes to purchase power from independent power producers. We also provide an update on a related recommendation in the Crown Investments Corporation SaskPower smart meter procurement and contract management review.

We are pleased to report that by August of 2018, SaskPower had fully implemented all of these recommendations. Key improvements made by SaskPower included the following: SaskPower's updated procurement procedures require the use of fairness advisors for complex procurements. They also require staff to document evaluations of both the abilities of the independent power producers submitting the proposals and the technical merit of those proposals. SaskPower used risk assessments to determine the information they required from the independent power producers, as well as the due diligence work on the proposals received from those producers that it expected staff to conduct.

Also we found SaskPower approved a process to evaluate unsolicited power proposals that it received from independent power producers. It communicated this process and criteria to the producers who submitted unsolicited proposals to sell power to SaskPower. From 2015 to 2017 it received about 31 unsolicited power proposals and consistently used its approved process to evaluate the five unsolicited proposals that we examined.

That concludes my overview of this chapter.

[15:45]

The Chair: — Thank you. Minister Duncan, could you please make your comments.

Hon. Mr. Duncan: — Thank you, Mr. Chair. SaskPower procures hundreds of millions of dollars worth of goods and services every year, and it's of utmost importance that we do so in a way that is fair and secure.

Since 2015 SaskPower has updated its procurement practices based on the recommendations put forth by the Provincial Auditor's report and has worked in the last few years to ensure that the changes prescribed are successfully integrated into the company's policies and practices. Some of these changes include the use of fairness monitors, formal evaluations of the abilities and technical merit of IPPs [independent power producer] submitting proposals, updating key risk assessments and evaluation processes of IPP proposals, and implementing an unsolicited power proposal summary to share with potential producers. We believe that these changes made to our policies and procedures have both satisfied the recommendations of the Provincial Auditor and strengthen our procurement practices at SaskPower.

With that, we'd be pleased to take questions.

The Chair: — Thank you. Are there any questions? Ms. Sproule.

Ms. Sproule: — One question on this, and that is the introduction of the First Nations Power Authority. And it may not have any relevance at all, but I'm just wondering if the power producers that the First Nations Power Authority are championing — I don't know what word to use there — are they included in these independent power producers that are referred to in the report? Or is that a completely separate set of power producers?

Mr. Marsh: — I am not aware if they are the same. I do know that we have not looked at them. They conduct their own process into securing competitive development and developers for their power projects.

Ms. Sproule: — And then I guess it's a question for the auditor. Will the auditor be inspecting those arrangements as well with the First Nations Power Authority?

Ms. Ferguson: — I must admit I'm not that familiar with it, and we don't have those plans on our books. I'm not sure. If it's not part of the government proper, then our office doesn't have a mandate to look at it.

Ms. Sproule: — So the net result of that may be then that those power producer agreements are not being inspected in the same way that SaskPower's are.

Mr. Marsh: — Potentially. That's a fair point. And certainly in our relationship with FNPA [First Nations Power Authority], it's something I can bring up with them and see what can be done to make sure they're following a similar process.

Ms. Sproule: — Yes. I honestly think that is very important because you know how much work you put in them and the importance of having that systematic checklist and ensuring that all of these power producers are being monitored. And without the auditor's oversight, I think that is even more concerning. So I certainly would look forward to a report back on that perhaps the next time we meet.

At this point that's the only question I have on this chapter.

The Chair: — Well thank you, and seeing no more questions, the 2018 report volume 2, chapter 45 has no new recommendations for the committee to consider. I'll ask a member to move that we conclude consideration of this chapter.

Mr. Nerlien, we'll say, has moved that we conclude consideration of 2018 report volume 2, chapter 45. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on, we will now turn it over to Ms. Ferguson to make her presentation on the 2019 report volume 1, chapter 37.

Ms. O'Quinn: — It is back to me. During the period of our work, SaskPower was responsible for inspecting gas and electrical installations. In December 2018 the government announced its plans to transfer this responsibility from SaskPower to TSASK, the Technical Safety Authority of Saskatchewan.

Inspections are important. They check whether equipment is properly installed and that the equipment does not pose a safety risk. Chapter 37 of our 2019 report volume 1, which starts on page 335, reports our third follow-up of a recommendation we initially made to SaskPower in 2011 about its processes for inspections of gas and electrical installations.

By September of 2018 SaskPower had fully implemented this recommendation by implementing a new gas and electrical information system. The system requires inspectors to document, and their managers to approve, rationale for not inspecting high-risk installations.

We found inspectors documented the rationale for all high-risk permits that were cleared and management appropriately approved the inspectors' rationale. That concludes my overview of this chapter.

The Chair: — Thank you. Minister Duncan, do you have any remarks?

Hon. Mr. Duncan: — Just very quickly, Mr. Chair, SaskPower has addressed the recommendation put forth by implementing a new gas and electrical inspection system, requiring inspectors to give rationale for clearing without inspection all high-risk permits. The system then requires a manager to either approve the clear without inspection status or deny it, and a report has also been created to document all of the permits that were cleared without inspection that were deemed high-risk.

The Chair: — Thank you. Ms. Sproule.

Ms. Sproule: — Just one question on this, Mr. Chair. In the final page of this chapter there was some sample rationales that were provided for clearing these high-risk permits without inspection. And the examples were simple installation, known contractor. I think that makes sense. The one that is concerning to me is unable to gain access. So we have a high-risk permit that's being cleared without inspection because they're inaccessible. To me that doesn't clear the risk or sort of justify the risk, and maybe if the minister or officials could explain how these are inaccessible and

what sort of risks that presents.

Ms. Verret Morphy: — Rachele Verret Morphy, SaskPower. So it is correct that in some situations our gas and electrical inspectors are unable to access a dwelling or business in order to inspect an installation. In many situations this could be homeowners that just don't reply to the notices that we leave on their door or don't return phone calls. Typically the inspector will make a few tries to contact the homeowner, but if we do not receive a call back, we presume that the homeowner is declining the service of an inspector and making the decision to take on the risk of having an installation that has not been inspected.

We agree that there is a risk there. The alternative would be to seek some kind of a search warrant to gain access to the dwelling, but typically we have not taken that step.

Ms. Sproule: — I wonder if you could share with the committee why you haven't taken those steps considering these are high-risk permits. Or is there some way of some sort of a default to the dweller saying because you haven't replied, send them a notice saying we assume you are accepting the risk. At least something for CYA [cover your ass] for SaskPower.

