



STANDING COMMITTEE ON INTERGOVERNMENTAL AFFAIRS AND JUSTICE

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**STANDING COMMITTEE ON INTERGOVERNMENTAL
AFFAIRS AND JUSTICE**

Mr. Greg Brkich, Chair
Arm River

Mr. Doyle Vermette, Deputy Chair
Cumberland

Ms. Nancy Heppner
Martensville-Warman

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

Mr. Eric Olauson
Saskatoon University

Mr. Doug Steele
Cypress Hills

Mr. Warren Steinley
Regina Walsh Acres

[The committee met at 15:02.]

The Chair: — I want to welcome everybody to this afternoon's committee meeting. I'm the Chair, Greg Brkich. Doyle Vermette is Deputy Chair. The committee members are Nancy Heppner, Lisa Lambert, Eric Olauson, Doug Steele, and Warren Steinley.

We have two substitutions. Sitting in for Eric Olauson is Lori Carr, and sitting in for Doyle Vermette is Nicole Rancourt.

Bill No. 64 — *The Miscellaneous Statutes (SaskPower and SaskEnergy) Amendment Act, 2017*

Clause 1

The Chair: — We will now begin our consideration of Bill No. 64, *The Miscellaneous Statutes (SaskPower and SaskEnergy) Amendment Act, 2017*, clause 1, short title. I will ask Minister Harpauer, who's here with her officials, I will ask her to introduce them and if she has any opening comments. Thank you, Minister.

Hon. Ms. Harpauer: — Thank you, Mr. Chair, and welcome to the committee members and my officials. Attending with me for this committee is Tammy Kirkland, the deputy minister of Government Relations; Keith Comstock, the ADM [assistant deputy minister] of municipal relations and northern engagement; John Edwards, the executive director of policy and program services; Cheri Kellington, the executive director to the deputy minister; Mark Guillet, Q.C. [Queen's Counsel] for SaskEnergy; Rachele Verret Morphy for SaskPower; and Doug Kosloski as the Q.C. for CIC [Crown Investments Corporation of Saskatchewan]. I also have Shannon Andrews, my chief of staff.

The Chair: — Thank you, Minister. Oh, did you have some opening comments?

Hon. Ms. Harpauer: — I have very brief opening comments, just for clarification for the committee members. As they're well aware, this piece of legislation allows the money from the grants-in-lieu in SaskPower and SaskEnergy to flow to the General Revenue Fund instead of the municipalities. We've had conversations and questions in question period on these two programs, and I have characterized them as unfair, inequitable, complicated, confusing, and not transparent.

Just to sort of . . . For clarification for the committee moving forward, there is three streams of funding that flows from our Crown corporations in SaskPower and SaskEnergy that are sometimes the terms to describe them were used . . . the same term is used to describe all three streams. So for clarification, the SaskPower surcharge, which is 10 per cent payment of revenues generated in a given city and 5 per cent of within a town or village, this can be called the municipal surcharge.

It is also called . . . Just one moment, Mr. Chair. In the SaskPower corporation Act section 36, it's called payment in lieu of taxes. In the Lloydminster agreement it's called payment in lieu of taxes. In a number of other agreements it is called the surcharge, and on customers' bills it's called the municipal

surcharge tax. So for the sake of this committee, we will consider that SaskPower's surcharge, and it is not affected by this legislation or by this budget of our government.

We also have SaskPower grants-in-lieu which is 5 per cent of SaskPower revenues within a given city, and two of the agreements called them grants in lieu of taxes. Two call them payments in lieu of taxes. Four of the agreements call them just payments. One is the sum in lieu of taxes. So for the sake of this committee we will call them grants-in-lieu for SaskPower.

And for SaskEnergy, the agreements call them payment in lieu of taxes. On your customer bill, you will see them as municipal payment. And internally they are often called a franchise. So again, for the sake of the committee, we will call them SaskEnergy grant-in-lieu.

With that I'm open to questions.

The Chair: — Any questions? Nicole.

Ms. Rancourt: — Thank you. First of all, I'd like to thank all the committee members for being here tonight and all the officials. We really appreciate you making the time to be here and to answer some of the questions. This is a really important bill to discuss. It impacts a lot of communities and it impacts a lot of families within this province. And so I know this afternoon we have a lot of people that are going to be watching the committee here today to see if they could get some of the answers to questions that they have. And so I'm hoping that with our discussions that we can provide them some more clarity with regards to this bill.

I also have some colleagues here with me today that are going to also be participating in discussion since they represent the different Crown corporations that we're talking about with SaskPower, SaskEnergy.

But since we have a lot of questions that we want to ask, I'm going to get right to it. So my first question is, why did the province decide to break these decade-old contracts with urban municipalities, without any consultation?

Hon. Ms. Harpauer: — So the first clarification I want to make is that there isn't 109 contracts. There is nine contracts with SaskEnergy, and 10 contracts with SaskPower. The majority of those 19 contracts do have termination clause provisions in them. The question of why, of course, is it's a difficult budget. And the municipalities were very clear that what they felt was the most important revenue stream to them was revenue sharing, as well as infrastructure dollars. And infrastructure dollars are included within our budget. There's an increase to infrastructure dollars.

But when they say that there was absolutely no consultation, I have all of the dates. On November 18th, 2016, that I, myself as the minister and some of my officials met with the City Mayors' Caucus. The message was extremely clear that this would be a difficult budget, and it was in fact the third of three difficult budgets.

Resource revenue didn't fall just in one year. They have been

declining now for three years. In the first year, we capped all of the revenue streams to municipalities whole, as we do recognize their importance. In the second year, we did the same. However, we have been very clear that we can't continue to do that until there is some recovery of resource revenues.

On December 14th we had a meeting with the SUMA [Saskatchewan Urban Municipalities Association] executive. The message was the same.

On January 13, I met with Mayor Fougere. The message was the same. I don't have the exact date, but our entire caucus met with the Saskatoon mayor and council, I believe in February or the end of January.

In February 6th, the Premier's address to SUMA gave that message very clear, and did actually point to grants-in-lieu in his address. On February 7th, I gave an address to SUMA, and again the message was very clear. We're going to be looking for revenue from, or at least reduced expenditures, to all sectors within government. On February 6th to 8th, I was present at the entire SUMA convention, on the floor. I want to point out that no delegate from the floor gave a suggestion of where the municipal sector could help out with the challenges we were having.

On February 9th, the caucus, our entire government caucus met with the Regina mayor and council. The message was the same.

On March 14th, the Premier's address to SARM [Saskatchewan Association of Rural Municipalities], again the message was the same as well as pointing out grants-in-lieu would be looked at. On March 15th, my address to SARM was the same, and March 14th to the 16th I was present at the SARM convention on the floor and again, no delegation gave any suggestions of where the municipal sector would help us out.

Ms. Rancourt: — Did you have some individual meetings with the urban municipalities to talk about ways that they could help contribute back to this government instead of having the grants-in-lieu on the table?

Hon. Ms. Harpauer: — Grants-in-lieu wasn't our first discussion, by no means was it the first, where we were going to go on, say November 18th. But I'll go through the list again. November 18th I had a meeting with the City Mayors' Caucus and the message was there. Did they offer in the conversation . . . The conversation was, yes we know this is tough and resource revenues are down and have been going down now for three years. Just, you know, our number one priority to keep here is going to be revenue sharing.

Again, I met with the SUMA executive on December 14th, 2016; the mayor of Regina, January 13th; the Saskatoon mayor and council was met with the entire government caucus, I believe the end of January. So that's the meetings we had leading up to this, as well as of course a number of meetings at SUMA and SARM.

Ms. Rancourt: — Well, we know with seeing the reaction from these urban municipal leaders after the budget was laid out and they realized that these decade-long contracts that they've had with an agreement with the province were going to be

eliminated, that they were not prepared for this and that they were not expecting that even though this government told them that everything's on the table and this will be a tough budget. They did expect that there was going to be some changes with maybe some of the payments that they get from the government, but they did not expect that contracts that they've had signed for decades was what was going to be taken away from them.

So can you provide me a list of communities impacted and the year that that contract with the province was signed?

Hon. Ms. Harpauer: — Sorry, can you repeat that question?

Ms. Rancourt: — The list of the communities that will be impacted by this bill and the year that their contract with the government was signed with the province.

Hon. Ms. Harpauer: — Okay. For the grants-in-lieu for SaskEnergy, there is 15 cities, 15 out of the 16 cities — Lloydminster for some reason was never included — and there's 94 towns and villages. Twelve of the cities, 12 of the 16 cities, receive 5 per cent through grants-in-lieu per SaskEnergy. That excludes Martensville, Warman, and Meadow Lake, even though they're cities.

There is 83 towns and villages that receive 5 per cent and then there's 13 municipalities including the cities of Martensville, Warman, and Meadow Lake that receive only 3 per cent.

Of the 108 municipalities receiving payments, only nine have contracts; 99 do not. For the cities that receive 5 per cent with a contract, there is Saskatoon, Regina, Prince Albert, Moose Jaw, Yorkton, North Battleford, Estevan, Weyburn, and Swift Current.

For cities that receive 5 per cent without a contract, there is Humboldt, Melfort, and Melville. And for cities that only receive 3 per cent and have no contract is Martensville, Warman, and Meadow Lake. The 16th city of Lloydminster does not receive a payment.

[15:15]

Of all the nine contracts, they were all signed in the 1950s. All were an agreement by the city to relinquish their right to undertake the distribution, sale, and supply of natural gas within their respective city, but in fact no city had a gas distribution system at that time. All except Saskatoon describe the payment as a payment in lieu of taxes. The Saskatoon contract does not make any reference to a payment in lieu of taxes.

No contract makes any mention of compensation to the city for forgone revenues from not being able to own and operate their own gas distribution company, and all except Saskatoon include the following wording: The corporation shall pay to the city annually as a payment in lieu of taxes so long as this agreement remains in force and following percentages of the gross revenue of the corporation derived from the sale of the gas within the city.

There is no language of perpetuity in any of the contracts, and Saskatoon, however, does not have a particular clause where it

allows for termination. It defines termination.

Of the 99 municipalities that receive grants in lieu of payments that do not have contracts, there is limited corporate memory on how these payments were agreed to. They are in regulation. There is some belief that towns close to the cities wanted the same benefits of the cities. However when you actually map out the communities that are included in this program, it's an illogical pattern on the map. It doesn't just centre around cities.

Through the '50s and '60s, the SaskPower board made the decision to make the payments through SaskEnergy, through board minutes. The earliest decisions began at 5 per cent, then it was dropped down to 3 per cent. And then for some reason, and I believe it was because of the cost, it was discontinued.

SaskEnergy also pays grants-in-lieu based on assessment times mill rate, to a total of \$3.3 million, which is not deducted from the respective city, town, or village where they're making the payment also on grants-in-lieu that's based on usage. So for example, in Regina, SaskEnergy pays \$788,000, so a quarter of a million in grants-in-lieu outside of this program for its head office here in Regina. So therefore there are situations where SaskEnergy is paying grants-in-lieu based on assessment times mill rate, as well as grants-in-lieu through this program to the very same community.

SaskPower. The grants-in-lieu for SaskPower is only available to 13 cities. Warman, Martensville, and Meadow Lake do not receive payments. The 13 cities receive 5 per cent of the power generation revenues within their city limits. Of those 13 cities who receive payments, there are only 10 contracts. Those contracts are with Regina, Prince Albert, Moose Jaw, Yorkton, Estevan, Weyburn, Melfort, Swift Current, and Lloydminster.