Ms. Verret Morphy: — So the reason we, well we haven't taken that step is it would be quite time consuming to go through the process of obtaining a search warrant. And to give you an example, all homeowner permits are considered to be high risk because the assumption is that the homeowner doesn't have the same training that a journeyman or electrical contractor or gas . . . sorry, there's no homeowner form of permits for gas contractors. But for electrical installations, they're all considered high risk. So if the homeowner chooses not to accept the inspection, SaskPower relies on its statutory immunity. As long as the inspector and the chief inspector are acting in good faith, we receive the benefit of immunity from the statute.

Ms. Sproule: — Do you know how many of these types of permits are cleared with the unable to gain access?

Ms. Verret Morphy: — I don't off the top of my head, but I can get you that information. We do get reports on it and I do see reports quarterly on high-risk permits.

Ms. Sproule: — Thank you. If you would table that with the committee, I'd appreciate it. Thank you. That's all my questions, Mr. Chair.

The Chair: — Well thank you. Are there any more questions from the committee? Seeing none, the 2019 report volume 1, chapter 37 has no new recommendations for the committee to consider. I'll ask a member to move that we conclude the consideration of this chapter. Mr. Fiaz has moved that we conclude consideration of the 2019 report volume 1, chapter 37. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This concludes our business with the Provincial Auditor for the day. I want to thank you for being here today and bringing all your expertise to us. Do we want a short recess or should we just carry on?

Okay. We will be considering the annual report and financial statements of SaskPower and its subsidiaries. This includes: the 2018-19 SaskPower annual report; 2018-19 NorthPoint Energy Solutions Inc. financial statements; 2018 Power Corporation superannuation plan annual report. Minister, if you would please make your comments.

Hon. Mr. Duncan: — Thank you very much, Mr. Chair, and the same officials are joining me for this portion of the committee meeting. The annual report, as you already mentioned, includes the financial statements of SaskPower subsidiary NorthPoint Energy Solutions and the Power Corporation superannuation plan annual report.

Like many electrical utilities across the country, SaskPower deals with several challenges as it works to fulfil that role. Federal greenhouse gas emission regulations have eliminated one of our province's primary baseload power sources, conventional coal. SaskPower needs to integrate cleaner sources of power into the system. In 2018-2019 SaskPower's net income was \$197 million with return on equity of 7.9 per cent. In 2018-2019 SaskPower invested \$833 million in the province's electricity system. At the same time SaskPower continues to find ways to improve processes and reduce costs. SaskPower has realized \$155 million in budgeted operating, maintenance, and administration savings since 2015.

SaskPower has celebrated many achievements through the last year. A substantial amount of work took place in the past year to move towards our province's emissions reductions goal, the development of cleaner generation continues. The goal is to reduce greenhouse gas emissions by about 40 per cent from 2005 levels by 2030. This will meet and exceed the federal goal of 30 per cent by the same date. As part of this strategy SaskPower added the new 20-megawatt Western Lily wind energy facility near Grenfell. Potentia Renewables was announced as the successful proponent of Saskatchewan's next utility-scale wind project. The 200-megawatt Golden South wind energy facility will be built near Assiniboia. Saturn Power was awarded our province's first utility-scale solar project. The 10-megawatt Highfield Solar Project will be located near Swift Current. And we signed a new term sheet with Manitoba Hydro that sets the stage for importing an additional 215 megawatts of reliable baseload renewable power.

Work continued on the 350-megawatt Chinook Power Station natural gas plant near Swift Current. As well, the Moose Jaw industrial park was selected as the preferred site for the next 350 megawatt natural gas plant.

SaskPower spent \$342 million in 2018-19 on capital sustainment which includes upgrades to aging generation, transmission and distribution infrastructure. And the company also spent \$443 million on capital projects related to growth and compliance. This new investment also includes \$174 million to connect new customers. And in 2018-2019 SaskPower provided more than \$1.7 million in funding to communities and organizations that keep the province vibrant.

This is just a small sample of the work that SaskPower undertook in the last year. Mr. Chair, I'd like to thank Mike Marsh and all of the SaskPower employees for their hard work and accomplishments during the 2018-19 year. And with that we'd

be pleased to take your questions.

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

Ms. Sproule: — Thanks very much, Mr. Chair, Mr. Minister. And again, kudos to the corporation for significant achievements in the past year. I just want to start off by acknowledging that I did receive a copy of your letter dated today with some responses to questions that were raised in May of 2019.

Mr. Chair, last year I also received a number of responses to previous questions but unfortunately they arrived on the day of committee. And I had asked the previous Chair to note that it would be preferable to receive them at least 24 hours in advance. So I want to reiterate that with SaskPower. It just makes it a lot smoother, I think, for the operations of the committee to get those responses at least 24 hours before.

Now I don't know if that's something you agree to or you would prefer to just deliver them the day of.

Hon. Mr. Duncan: — I don't recall the commitment that I made but I don't have a problem with delivering them in advance. I know they get tabled with the committee and so we table them when the committee's sitting, but I don't think it's an issue to get them to you with some notice. So we'll make sure we do that in the future.

[16:00]

Ms. Sproule: — It's actually on page 715 of September 10th, 2018 in *Hansard*, and it was the Chair that noted it, that I had requested this, but I think you were here at the table so I would appreciate that. And further to that, on September 10th I did ask four questions that weren't replied to and I haven't received those responses yet. So I got the responses from May, but there are four questions from last year September when we had the annual report. So I can go through them right now and identify them if you want, or you can read the *Hansard* and have a look, but I would appreciate those responses as well.

So in the interest of time, I only have an hour left, so maybe I would leave that until the very end if I have time, but if anyone from the corporation wants me to identify them, at a later date, I certainly would be happy to share that from my perspective anyways.

All right. Starting off. And again I apologize if I bounce around a little bit because there is so much going on in SaskPower, and your annual report has a number of references to different things throughout. So I may be bouncing around a little bit and I apologize for that.

I guess my first question is the new energy facilities. We have wind in Grenfell. We have another wind in Assiniboia, a solar in Swift Current. Mr. Minister, I note that one of your colleagues was really put to the challenge at the Estevan Chamber of Commerce earlier this month and the concerns that are being expressed in the community of Estevan because of the decrease in coal power. So my first question for the corporation is, why would you not locate some of these new projects in Estevan where we know people will be losing jobs?

Hon. Mr. Duncan: — Thank you very much for the question. So I'll just maybe begin by saying . . . I'll start on the renewables front. So we go through competitive processes, and so whether it's the solar or wind companies have, I think, done a very good job of identifying for themselves the areas that they want to pursue projects in. And so they've done a lot of work in terms of collecting the data around wind data and solar data as well. And so it's really up to the proponents to determine where their projects are sited that they will then submit through the competitive process.

There are a number of factors that go into that. Obviously first and foremost, having a good resource, but also various parts of the province will have different challenges in terms of the interconnect costs. So that has to be factored in as a part of the evaluation and a part of their bid.

So we've seen I think a number of projects in the southwest part of the province. That's largely because the wind resource is . . . It's a very good wind resource. The same would be true for solar. I would say in the next wind procurement that SaskPower pursues, as we've seen in the past, we'll probably see a pretty good mix of southwest and southeast or south central. I would consider it southeast part of the province. That's typically where we've seen those potential proponents site their potential projects that they're going to bid in.

In terms of natural gas, it really . . . So the Chinook project at Swift Current and Moose Jaw. It's a number of factors that include where there's demand, so where there's load growth in the province, where there's demand for electricity. But as well, particularly with natural gas, it's the capacity within the system to deliver the natural gas to a power plant.

So I would say one of the challenges within the southeast would be the ability for the amount of natural gas that would be required to run a facility like that, a 350 in this case, a 350-megawatt unit. That has to be factored into the cost because if there's an upgrade needed to bring in the natural gas, that obviously is going to affect the economics of the project.

Ms. Sproule: — Thank you. I was more focused on solar and wind. And certainly I think Estevan has been called the sunshine capital of North America. So I assume that when you are doing your request for proposals, that could be factored in as one of the encouraging things.

And I guess my question is about transition for these coal workers, or pardon me, coal power plant workers is, is there a plan B for those workers in terms of transition to other energy jobs or out of the sector altogether?

Hon. Mr. Duncan: — So I would just say that again on the competitive component of the renewable projects, so SaskPower doesn't direct where companies that are interested in pursuing those opportunities. Again that's really . . . You know, I'm certainly familiar with the city of Estevan, the sunshine capital of Canada. No doubt, you know, I don't have the list right in front of me, but it's fair to say that there likely would have been interest from companies in siting a project there.

That being said, we've only allocated 10 of the 60 megawatts so there will be a number of competitive processes coming up. And

you know, if the resource is there and it makes sense in terms of a company putting together a proposal, that would be, I think, very welcomed by the community. And SaskPower's looking to procure renewable energy wherever it is found in the province.

With respect to the workers that may be impacted by the retirements, retirement dates, and the federal regulations and the impact that it has on Estevan, SaskPower has been working very closely with the employees and with those communities. I think you're aware that the federal government has set aside some dollars as a part of the transition of employees, and both Coronach and Estevan have received dollars through that.

We've been very clear in the timelines in terms of what we know in terms of how the regulations affect those communities. So we worked very hard on an equivalency agreement that we have now signed with the federal government. That's something that Estevan in particular was very much supportive of the government pursuing, and so that will see two of the units extend their time frame for an additional year in the one case and a couple of years in the other.

We have not made a decision in terms of the future of carbon capture and sequestration at any of the units, although I think there's a lot of interest from that particular community and what the answer is. And I would just say that we're not far enough along in the analysis to make that decision.

In the meantime though, you know, employees of the company have opportunities to bid into other positions if that's something that they would like to pursue for themselves. But SaskPower is going to be continuing to operate the coal fleet in those communities until we are no longer able to under the federal regulations or until we make a decision in terms of extending their life through technology, which we're not at that position yet.

Ms. Sproule: — There's a lot there to unpack. I don't even know where to start. Okay, first of all I'll refer to a quote from this article from *The Estevan Mercury* where Jackie Wall, who's the chamber executive director in Estevan said, "We are disappointed in Scott Moe," and it goes on to say, "Wall said she had asked Moe what the plan to transition coal communities was, and his answer was, 'None.'"

Is that something you're aware of that the Premier has indicated that to the chamber in Estevan?

Hon. Mr. Duncan: — No, I'm not aware of that, and I think from my conversations that I've had with the Premier I would be surprised if that is the comment that he made. I know I've met with city council and the Premier was present at that meeting, and you know at that time we were fighting very hard to achieve an equivalency agreement to extend the life of two of the units. And you know, I think it's fair to say that we have made a bigger investment per capita than anywhere in this country, probably anywhere in North America, on extending the ability for coal miners and coal-fired generating plant employees to continue their livelihood.

But we are also, I think, challenged with federal regulations that a federal decision, not a provincial decision, is going to see, without advancements and further investment in technology, see that industry transition. You know, we've been pretty clear that

that's a federal decision and so the federal government needs to step up in terms of what that transition looks like.

We're very open to working with those communities and with the employees and with organizations like the chamber of commerce, but I would just say SaskPower is going to continue to run those plants until we no longer can under the regulations or until a decision is made to implement technology that would allow those plants to operate again. That decision has not been made and it's not one that's going to be, I would say, be made in the short term. So no, I'm not aware of the . . . I've seen the article, but I'm not aware of the Premier's quote that's been attributed by Ms. Wall.

Ms. Sproule: — Thank you. Another question in that meeting was regarding small modular nuclear reactors, implying that they should be in Estevan. And Minister Carr's response to that is, "The place that makes sense is the city of Estevan." That's a quote. So has there been discussion on small modular nuclear reactors being placed in Estevan?

Hon. Mr. Duncan: — So I would say, and I haven't . . . I wasn't at the particular meeting. I would say first of all that SaskPower has been a part of the consortium in Canada asked by the federal government in the last couple of years to help develop a road map for the development of SMRs [small modular reactors] in Canada. So SaskPower participated with a number of different entities from across Canada to develop that road map and then present it back to the federal government. So whether it's with the Canadian Nuclear Association or the partners in the group of companies that were brought together to develop that road map, and with NRCan [Natural Resources Canada], the lead federal agency, there's been discussions about what potentially could take place in terms of deploying SMRs in Canada.

I would just offer that Ontario and New Brunswick are likely the furthest along in Canada just because they already host nuclear sites in Canada, so they have experience with that. But we're certainly interested in the work that they are doing to develop and move the potential for SMRs forward.

But in terms of . . . I would just say that Ms. Carr's comment, you know, likely — certainly to my knowledge — is I would say less on the technical aspects of whether or not Estevan is the right community. There'd have to be a lot of analysis to go in, in the event that SMRs are a part of the mix for SaskPower going forward in terms of where the best place is. I think that's a comment on behalf of an MLA working for her community and championing her community.

Ms. Sproule: — Could you share the road map that you have prepared on that?