Of the remaining three cities who receive grants-in-lieu through SaskPower, Saskatoon receives payments authorized through a letter dated 1963. North Battleford was a decision made through the board in 1951. And there is no record as to why Humboldt receives the payments.

For the specific years for each of the contracts, for the city of Melville, the contract is in 1948. Reading through the details within the contract, in 1928 the town sold its power plant and system to Dominion Electric Power Ltd. It is not in the preamble to the contract of how much they were paid by Dominion Electric Power Ltd., but they granted the said company a franchise to supply power. In 1947, all the rights of Dominion Electric Power Ltd. was transferred to the SaskPower Commission. Again there is then in that 1948 contract, they would have taken over the Dominion Electric Power Ltd., and there is no mention of perpetuity. There is no mention of it being compensation for forgone revenues, and there is a provision for termination of one year's notice.

For Yorkton, contract is dated 1948. In the preamble to the agreement, it states that in 1928 the town sold its power plant and system to Mid-West Utilities Ltd., that later became named Canadian Utilities Ltd., for an amount of money, but we don't know because we don't have that contract. And they granted the said company a franchise to supply power. 1947, which is the same year as Melville, all rights of the Canadian Utilities Ltd. was transferred to the SaskPower Commission. It can be

terminated with one year's notice. The actual sale and money transaction would have taken place between Yorkton and the Mid-West Utilities Ltd. But the interesting thing with the Yorkton contract is they retain their right to take over and purchase the power plant even though SaskPower now owns it, and they have a decision point every 10-year anniversary from the signing of the contract.

In Estevan, the contract is from 1948. There is absolutely no evidence the town had any power distribution at the time, and in fact, SaskPower probably had the first presence. And the contract can be broken with three month notice. There is no mention of perpetuity, and there's no mention of forgone revenues.

In the city of Melfort, the date of the contract is 1949. Prior to this, the town in 1929 granted a franchise to the Canadian Utilities Ltd. to supply power. In 1947, again the year of two other of the cities, all of the rights of Canadian Utilities Ltd. was transferred to the SaskPower Commission. They can terminate the contract with a three month notice. And it appears that the system was built and owned by Canadian Utilities Ltd., that Melfort did not own a previous power plant, but I have no proof of that one way or another.

In North Battleford, the contract we have is 1951, but it is merely a sales contract. At some point in 1930 the town sold the power plant; we don't know for how much. But the 1951 contract is when they sell their distribution system to the SaskPower Commission, and then, as I mentioned earlier, it was a board minute that actually allows for the payments of the grants-in-lieu.

In Prince Albert, the contract is 1957. There's no evidence that the town had a power plant or distribution system prior to SaskPower's presence, but there is mention that this agreement supersedes all previous agreements which leads me to think that perhaps they did have a power plant. This agreement is to be reviewed every 10 years, and there is no money exchanged that I can find.

The city of Weyburn, the agreement is 1959. The agreement is to sell the power plant that they own and operate and the distribution system to SaskPower. The provision for termination is in effect until a mutual agreement for termination, and they received \$2 million for their power plant and distribution system.

The city of Regina's contract is 1965. It's an agreement to sell the power plant and distribution system to SaskPower. Again it's got the same language as the Weyburn agreement, that it's in effect until mutual agreement for termination. The sale price that we can find was a little over \$7 million debenture that the city of Regina had that SaskPower agreed to pay as well as about a half a million dollar in another loan. We don't have any other evidence of other . . . That doesn't say there wasn't more revenues. They also gave in this contract a guarantee that the surcharge would be no less than \$2 million payment in any given year. And they gave that guarantee, I believe it was for 25 years.

The Lloydminster agreement was 1969. SaskPower is the supplier of power in the town . . . or probably the town of

Lloydminster at that time. So they already were the supplier; they had set up the system. So this was just an agreement in order to get the grants-in-lieu, and it can be terminated with six months notice.

The city of Moose Jaw was 1970 was the time of the agreement. In 1930 the town granted a franchise to Iowa Southern Utilities to supply power, and they did so up until 1960 where SaskPower purchased the power plant and the system from Iowa Southern Utilities and entered into the first agreement with the town. It is to be reviewed every 10 years. And it appears . . . I don't know that, but it appears that the actual system was built and owned by Iowa Southern Utilities.

Swift Current's agreement is 1987 and it can be terminated with one year's notice. And of course they didn't sell their power utility so it's unique in that. That covers the 19 agreements.

Ms. Rancourt: — I'm going to pass it to my colleague.

The Chair: — Ms. Sproule.

Ms. Sproule: — Thank you, Madam Minister. I'm looking at a contract between SaskPower and city of Yorkton. The date on this one is the 2nd of March, 1959. I think the date you provided was a different date. So I'm not sure it's the same contract or not, but this one we're talking about the clause 8, which is remaining in force of the agreement. And it says:

This agreement shall remain in force from year to year, from and after the date specified in subclause (b) of clause 2 [which would be November 1959] until terminated by mutual agreement of the parties hereto.

It appears to me that there isn't mutual agreement of the termination here, so how would it be that this contract has not been broken?

Hon. Ms. Harpauer: — I didn't say we weren't breaking that contract. I said we weren't breaking 109 contracts.

Ms. Sproule: — Well I'm just asking about this specific one, this specific contract.

Hon. Ms. Harpauer: — This will break the contract.

Ms. Sproule: — You are breaking the contract. How many contracts are you breaking in total then?

Hon. Ms. Harpauer: — I guess I would need the legal mind of how binding it is because many of them have . . . I don't have that breakdown. Many of them have three month notice, six month notice, one year notice. As I read into the record, there are a few with the exact same wording as Yorkton's.

Ms. Sproule: — This is a three-page contract, and there are no notice provisions in this one. I just had a quick look at the one Prince Albert signed on the 22nd of May, 1956. Now I think you referred to one that was later than that, so there may have been a rewrite of the contract. But this one is substantially the same as the one with Yorkton. They have an effective date, and then they go on to say, "It shall remain in force from year to year until terminated by mutual agreement of the parties

hereto."