Hon. Mr. Duncan: — Yes, it's a public document that is a Natural Resources Canada document. We could provide that for you.

Ms. Sproule: — Or if it's online just . . .

Hon. Mr. Duncan: — Yes. It'd be on NRCan's website.

Ms. Sproule: — Okay, thank you. I can look for it there. In terms of Boundary dam 4 and 5 and the equivalency agreement, can

you update the committee on the status of that and I guess the shutdown dates anticipated for Boundary dam 4 and 5?

Mr. Marsh: — Yes. The shutdown dates for unit 4 are currently December 31st, 2021 in the case of unit 4, and for unit 5, it's December 31st, 2024.

[16:15]

Ms. Sproule: — So how many jobs will be eliminated at that time, those two dates?

Mr. Marsh: — On the first one, we think about 40 positions will be affected, but just given the natural turnover, 40 positions in the Estevan area can be accommodated through the natural attrition cycle. This is not something where we're looking at any kind of layoff at this point.

And in 2024 there will have to be . . . we'll have to look at that very carefully because once we shut down unit 4 and unit 5 . . . They're in different parts of the Boundary dam facility so we're looking at different options to consolidate operating and maintenance groups at that point in time.

Ms. Sproule: — So you don't have an estimate.

Mr. Marsh: — We don't have an estimate that's very concrete. We're looking at different options today.

Ms. Sproule: — Okay. If natural attrition is used then the workforce will be smaller though.

Mr. Marsh: — The workforce will definitely be smaller, yes, obviously if we're not running one of the generating stations.

Ms. Sproule: — All right. In terms of the EA, the equivalency agreement, is all the paperwork done and all the t's crossed and all the i's dotted now? And maybe you could tell us where we're at on that. Is it May 10th? June?

Hon. Mr. Duncan: — Sorry, Ms. Sproule. I don't have the exact date in front of me, but I believe it was in June I signed the equivalency on behalf of the province, the equivalency agreement. And Minister McKenna signed it either the day before I did or the day after. I know we signed within a day of each other. So it's signed and it's into effect.

Ms. Sproule: — And is there any requirement beyond that, or is that it? I see nods in the back that that's it. We are now cooking with oil here. Okay. So then I guess the next question is Poplar River and Boundary dam 6 and Shand obviously, as well, in Coronach. I'm not sure if Poplar River is in the Estevan area or the Coronach area.

Mr. Marsh: — Coronach.

Ms. Sproule: — Coronach. So Poplar River, then Shand, and then the only one left in Estevan, I guess, is Boundary dam 6 for a determination. Any progress along those lines? Or I know you're looking at CCS [carbon capture and storage], but has there been any progress since we met in May?

Hon. Mr. Duncan: — Yes, thank you for the question. So

Boundary dam 6 retirement date is 2027, end of 2027. Poplar River 1 and 2 are end of 2029.

And I think we've talked about this in the past, Shand originally was end of 2041. But the regulations changed under the new federal government that rather than end of life or 2030 — whichever came second, that was the original regulation — it was changed to 2030 or whatever comes first. So in the case of Shand that moves that retirement date from 2041 up to 2029.

We haven't made a decision. I know there's been some work at a pretty high level on the feasibility of the Shand unit, but I think a significant amount of due diligence and analysis needs to go further into that before we make a decision. Again with the regulations pushing the retirement date up to 2029, it still does allow for some time to do that work. So a decision point isn't imminent on Shand. We're not making a decision in the short term.

Ms. Sproule: — We will stay tuned. In terms of the work that's being done for, I guess, furthering the CCS work, there are six MOUs [memorandum of understanding] with agencies in China right now in, I believe, the knowledge centre. And there's an MOU with the Global CCS Institute. Those six Chinese agencies, I don't know if you have any information you can share with the committee about the work that they're doing and how that work will assist SaskPower in making its determination. Maybe is there any sort of update or do you have any information on what those companies are working on?

Hon. Mr. Duncan: — I really don't. They're not with SaskPower. They are with the CCS knowledge centre. And so they really don't involve SaskPower.

Ms. Sproule: — All right. Thank you. Another one of your colleagues was in the *Moose Jaw Express* and wrote an article — Mr. Michelson, the MLA in Moose Jaw — about the change, I guess, affecting the gas-fired power plant in Moose Jaw. He's written a letter to Minister McKenna telling how disappointed he is of the changes from June 28th and concerns about the increase to the carbon tax on large emitters, in this case that power plant. He was calling for a reconsideration, a repeal of those changes.

And I think, Mr. Minister, you've also been in the news and certainly the mayor of Moose Jaw has been in the news expressing some disappointment with this change, you know, changing horses in the middle of the stream basically. So where are your discussions with the federal minister at this point? And what is the likelihood of that natural gas plant going forward at this point if the regulations aren't changed?

Hon. Mr. Duncan: — I would say that I think SaskPower is still in the process of identifying the additional cost that would now be placed on the plant in Moose Jaw if it's to proceed. So that work's still ongoing, and eventually that will get to its board and ultimately to the CIC board and to cabinet on whether we pursue, or whether or not the additional costs that are going to be borne because of this regulatory change are going to change the economics significantly enough that the project is not going to move forward.

I'm optimistic that it is still going to move forward. Obviously SaskPower, as a part of the supply plan, believes that there is a

need for a significant amount of megawatts over the coming decade and beyond. And just the best way to achieve that, we certainly thought before June 28th, was natural gas. So we'll hopefully have some more information, or we will have some more information from SaskPower over the coming months to make a decision to go forward on that.

I would just say that, you know, this has been a disappointing process. The regulations that came out from the federal government on June 28th were a significant departure from what all of the industry has been consulting on for well over a year, if not longer than that. And I'll just note for the record that June 26th and 27th, I spent those two days with Minister McKenna and there was no signal that these changes were coming out the day after the meetings ended.

So we've expressed our concern and our disappointment in, you know, less of the process, but more so just the fact that I think this doesn't just affect SaskPower. This affects a number of companies, you know. SaskPower is in a position where they have to make some pretty significant decisions for the long-term health of the province and the company, and this is a pretty significant departure from that road map. So you know, we've expressed that concern to the federal government.

I expect that now we're in the election period, you know, I'm not expecting a response from the minister any time soon. And so we will just continue on with reviewing the viability of the project and then make a decision presuming that . . . Well at this point it's hard to presume. I don't see a . . . It's hard to say what the future holds.

Ms. Sproule: — I mean those megawatts were a very integral part of the plan going forward. What would the plan B be if you weren't able to go forward with this? I forget how many megawatts we're looking at here, but it's quite a few.

Hon. Mr. Duncan: — Yes, 350 megawatts. And I'll maybe ask Mr. Marsh to speak further but, you know, I would say this was not just in terms of the integral part of SaskPower's supply plan moving forward. But you know, I would say the frustrating part in all of this is the unintended consequences that this could have.

And I'll give you an example. You know, the decision on — and I've communicated this, we've communicated this with the federal government — the decision on the regulations, for example, that have shortened the time span of the Shand power plant, that has meant that our supply plan going forward will likely see less renewables than it would have. And this is just another piece in this because without this baseload power that we can rely on, it's hard for SaskPower to integrate more renewables going forward in the future.

So I think SaskPower had a pretty good path in terms of the amount of renewables that was going to be part of the supply plan over at least the next decade, and it likely looks different than it did in 2015. And a part of the challenge is what exactly it looks like, I think, is still something that is being bandied around within SaskPower.

So it's just some of those decisions where, you know, we thought we'd likely would have been bringing on more renewables, more solar, more wind, and that might not be the case because of these.

Sorry to belabour the point. I will turn it over to Mr. Marsh here if you can remember what the question was.

But I'll just say that I know that Minister McKenna has an interest in renewables, and yet the decisions that have been made in recent years on some of the regulations are actually going to make it more difficult for a company like SaskPower to integrate the amount of renewables that they maybe thought they were going to. But if you can remember the question, Mike?

Mr. Marsh: — Yes, a couple of points. Our supply plan was built on the understanding that we'd be transitioning away from conventional coal resources over a period of time. And the regulations that came in in 2016 that put the end of the life at 2029 are one thing. Here we are in 2019, and already the nail is being put in the coffin of natural gas generation, which was intended to be the transition fuel for provinces like Saskatchewan and Alberta as we moved away from conventional coal.

A 60 per cent reduction in emissions from natural gas generation are very important and help reduce our carbon footprint substantially and allow us to integrate renewables. So not having that window, or having that window actually shortened from, you know, a 2050 timeline for example, to be able to use gas out to 2050 to allow that transition period without causing undue hardship and additional cost, that is substantial. We're not talking hundreds of millions, we're talking several billion dollars rather in additional carbon price that would have to be paid on emissions above the thresholds that have been established. So you know, it just didn't provide the glide path that allows companies like ours to find that window and do it in a prudent, rational way and make it affordable along the way.

To your specific point, what is the plan B? It's very difficult because here in Saskatchewan we were blessed with fossil fuels: coal, oil, and natural gas. We have wind which we're developing, but we do not have a lot of large-scale hydro development potential in this province. Most of it are on rivers in the far North. But to get 1500 megawatts of hydro in this province is not an option. It just can't be found.

Small modular reactor technology is just in the development stage. As the minister indicated, we are working with other utilities but a technology has not even yet been selected to be developed, let alone in the process of being developed. So we're at least a decade, if not more, away from having a viable SMR industry in Canada that we can point to.

Do we have the opportunity to purchase hydro power from our neighbours in Manitoba? Potentially, yes. And we've undertaken over the past number of years to secure first a 100-megawatt deal and now a 215-megawatt agreement for importing power from Manitoba. That will not satisfy everything we need out to 2030, so we're looking at what additional opportunities there may be with Manitoba.

And beyond that, I think the introduction of storage technologies, battery storage or other storage technologies can help enable solar and wind in a bigger way. But again those are in the early stages of development and are extremely costly today. So we're looking at all the options that we can, and we'll be looking at our supply plan very carefully, looking at our load forecast very carefully, and finding the best path forward that, you know,

continues to provide power to the province and do it in an affordable way.

[16:30]

Ms. Sproule: — Thank you. Obviously a very tough position, and I'm sure there's lots of discussions at the table.

In terms of storage technologies, we've done it once with CCS, in terms of early stages and creating that right here in Saskatchewan. Is there any work being done locally by the corporation on the same level as early stages of CCS, or is that something you're going to look to other jurisdictions and other people to come forward with?

Mr. Marsh: — Well I can certainly tell you that we have been in discussions with a number of different companies that are promoting different storage technologies. And to the extent that we may undertake a pilot project here at some point in the future, we'll certainly consider that. There's storage on the battery side. There's storage using compressed air in, let's say, natural gas caverns that have been abandoned. That's an option. You compress it during low-use times like nighttime. You compress the air into the cavern and then in the daytime you'd run it through a turbine as it comes out. We're looking at a number of different options, but again nothing in a scale that we would need to fully integrate 1500 or 2000 megawatts.

Ms. Sproule: — In terms of Manitoba, you indicated in your opening comments there's a term sheet that's been signed for the 215 megawatts. What is a term sheet, and how close is that to being a deal for those 215 megawatts?

Mr. Marsh: — A term sheet just basically lays out the general parameters for an agreement — the conditions on which we're going to buy the power, over what time line, the different contractual obligations we have if we choose not to take it all or take part of it for the period of a day. I can tell you that just this past week we've pretty much signed off, dotted the i's and crossed the t's. So we're very close to making a formal announcement that that deal is now there.

Ms. Sproule: — Considering the time, I will move on. And I'd just like to ask a few questions about the Chinook Power Station. I understand that there was a significant fire in January that may have pushed back the time frame. I think it was supposed to be open in August was the original time frame of this year. So when do you expect Chinook to open or be providing power in the grid?

Mr. Marsh: — At the current time we're expecting late October, first part of November as what we call our commercial date. The machinery is operating down there today, and it's going through its traditional start-up and commissioning tests. As a matter of fact, tomorrow members of our board and some members of the executive will be touring the Chinook plant in its commissioning state today.

Ms. Sproule: — Okay. If there are other tours available, let me know. It'd be interesting to see that. There was a lawsuit with Burns, McDonnell, and SaskPower and a subcontractor. Can you advise the committee what the update is on the lawsuit?

Mr. Marsh: — At the present time, we understand that Burns

and Mac has been working with its contractors and subcontractors with respect to an issue that developed on-site where there was essentially a dispute that had to be resolved. The situation on-site was corrected but there's outstanding money owing to the subcontractors on-site. It's my understanding that Burns and McDonnell are working to try to arrange payment for most, if not all, of those subcontractors and that process is ongoing today.

Ms. Sproule: — And the SNC-Lavalin lawsuit that, I believe, was in arbitration last we spoke. Is that arbitration complete or has there been a resolution?

Mr. Marsh: — The arbitration process is complete; we're waiting for the final recommendations from the arbitration panel.