So perhaps you could undertake to provide the committee with a list of the contracts that will be broken as a result of this decision by the government.

Hon. Ms. Harpauer: — I believe in the review of SaskPower annual report you had asked for a copy of the contracts, and I think in that committee you were told that you would be getting them.

Ms. Sproule: — Yes, I was just wondering if you could provide to the committee how many contracts the government will be breaking with SaskEnergy and SaskPower.

Hon. Ms. Harpauer: — And again, I will repeat the same answer that I gave you before. I would have to have legal advice with the different terminologies because every single contract is different, whether or not that is indeed breaking a contract or not.

Ms. Sproule: — Thank you. I would appreciate that you would do that and get back to the committee on that.

I guess another question we have then is in relation to clause 6 of the bill that's before us today. As you understand, there's some consternation with communities about the inability to take the government to court for this type of situation, breaking the contract. Is that something you're still intending to go ahead with, clause 6, or do you have other plans for it?

Hon. Ms. Harpauer: — I do not feel that it is necessary, so I will ask the committee members' support to vote that clause down.

Ms. Sproule: — I think that's a good decision. We're happy to hear that you're considering. I'm sure the urban municipalities will do the same as well. We'll certainly be willing to vote in concert with the other members of the committee on that. So that's good news, Madam Minister.

The Chair: — Mr. Meili.

Mr. Meili: — Thank you, Mr. Chair. Good afternoon, Minister. Just a quick follow-up on that, I'm wondering why you chose to make that decision. Did you get any legal advice regarding whether that was actually, whether that clause was even possible within the law?

Hon. Ms. Harpauer: — Thank you for that question and a chance to clarify. So when in government, of course Justice drafts our legislation. I definitely am not that legalese mind that can do so . . . this proposal, nor am I actually the minister responsible for either of these Crown corporations.

As you have sort of gathered through this conversation and others, that SaskPower and SaskEnergy, because of the history behind this, weren't even aware of what contracts they had any longer and whatnot. So it was a cautionary measure by Justice when they initially drafted the bill. As I go through the contracts and try to, you know, analyze the history of this entire . . . all the transactions that took place and agreements that were made, I don't feel it necessary to have that clause. But it was

initially written by Justice to have that caution in there.

[15:30]

The wording of it quite frankly, they copied the wording very, very closely to what was used under the NDP [New Democratic Party] to break the GRIP [gross revenue insurance program] contracts with hundreds of farmers within the province, so I was advised it's the same wording.

The Chair: — Ms. Rancourt.

Ms. Rancourt: — So I'm going to go back to the agreements. And you said that many of these agreements had a termination clause. Can you point out where that clause is in the agreements?

Hon. Ms. Harpauer: — Every agreement's different. I did not bring the individual agreements in here with me.

Ms. Rancourt: — Because a few of the agreements that I looked at, it said the agreements could be terminated upon mutual agreement. And so my understanding would be, that would be with meetings with the municipalities to discuss whether they agree to terminate the agreement. Have you had those meetings with the individual municipalities?

Hon. Ms. Harpauer: — No. I think your colleague clarified that. The answer is no. And I think I read into the record, I believe there's three or four that have that language in them. Others have an actual time of a notice time. I believe I read that all into the record.

Ms. Rancourt: — And so with the notice time, did the Crowns provide a letter with notice to the communities affected?

Hon. Ms. Harpauer: — They did not.

Ms. Rancourt: — So is this legislation killing these agreements? Is this going to be permanently eliminated?

Hon. Ms. Harpauer: — So the conversations that I've had with individual mayors and council members is that we will be having a discussion going forward as to what happens to these particular strange revenue streams because of the inequity and the unfairness within them, and really the lack of knowledge anymore. We don't have the corporate history anymore because the people that made these decisions are no longer with us. So that is conversations that I will have with the individual mayors or a group of mayors to decide what the future looks.

And this is not a cabinet decision. It's not a government, we're going to do this. I think that it probably would be far more transparent and understandable and fair if all of our Crown corporations, including SaskPower and SaskEnergy, paid grants-in-lieu for taxes. It's how SaskTel pays. It's how SGI [Saskatchewan Government Insurance] pays. It's how all of executive government pays. They pay for grants-in-lieu for taxes, which is the assessment of the building times the mill rate.

Ms. Rancourt: — And do you have a time frame of when you plan on meeting with the mayors of all these affected

communities?

Hon. Ms. Harpauer: — I won't be meeting with all 109 of them. It will be a group. No, I haven't set a date, but obviously we start our next budget process fairly early, so it'll have to be before that.

Ms. Rancourt: — And there was some communities that got a cap of the amount of the grants-in-lieu that would be eliminated. Going forward, is that cap going to be placed on further years or would the amount that you originally indicated that they would lose, is that going forward?

Hon. Ms. Harpauer: — Those decisions haven't been made yet.

Ms. Rancourt: — When do you plan on having some of these decisions made?

Hon. Ms. Harpauer: — It will be part of the discussions that I have, as I said, when we meet with some of the municipal leaders. But ultimately, again, it's a budgetary decision and that is not till a year from now.

Ms. Rancourt: — Okay. Because my understanding is that some of the municipalities are going through looking forward to their budgets, like next year and the years ahead. So I guess the answers that they could get, in a reasonable fashion, would be greatly appreciated by them, because they need to know what's going forward with their budgets.

Will there be any compensation for these municipalities for ending these contracts?

Hon. Ms. Harpauer: — No.

Ms. Rancourt: — And will some of these municipalities be able to utilize their . . . if they had the ability to go on the power grid or anything like that, would they be able to take over the corporations that this agreement was under?

Hon. Ms. Harpauer: — That's interesting, because in the contract that I have with Yorkton it would be a 10-year decision. However you have a contract from Yorkton more recent, and I don't believe by looking at your colleague that it still has that clause in there. I'm not sure that any of these contracts absolutely prohibit it, if they have a 10-year review built into them, and a couple of them do. However I do not think that any city can afford to do so.

Ms. Rancourt: — So do you think removing these royalty payments are going to make SaskPower and SaskEnergy more attractive to sell?

Hon. Ms. Harpauer: — First of all, I'm going to correct you. They're not royalty payments. And so we'll stay with the terminology. And no contract, no legislation, nothing other than SUMA calls them royalty payments. So SUMA has put out a fair amount of misinformation, which is really unfortunate, and that's one of them. I have no clue and I . . . That's not part of this conversation whatsoever.

Ms. Rancourt: — Clause 5, it says:

Subject to the regulations, all agreements are terminated and all obligations and liabilities arising out of the agreements and all rights acquired under them are extinguished.

Specific agreements or provisions of the agreements may be exempted from that application of this section by regulation in order to maintain certain obligations, liabilities and rights.

So which, if any, municipalities are going to be exempt from the provisions of Bill 64?

Hon. Ms. Harpauer: — Anyone that doesn't get a payment. So the other, I believe, the municipalities. There's urban. There's about 450 approximately, so 450 minus 109.

The Chair: — Mr. Meili.

Mr. Meili: — Thank you, Mr. Chair. Minister, I'm interested in some of your comments on this program. You've described it as a very strange program, as unfair, as not transparent, as not understood. The not understood, I've kind of . . . That makes sense. I've looked at the faces of some of my learned colleagues here and seen a similar response. But the in equitability of it, you stand by that statement that these aren't fair.

Hon. Ms. Harpauer: — Right, I do.

Mr. Meili: — Okay. Okay, thank you. I'm a bit curious about that because, as I understand it, it's the ratepayers in the cities or towns that are receiving these grants-in-lieu that are paying it. So you have the customers that are paying in and their communities are receiving it. Is that not correct?

Hon. Ms. Harpauer: — I believe it is for SaskEnergy, and that has to be part of the conversation going forward because I absolutely agree with where you're going, that those residents shouldn't be the only contributors to a shortfall in the General Revenue Fund.

I'm not sure that's the case in SaskPower. I don't think, in SaskPower, I am paying 5 per cent more in Humboldt, or my property in Regina, than I would be if I lived a couple miles out. So I'm trying to get clarification on that for SaskPower. And if that is the case, of what you're . . . You're right. This is in the going forward, something else that we need to fix in the program.

Mr. Meili: — So the way that you described it earlier in the day, earlier this afternoon made it sound more like . . . And this is my understanding from the other discussion, so I don't know if there's anyone else in the room who is able to clarify this because it sounds as though it's the cities who are receiving the grants-in-lieu. It's the residents of those cities that are paying into them.

Hon. Ms. Harpauer: — For SaskEnergy. So for SaskEnergy, you see it on your bill, and my understanding from SaskEnergy that it is actually just charged to those residents. So that needs to be fixed.

For SaskPower you do not see it on your bill. It's built in and

we are all paying it across the entire province. It comes out of the bottom line.

Mr. Meili: — I'm just seeing some conversation with the supporters. Is that correct?

Hon. Ms. Harpauer: — He's a lawyer, so he'll bail me out if I'm in trouble here. Yes. No, he said that's correct. For SaskPower, every power user is a contributor to that money. It's built into the rates and so therefore it comes out of SaskPower's bottom line.

Mr. Meili: — Let's stick with SaskEnergy for a moment then because there's a pretty interesting case there, and I guess it's also my critic area. I suppose I should talk about that one. Do you think that's unfair that ratepayers in Saskatoon for example, or Swift Current, pay into SaskEnergy and that money goes back to Swift Current or Saskatoon? It doesn't affect people outside of those areas.

Hon. Ms. Harpauer: — So I'll say it again. In order to collapse this, I agree with you. And so it needs to be fixed in that level as well. And it may be the same model as SaskPower's where it is every energy user contributes, and it's an additional dividend from SaskEnergy in an upcoming year. You know, some way we'll be working through that in the upcoming months.

Mr. Meili: — Excellent. So indulge me a moment because I think there is somewhere we need to go with this to understand it a bit better. How many communities for SaskEnergy specifically again?

Hon. Ms. Harpauer: — SaskEnergy is 108.

Mr. Meili: — And so right now you have in those 108 communities' money going into SaskEnergy and going back to the community. But now you have money going from ratepayers in those 108 communities going into SaskEnergy and going into the General Revenue Fund. That's my understanding of the plan before us.

Hon. Ms. Harpauer: — When this bill passes, yes.

Mr. Meili: — But you've taken it from a situation which perhaps ratepayers would say, okay, well this is unfair. I'm paying more for my energy than a community that doesn't have this agreement. The argument to them would be, well you're getting it back in services in the urban community you're in. Fair, unfair — that would be at the level of the ratepayers but certainly not an unfairness between, for example, Lloydminster who never had it, and Moose Jaw. There would be no unfairness there. Is that correct?

Hon. Ms. Harpauer: — No, I guess the unfairness that comes in here is that Lloydminster never had it.

Mr. Meili: — But Lloydminster ratepayers aren't paying it either, so they haven't lost anything in comparison to other cities. Is that correct?

Hon. Ms. Harpauer: — Not the residents. So for the residents, you're correct. For the municipalities is where the unfairness comes in because some municipalities have had the benefit of

having this revenue stream from their residents. Other municipalities don't have the ability to access that revenue stream.

Mr. Meili: — Right. So you have a difference in revenue streams but not any particular grant being given from the rest of the province to the special 108 communities. It's no gift from the rest of the province; it's from the ratepayers themselves.

Hon. Ms. Harpauer: — In SaskEnergy, yes.