Ms. Sproule: — All right. And back to the fire. I think it was in the MCC [master control cabinet] room. What does that stand for?

Mr. Marsh: — It's called master control cabinet.

Ms. Sproule: — Master control cabinet. It was a very, very big fire, I guess, and an expensive one. Was that cost . . . Does SaskPower have to pay for the cost of that or is that covered by insurance?

Mr. Marsh: — The cost of that fire is borne by Burns and Mac. Essentially they own the project until it gets handed over to SaskPower.

Ms. Sproule: — And further to the fire, I understand there was a diesel spill in relation to providing diesel energy while the fire was being repaired. Is that cleaned up now to your satisfaction?

Mr. Marsh: — Okay. Yes, there was a diesel holding tank on site that apparently had developed a leak. That diesel has been cleaned up, and the area has been mitigated to the satisfaction of the Ministry of Environment.

Ms. Sproule: — Okay. Yes, I think it was 17 000 litres of diesel. Was that the figure?

Mr. Marsh: — I don't recall the exact number. You could be correct.

Ms. Sproule: — Okay. I'm just wondering. There's been issues raised by the trades here in Saskatchewan about the number of out-of-province workers that are working on that project. Do you have any numbers in terms of how many workers live in Saskatchewan working on the project and how many paying income tax here, as opposed to how many workers are living outside of Saskatchewan and paying their income taxes in another jurisdiction?

Mr. Marsh: — You know, I certainly don't have that information today. My only comment on that observation is that during the major construction of a power station or even the overhaul of an existing power station, workers are brought in from across Canada through the major trade union halls — so the boilermakers, the pipefitters, the ironworkers that do the structural steel welding. And they come in through the local hall and are hired by the contractors. That's why you would see

licence plates or you would see workers from other provinces. It occurs at the Co-op Refinery. It occurs at our sites. It occurs at the potash mines.

Ms. Sproule: — Okay, thank you. I'm going to move on. Power generation partner program. I believe you had your first issue last year, and you've now completed the second. And if I understand correctly, this includes 10 megawatts of renewable solar and 25 megawatts of something you call carbon neutral non-renewable generation.

My first question, I think, is why did you put a cap on these projects? I think it's 35 megawatts per year. I assume it's for incorporating into the grid but maybe you could explain to the committee a little bit more about that.

Mr. Marsh: — Yes, there's really two reasons. It's to be able to incorporate it in a, let's say in a reasonable, rational way in different parts of the province that need it because you couldn't take an unlimited amount in one area of the province if all those requests came in. And the second item is these programs are . . . We offer a price for either the solar or the non-renewable. Really a flare gas opportunity is what we're looking at there, to take flare emissions out of the province and to convert it into electricity. And we're offering a standard rate for that first 35 megawatts and for the next 35 megawatts. And that is considered to be a premium price. So to have it open would cost, in our opinion, way too much money and the rest of the customers would have to pay the difference. And really that's what we're trying to avoid here. We're trying to make sure that we — as the market comes down for these — we're taking advantage of the lower pricing, but not paying too high of a price for this type of energy.

Ms. Sproule: — Well for sure the renewable applicants on the first go-round, I note that there are at least five First Nations that have been awarded contracts under that: Ocean Man; Meadow Lake Tribal Council; Keeseekoosie First Nation; that's Des Nedhe which is English River; Muskoday; and Cowessess. So there's six that I've identified. And some of the others may be First Nations as well. Are these contracts or applications under the First Nations Power Authority, or are they outside of the First Nations Power Authority?

Mr. Marsh: — Just to confirm with my team, they are outside the setaside that we have with the First Nations Power Authority.

Ms. Sproule: — All right. There's one company I was trying to figure out exactly what it is. It's called CGW Golden Wheat International Trading. Based on the information I could find on the internet, this is basically a canola oil selling company. They sell canola oil to international markets. Do you know what kind of project they're proposing to do?

Mr. Marsh: — I'm sorry, I do not. But I will ask. No.

Ms. Sproule: — Is there any way the committee could find that information or . . .

Mr. Marsh: — If we have that information we can make it available. We can certainly bring it back to the committee.

Ms. Sproule: — Right. I know they've applied to you for that project and it's been accepted, so I'm assuming there would be

some information about what it is they're planning to do. Do you know if they're all solar power, all of these on the renewable generation side? Is it all solar or is there wind or what's the mix?

Mr. Marsh: — I believe there would be some flare gas opportunities that those proponents might want to explore as well, which is the non-renewable.

Ms. Sproule: — That's a different list.

Mr. Marsh: — Yes.

Ms. Sproule: — And those look like all to be oil and gas companies as far as I can tell. So in terms . . . Yes, it would be helpful just to sort of understand what kind of renewable projects are being approved and maybe, if you are willing to provide that information, is how you make the determination which applications are successful and how they made the cut as opposed to those who didn't. I understand that there was an incredible amount of interest in this program, and so I'm curious as to how SaskPower made those decisions. So if you could undertake . . . I get a nod from the minister on that, so yes. All right.

Now going to solar. There was also stories just recently about a woman named Nadine Morris, who invested \$60,000 into solar panels and her quote is, "I feel SaskPower really failed us. They introduced a program [but] didn't get a lot of the fine details worked out." Can you share with the committee how that's being resolved?

Mr. Marsh: — Yes. On a net-metering program, when the installations go in on a premise, we have to use what's called a bi-directional meter which allows the meter to track whether the electricity is flowing out to the grid or into the premise. We had ordered these bi-directional meters back in the spring. We were promised the delivery, I think, in June or July. The meters did not show up. We've been working with the manufacturer. I can tell you that just last — was it yesterday or last week — just yesterday we received shipment of several hundred of the bi-directional meters. So they'll be going on as quick as we can get them on the premise. For those customers that had longer than a 30-day wait, we've come up with a way to estimate a credit to their bill, if you will, and that will be put into place as well.

Ms. Sproule: — Thank you for that.

Hon. Mr. Duncan: — I would just say, Mr. Chair, the issue of the back order or the delay in receiving the bi-directional meters, it's my understanding this was not just a SaskPower issue. This affected utilities across North America.

Ms. Sproule: — And certainly with the demand, I expect that will continue to be an issue. I noticed the numbers in the annual report in terms of demand, so I won't be able to put my finger on them right away.