Mr. Meili: — I guess the reason I focus on that is because now what you've introduced is moving from a flow through from the ratepayers to the cities. You actually have a special tax for those 108 communities. The ratepayers of those 108 communities are now paying directly into the GRF [General Revenue Fund] as part of their SaskEnergy bill.

Hon. Ms. Harpauer: — It was a tax, if you want to call it that, by the municipality, that now will be a special tax for a short period of time until we correct this and, you know, make the entire program . . . As I said, I would like to see it all be grants-in-lieu of what it should be. But it was a special tax prior for the municipality, but that special tax, if that's what you want to call it, is now going to the GRF.

Mr. Meili: — Sure, so you had a special tax from people from — not Lloydminster; that's a bad example — a special tax on people from Moose Jaw that went into their services in Moose Jaw. Now you have a special tax on people in Moose Jaw that goes to the entire province. So when we get back to that terminology that you used earlier — inequitable, fair, unfair, very strange — now that seems to me unfair and very strange that you would have 108 communities that are now paying into the fund for the entire province, while no one else is paying into that as part of their SaskEnergy bill.

[15:45]

Is that that something you're going to remove immediately? Is that something you can adjust this bill so it doesn't do it anymore? Because right now you're actually, you know, you're losing nothing by allowing SaskEnergy's . . . the payments from those individuals to go through SaskEnergy back to the municipalities. You're losing nothing. But when you're allowing . . . When you're taking it away you're actually taking from those ratepayers and subsidizing the rest of the province.

Hon. Ms. Harpauer: — For a short period of time that is actually what's happening. I think I've answered that question.

Mr. Meili: — Do you have options in this legislation to change it so that that doesn't happen? You could remove SaskEnergy from this legislation, could you not?

Hon. Ms. Harpauer: — No, we are not going to forego that revenue for our budget.

Mr. Meili: — So I guess that's where this all gets quite unusual, and in our discussions in SaskEnergy in estimates as well. Can you justify for me, what's the rationale for taking money from the Crowns and putting it directly into GRF [General Revenue Fund]? This is money coming from

ratepayers into the Crowns and is going directly into the GRF. We have ways that we move money from the Crowns through CIC into the GRF. Why create this sort of leak out of the Crowns into the GRF?

Hon. Ms. Harpauer: — As I said in the beginning, this is our third year of resource revenues going down. There is a \$1.2 billion shortfall. We're looking at a number of ways in order to start to fill that shortfall. This program, probably should have looked at 40 years ago and collapsed and transitioned out, and then have, you know, discussions on a different revenue stream or different possibilities. But it wasn't. It was looked at, I have to say, a number of years ago and I have a letter of evidence of that, that there was some concerns raised with these programs with the city of Melfort. But it wasn't looked at. It wasn't followed through with.

And so rather than go to the revenue sharing, which the municipalities said that they did not want us to address, or did not want us to reduce more than what . . . the formula itself has a small reduction. This was an option. So I mean we looked at a lot of options and a lot of programs in this budget. This was one. And this is a program that probably should have been looked at, reviewed, and thought about a lot of years ago.

Mr. Meili: — So you described it as being collapsed, but it actually isn't being collapsed; it's being maintained, and maintaining the surcharge on the residents, you're just applying it to the GRF. Is that correct?

Hon. Ms. Harpauer: — I will say this one more time because I do think you understand what I'm saying. We will be doing this for one year. One year. And then we will have a more equitable way of the SaskEnergy situation. Do you understand that?

Mr. Meili: — I'm not sure why the minister is getting irritable at this point. I am really trying to clarify some things that aren't very clear. And it isn't clear to me why you would do this to the ratepayers of 108 communities for a year. That's a subsidy from a small set of communities to the rest of the province.

And it's also interesting that you are really confirming that it's one year, because we had Minister Duncan in the SaskEnergy estimates say, and I quote . . . I asked him if it was terminated permanently, and he said yes, that that was the case. We have the Premier talking about it being three years. So I guess I'm probably not alone in finding this not entirely clear, Minister.

Hon. Ms. Harpauer: — In its prior form, it's done. In the prior form, it is done. Are we going to continue going forward just for these 109 communities for this revenue? The answer is no, because as you pointed out, as I agreed with you, that isn't fair. So I'm not sure . . . The program as it exists is being terminated. Are we going to just then continue to collect money from 109 communities? The answer is no. We will come up with a fairer solution in the next coming months.

Mr. Meili: — We've had some discussion today about the ability to take the government to court regarding the municipalities affected. I'm wondering if the ratepayers affected might be looking at a similar option. If you've got the ratepayers in a community that are being told, we're going to be paying 5 per cent and that money is going to subsidize the GRF,

we're not getting any more services for it than anywhere else, would they . . . Have you had any legal opinion on whether the ratepayers would have a case against that surcharge?

Hon. Ms. Harpauer: — Ratepayers are not the contract holders.

Mr. Meili: — But they're being charged a . . . They're being charged a surcharge for a service they're not receiving. Is that something that they would have any means of . . .

Hon. Ms. Harpauer: — I suggest that you talk to your colleague who has legal expertise. I do not. I would think that they probably know more, would have the ability to then when we raise the PST [provincial sales tax] . . . I would doubt that, but . . .

Mr. Meili: — We have some counsel on your side of the room as well. I wonder if they have an opinion. In general, taxes need to be applied equitably across the board. So I'm just wondering if that inequitable application of this, as you've agreed, a special tax on those 108 communities, if there's any means for those people who have that tax being inequitably applied to them to respond and demand that being taken down.

Hon. Ms. Harpauer: — So I'm being advised by the lawyer for CIC that they don't disclose legal advice that they give to government in committee. But I dare to say on my bill it's \$3, and I would question how many citizens you'd have to get together that's willing to spend that kind of money to start to lawyer up. But perhaps they would have that option.