[16:45]

In terms of the revenue, on page 7 in the annual report, there's a reference to working with the Indigenous community in Saskatchewan and the "agreement with First Nations Power Authority to source 20 . . . [megawatts] of flare gas power generation." That is said to be worth an estimated \$300 million

of potential revenue for Indigenous communities over 20 years. I'm just wondering if you could share with the committee how that \$300 million flows, how individual First Nations will benefit from that.

And when I looked on the First Nations Power Authority web page there's absolutely no financial information to be found whatsoever. For me that's concerning because this is something that . . . It's public inasmuch as it's public to First Nations communities but it also ties SaskPower into it. I mean this is a program that you're working with. So I would like some financial transparency in terms of First Nations Power Authority, and I'm wondering what you can provide.

Mr. Marsh: — Just to generally answer the question, we've signed what's called a FNOA, a First Nations Opportunity Agreement, with the First Nations Power Authority, and they have engaged other First Nations in the province. In the case of, I think, one that I attended, it was the Flying Dust First Nation. And the intention is to give them an opportunity to develop a project in this area. There has been no formal contract given yet because we have not come to agreement on terms and pricing for these specific projects. So this is still in development.

We expect sometime over the next few months and possibly into 2020 that these agreements will be finalized, but until they do there's no money flowing to anybody. We've simply signed an opportunity agreement that lets them develop a project, bring it back to us, and then we have to negotiate the final terms of the power purchase agreements with them.

Ms. Sproule: — In terms of the flare gas power generation side of this, is that the project that's being developed at Flying Dust?

Mr. Marsh: — Yes.

Ms. Sproule: — So where would the flare be located?

Mr. Marsh: — Right now I don't know the specific location, but that's the intention is to have the flare somewhere in the province, not necessarily on that reserve because I don't think on Flying Dust near Meadow Lake there is any oil.

Ms. Sproule: — No, that's why I was asking. Yes. Maybe Onion Lake . . . [inaudible].

Mr. Marsh: — But they would be partnering with an oil company or another company to find a flare gas opportunity and extract the fugitive emissions that would normally be used for flaring and run in through a simple engine technology, is usually what's going to be used for this to generate electricity.

Ms. Sproule: — So in terms of the carbon neutral applicants under the power producers program, is this the same type of activity that would be happening under these projects under the First Nations Power Authority?

Mr. Marsh: — I believe that's the intent. That's why we call it carbon neutral. It's not a renewable. You're using non-renewable energy but the emissions that would otherwise be flared are now being used to generate electricity.

Ms. Sproule: — So what would incent one of these companies

who now apply under the — I forget the acronym — PGPP, power generation partner program, what would incent them to enter into an agreement with a First Nation as opposed to simply applying under the SaskPower program?

Mr. Marsh: — I guess the best way to answer that is the PGPP is a competitive process where people have to actually put an application in for that process. We have a set-aside agreement with First Nations Power Authority, and they can go out to market in the manner they see fit to procure or find a partner and select a site and then come back to negotiate an agreement with us.

Ms. Sproule: — Do you know where the First Nations Power Authority is receiving its resources and funds right now? Is SaskPower providing funding to them and to what amount?

Mr. Marsh: — We're providing partial funding to them, what we call capacity funding, to First Nations Power Authority. We've been doing that since the original MOU with First Nations Power Authority was put in place back in 2012. The bulk of their funding is coming from the federal government, and more recently they're also getting funding from Alberta who are also interested in adopting a First Nations Power Authority model, if you will, in Alberta.

Ms. Sproule: — So how much funding has SaskPower provided them even in the last . . . Is it an annual payment?

Mr. Marsh: — It's been an annual payment. Currently that annual payment is \$250,000.

Ms. Sproule: — And what sort of reporting mechanisms do you have in place with the First Nations Power Authority in terms of how that money is being spent?

Mr. Marsh: — We don't do a formal audit, but we certainly have quarterly discussions with the First Nations Power Authority about their capacity that they built, the projects that they're working on. And we've had quarterly meetings with them for the past number of years.

Ms. Sproule: — And in terms of those quarterly meetings, has there been any issues identified with the capacity funding and the capacity that's being built?

Mr. Marsh: — Issues identified from our perspective?

Ms. Sproule: — Yes. Is capacity being built? Are you satisfied that this is moving forward?

Mr. Marsh: — We're satisfied that capacity is being built as they get very close to completing one of these projects and finally generating a revenue stream. The intention was to provide capacity funding until they brought one or more projects to life, generate a revenue stream, and slowly they would not need capacity funding from SaskPower.

Ms. Sproule: — Right.

Mr. Marsh: — We're not quite there yet but we're getting close.

Ms. Sproule: — So 2020 it'll be eight years. That looks like

\$2 million will have been contributed by the corporation.

Mr. Marsh: — In the beginning it was only . . . We started out at 100,000 a year and then it went to 150 and now it's 250.

Ms. Sproule: — Are any reports available for the committee in terms of reporting back from First Nations Power Authority to the corporation?

Mr. Marsh: — I will look at some of the reports that we have received and if there's nothing confidential in there, I think we can provide some of that information.

Ms. Sproule: — Thank you. We'll look forward to that and whatever you can provide. Boy, oh boy, I can't believe how fast this goes.

Just quickly on demand-side management, I note that on your report card you've got some programs that have been quite successful. Just kind of wondering, much of it seems to deal with non-residential programs with lots . . . You've done a lot of work with industrial energy optimization program and the walk-through assessment program, the commercial and energy optimization program. I think for residential customers, it's more . . . Oh yes, there's also the commercial lighting incentive program.

Other than the residential retail discount program, are there other programs that homeowners or residential folks can access to reduce the demand?

Mr. Marsh: — No, at the present time, I think you've hit the list of everything that we do offer. We still have . . . I mean there's an opportunity for people to call in and talk to one of our customer service people who are involved in energy optimization. We are not currently offering any more on the residential side. The price of LEDs [light-emitting diode] have come down significantly in the last few years, so we don't feel that we need to be spending money on LED discounts any further.

We continue to work with the industrial energy optimization programs for our small business and industrial consumers. Most of them have taken advantage of that program in the past and I think every one of them have indicated it's been an excellent program and has allowed their facilities to really improve their energy footprint.

Ms. Sproule: — Yes, I think there's still probably other ways to go for demand-side management for residential customers, and maybe the government that would be looking at those programs rather than a Crown corporation. But I would urge you to consider to find them because as you know, it's the upfront costs that really prohibit people from retrofitting and making their homes more energy efficient. So certainly would help in the long run.

E.B. Campbell, there was a procurement awarded there for the life extension project. Can you share who got the procurement contract for E.B. Campbell Hydroelectric Station?