Mr. Meili: — I suppose when you get to 200,000 citizens, that adds up to a much larger amount, that those communities are subsidizing the General Revenue Fund. Again I . . . [inaudible interjection] . . . Sorry . . . [inaudible] . . . Excuse me. Again I question the method in terms of the transfer of the funds to the GRF. In general, how do you transfer funds from Crown corporations to the General Revenue Fund?

Hon. Ms. Harpauer: — Dividends.

Mr. Meili: — So why would we not . . . Why is this necessary if you're cancelling these programs that you continue to have it going through the Crowns, collecting that money from the ratepayers directly and having it through that sort of side door to the GRF instead of going through the dividends process?

Hon. Ms. Harpauer: — In the case of SaskPower where all power users or contributors . . . SaskPower hasn't paid under our government dividends. In the case of SaskEnergy, I'll say it again. It's a transition measure right now.

Mr. Meili: — So I'll hand it over to my colleague.

The Chair: — Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair. I'll just follow along that because I want to make sure I understand what you're saying. And I'm sorry, I didn't quite understand it. So you're saying under SaskPower, the payments won't be going through the GRF? Did I understand that correctly?

Hon. Ms. Harpauer: — You did not. In SaskPower they go to the GRF as in SaskEnergy. SaskPower, all ratepayers pay it. It was paid off the bottom line to the cities, but every power user is a contributor to it. In SaskEnergy, it's a charge just for the citizens in the community that receive the payment.

Ms. Sproule: — Okay. I think then, let's just look at the Crown investment corporations Act. I wanted to ask a bit about that. And I'm glad counsel is here today, because section 5 of *The Crown Corporations Act* talks about the objects and purposes of the Crown Investments Corporation. And I believe you were minister of that for some time, so you'll be familiar with this.

In section 5(2) it says the responsibilities of CIC, CIC is “. . . responsible to the Lieutenant Governor in Council for all matters relating to the following.” And section (d) says, “. . . the financial relationships between subsidiary Crown corporations and the Government of Saskatchewan.”

I'm just wondering if that clause is being violated by the application of the new bill, the sections in the bill that allow funds to be diverted directly to the GRF rather than going through Crown Investments Corporation.

Hon. Ms. Harpauer: — No.

Ms. Sproule: — You're saying this is not a violation of *The Crown Corporations Act*?

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — All right, so then perhaps you could explain that, how you feel . . . because obviously, under *The Crown Corporations Act*, CIC is responsible for financial relationships between Crowns and the government. This is obviously a financial relationship between the Crown and the government, so how could it not be violated?

Mr. Kosloski: — So I'll take a crack at that. So section 5 is a general mandate section that gives us the objects and purposes of CIC, what they're responsible for. With respect to the specifics of your question, not all financial matters flow through CIC — for example, borrowings. The General Revenue Fund or the Ministry of Finance undertakes all borrowings on behalf of all agents of government, and those amounts that are borrowed, as an example, flow directly to those Crown corporations and do not flow through CIC. So to narrowly construe it as everything flows through CIC would be incorrect.

[16:00]

The other thing, Crown corporations do pay a capital tax, and that goes directly to government. So they have . . . and that's the General Revenue Fund. So they do pay direct, make direct payments to the General Revenue Fund that do not flow through CIC.

So I would read section 5 as a broad objects-and-purpose clause and not a specific operational clause.

Ms. Sproule: — Thank you for that clarification.

In section 6 it talks about the powers of CIC, one of which is to

receive from subsidiary Crown corporations any monies that are advanced to, used in, or derived from the subsidiary Crown corporations that are designated by CIC or the Lieutenant Governor in Council. So that's one of the orders, or one of the powers of CIC is to receive those monies. Will this diversion of funds from municipalities directly to the GRF impact the ability of CIC to make calls for dividends, for example?

Mr. Kosloski: — No.

Ms. Sproule: — Thank you. I just want to make sure I get this clear as well. I have a list of all the communities that are impacted and I counted them. And there's 109 that are currently receiving the ratepayers' payment through SaskEnergy. You've referred to 108 and 109, so which one is it?

Hon. Ms. Harpauer: — A hundred and eight through SaskEnergy, but not Lloydminster. Where if you go to SaskPower, there's the 13 and you drop Lloydminster. But then we're 109 and 110.

Ms. Sproule: — That's my understanding because when I counted there was 110 communities. Lloydminster was the only one not included in that.

Hon. Ms. Harpauer: — Okay, sorry about that. I dropped it the wrong way. So it's 110 . . . No, 110; 109 SaskEnergy. You take a bunch of SaskEnergy off and you add in Lloydminster for SaskPower.

Ms. Sproule: — Okay. Then that is . . .

Hon. Ms. Harpauer: — I apologize.

Ms. Sproule: — No, I just want to make sure that was clear. Okay. My colleague referred to this earlier, but when SUMA responded to the announcement in the budget — and I know you've described it as consultation, but the language they used was:

. . . we were appalled by the . . . government's decision to strip \$36 million of payments in lieu from . . . Saskatchewan's urban municipalities. Without any clear, concise indication what was coming in the provincial budget, hometowns were shocked.

The elimination of these payments in lieu, which came without consultation, has left many hometowns facing a fiscal crisis.

So I'm just wondering if you could square that circle, Madam Minister, because obviously they feel they weren't consulted. And you described a number of meetings initially where you told them certain things. But how is it then that their reaction to that was that this was not consultation?

Hon. Ms. Harpauer: — I think they have to answer for their reaction. I'm not going to speculate.

Ms. Sproule: — I just want to take a look at the bill itself right now in terms of the change to *The Power Corporation Act*. This will all be done through regulations apparently once the bill is passed. Section 44.1 of *The Power Corporation Act* is a new

clause that's being added. And what this says is:

In accordance with the regulations, the corporation shall, in each of its financial years, pay to the following the amount prescribed in the regulations based on its revenues from the supply of energy in the financial year:

- (a) the Minister of Finance for deposit in the general revenue fund;
- (b) municipalities designated in the regulations.