Mr. Marsh: — The company that was awarded the refurbishment of the generators at E.B. Campbell is called

Andritz, A-N-D-R-I-T-Z, I believe.

Ms. Sproule: — Out of province?

Mr. Marsh: — No, they're out of country. They have a Canadian office but they're certainly out of province.

Ms. Sproule: — Where's their head office?

Mr. Marsh: — In Canada?

Ms. Sproule: — No, in . . .

Mr. Marsh: — In the world?

Ms. Sproule: — Home.

Mr. Marsh: — They're in one of the European countries.

Ms. Sproule: — European. Okay. You stated in your annual report that 70 per cent of the procurement that you conducted was awarded to Saskatchewan suppliers. So the other 30 per cent — and that's with the exception of E.B. Campbell — would be some of the main awards to out-of-Saskatchewan suppliers?

Mr. Marsh: — That other 30 per cent are typically for components and major pieces of equipment that are simply not manufactured in Saskatchewan, so things like turbine sets, parts and components for turbines or boilers that are manufactured in other parts of the world.

Ms. Sproule: — Okay. Indigenous procurement. Looks like you did well in '18-19 but this year your targets were not met. In fact they dropped from '18-19. What are some of the challenges you're facing in terms of Indigenous procurement?

Mr. Marsh: — Well in this area I think we've had very good success, and I think from the Indigenous communities across Saskatchewan you would find a very strong endorsement for what SaskPower has done and continues to do.

I will say that over the past year we've also taken a very hard look at our overall spend. As the minister indicated, we're trying to find savings internally. We have not gone forward with a rate increase for this next year, which is the second year in a row with no rate increase for SaskPower. That just doesn't happen by magic. That requires a lot of effort, cutting back on a lot of our projects, deferring those that can be deferred is what's happening. And I think part of that is playing into the numbers you're seeing with First Nations procurement.

But it's happening to all the vendors. As we reduce our capital, for example, from 960 million down to 880 million, 833 million, it affects the amount of money that we're putting into the province.

Ms. Sproule: — Thank you. On page 49 there's a reference to a \$30 million adjustment made to your environmental remediation provision based on proposed estimated settlement costs for past activities. Is that something you can share with the committee in terms of what those settlement costs were and what past activities those were?

Mr. Marsh: — I'll have Rachele Verret Morphy come and answer that question.

Ms. Verret Morphy: — So you may have seen media reports that we are in litigation with PBCN, so Peter Ballantyne Cree Nation, relating to the operations of our Island Falls hydroelectric facility near Sandy Bay, Saskatchewan. So that process has been going on for some years and there was some liability accrued, and we have been in discussions with that litigant over time as well, settlement discussions potentially, which is normal with a major litigant. But because we are in litigation and those discussions are confidential, that's all I can say at this time.

Ms. Sproule: — Thank you. That's helpful. Thank you. I think I have time for one more, Mr. Chair?

The Chair: — Oh, go ahead.

Ms. Sproule: — Thank you. Just on page 132 of your financial summary, I actually had quite a few questions there. Just note that this year you're slated to pay a dividend of \$20 million to, I assume, Crown Investments Corporation. Is that correct?

Mr. Marsh: — Yes.

Ms. Sproule: — I guess they make the demand and you pay. So were there any discussions . . . [inaudible interjection] . . . yes, they put the pressure on.

Do you have discussions with them in terms of what is achievable? Or do they just take a look at your reporting and say, okay this year you will pay 20 million. This is the first time in several years that you've been asked to pay a dividend so, I'm curious about that and I do have one final question after that.

Mr. King: — Troy King, SaskPower. Yes, we do have discussions with CIC and they do let us know some of the things that they're planning. However at the end of the day it's really up to the CIC and their board to make the direction and we comply with it.

Ms. Sproule: — Right. You have no choice.

Okay, final question, and I do want the committee to know I actually had questions this year on the superannuation plan annual report as well as NorthPoint Energy Solutions financial statements and I just don't have time. So unfortunately it's hard to get through all this.

In terms of the average electricity sales prices, on page 133 you have the five-year revenue statistics. And when I look at it, average residential cost is up \$30 to 179 — this is per megawatt hour — whereas farm prices are only up \$19, commercial 20, oilfield 13, and power 12. So it looks like residential are taking a much bigger hit when it comes to average electricity sales prices. Is there a rationale for that or am I missing something in terms of the way this is being reported?

Mr. King: — So I think you have to remember the base that you start with the residential is higher to start with, so I don't know what the total percentage increases between them are. Most of the rate increases we've had in the last couple of years have been flat rate increases so everyone was getting the same percentage.

However if you've got a bigger base you'll grow more.

From time to time we will do what was called rate rebalancing and during those years the rate increase won't be the same. Each group will get a different one based on our cost-of-service methodology which means we look at the cost of serving those customers and how our costs change. You may see a higher or lower increase to the different classes, based on that methodology.

Ms. Sproule: — Is one of those reviews scheduled in the near future?

Mr. King: — We won't do that until we do an actual rate application, and we don't have a rate application planned at this point.

Hon. Mr. Duncan: — I think it's fair to say that's something that the rate review panel keeps a pretty close eye on is ensuring that one class of rate is not subsidizing another, the cross-subsidization. So from time to time that's something that they have a look at.

Ms. Sproule: — It does appear residential's carrying a larger burden at this point.

Mr. Chair, and committee members, I want to thank you for your patience and certainly always enjoy committee with SaskPower. And I have a lot more questions but at this point I believe we're out of time. So I want to thank the minister and the officials for always an interesting, informative conversation and look forward to meeting again.

The Chair: — Okay, seeing no more questions from the committee, I will now ask a member to move that we conclude consideration of the following annual reports and financial statements: 2018-19 SaskPower annual report, 2018-19 NorthPoint Energy Solutions Inc. financial statements, 2018 Power Corporation Superannuation Plan annual report.

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

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with SaskPower. Minister, do you have any final comments?

Hon. Mr. Duncan: — Just knowing the time, really quickly I want to thank Ms. Sproule for her questions, and members of the committee for having us here, to you, Mr. Chair. And I do want to thank the team here from SaskPower that you see as well as everybody that you don't see that are behind the scenes and helping to prepare us and to prepare me for today. So thank you.

The Chair: — Ms. Sproule, any further . . .

Ms. Sproule: — No, thanks.

The Chair: — Okay. Seeing we have no further business today, I will ask a member to move the motion to adjourn. Mr. Buckingham so moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned until the call of the Chair.

[The committee adjourned at 17:04.]