How is that amount going to be calculated if you are getting rid of this arrangement that's currently in place?

Hon. Ms. Harpauer: — It's calculated the same way it is now.

Ms. Sproule: — So you're going to continue to use the same formula, 5 per cent, 3 per cent. Like the same formula will be used in the regulations?

Hon. Ms. Harpauer: — Right. For SaskPower, it's 5 per cent; for SaskEnergy, we've got this 99 and 13, unless I've got . . . where we've got 3 per cent and 5 per cent.

Ms. Sproule: — And you've indicated that this is a temporary measure as far as the GRF is concerned, I believe one year. So are the regulations going to be structured so that at the end of — I don't know if it's a fiscal year; it says financial year in this clause — so then I'm assuming at the end of '17-18 then those monies . . . Would this revert back to the municipalities under the regulations as opposed to the agreements that are currently in place, or the non-agreements? It will be formalized in the regulations?

Mr. Kosloski: — So if I understand your question, it is . . . Is it related to why things are being put in regulations? Or just could you clarify, please?

Ms. Sproule: — No, it's the how; it's how is this going to look once this bill is passed and the regulations are introduced?

Mr. Kosloski: — Okay. So if you look at the legislation as structured, the agreements that are out there are terminated. And in clause 4 and 5 . . . sorry, clause 3 and 4 of the bill, replace those agreements by replacing the mechanism that's reflected in those agreements and the mechanism that's used to date to calculate the amounts that are collected and paid. And it also will designate who they're paid to.

So in the case of it's a municipality, the government has announced that there's going to be a capping for certain municipalities. So some municipalities will continue to receive a portion for over that capped amount. And the government has also announced that in the case of Regina and Saskatoon that the affect on them would be equal.

So where there's a disparity there, you would need some regulatory approval to pay those out. And so that's where the municipalities, where they receive payments, are named. If it's not to a municipality, then it's to the General Revenue Fund. But the purpose of the regulations is to replace the calculation methodology that is contained in the agreements.

Ms. Sproule: — Okay. So we're just talking about the change to *The Power Corporation Act* at this point in time, right? So if I understand correctly, there's nothing expressly replacing those agreements in this legislation. Is that deliberate?

Mr. Kosloski: — Well you have to read the whole bill. If you read clause 5, it says the agreements are terminated. Right? So if that happens, then you have to replace it with something if the intent is to collect that. So that's what clause 3 would be in the case of Power.

Ms. Sproule: — Thank you. I'd seen it before, but I forgot it was there. Okay. So the agreements will be a place where there are agreements. They will be replaced by the regulations where there are not agreements. Then it doesn't matter because everybody's subject to this anyways. I'm just trying to figure this out.

So in terms of the regulations then, under 44.1(1), there will be a designation, as you indicated, for the 30 per cent cap on certain communities and that'll all be in the regulations. In the second subclause, I guess, so that you're talking about regulations prescribing the amount to be paid which is to not exceed 5 per cent of the corporation's revenues. So you are limiting this at 5 per cent. And is that . . . I just want to know why you limited it in the legislation.

Mr. Kosloski: — Because that's what the current limit is via the agreements.

Ms. Sproule: — I'm just looking forward to section 4, which talks about changes to *The SaskEnergy Act*. And there in the new section it's also 5 per cent, but some of them are currently at 3 per cent. Would that mean that you would actually increase it up to 5 per cent? Is that a possibility?

Mr. Kosloski: — I think if you look at the language, it says not to exceed 5 per cent.

Ms. Sproule: — Yes. So my question is: for the ones that are at 3 per cent would there be any intention to raise it up to 5 per cent?

Mr. Kosloski: — No.

Ms. Sproule: — So why would the legislation not be more clear on that?

Mr. Kosloski: — That's a drafting exercise. And not to exceed 5 per cent, I think, is fairly clear.

Ms. Sproule: — Are these regulations drafted or when do you anticipate they will take effect?

Mr. Kosloski: — So the regulations are currently in drafting, and as you see in each of clauses 3 and 4, there's a subclause that says that the regulations will have retroactive effect on April 1st.

Ms. Sproule: — In terms of the removal of clause 6, or I guess voting it down at the end of this meeting today, was there any discussions with SUMA in relation to this decision, and were any arrangements made with SUMA to . . . any undertakings on

their part in order to get the government to agree to remove this clause?

Hon. Ms. Harpauer: — No, I had no discussions with them.

Ms. Sproule: — So basically you're just responding to the concerns that were raised in public?

Hon. Ms. Harpauer: — No. Basically I don't think that this is a risk and I didn't think . . . I don't think it's necessary.

Ms. Sproule: — So it's just upon review of having included it through Justice's advice, then you decided that it would be best not to have it in the Act.

Hon. Ms. Harpauer: — It came from actually finding out that there's few, very few contracts, and reading the contracts from end to end and studying them, that I came up with that opinion.

Ms. Sproule: — And I just want to review a little bit on . . . in SaskPower . . . *The Power Corporation Act*. We had a little discussion in committee with SaskPower, and Ms. Verret Morphy was able to give us some clarification there. But I think it's section 36, and I have to find the section. I know you referred to it earlier, Madam Minister. Hang on.

Sorry, it's section 34 and 36. There's two sections there and one is a payment in lieu of taxes, which SaskPower has referred to as their municipal surcharge. That's section 36. So to be clear, the government is not directing these funds to the GRF, the municipal surcharge for SaskPower?

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — Okay. And then section 34 talks about contracts with municipalities for the supply of electrical energy, and they talk about the fact that they could be for an indefinite period. And these are the contracts, I believe, the 13 . . . Are the 13 contracts that you've referred to for SaskPower, are they from section 34 of *The Power Corporation Act*?

Hon. Ms. Harpauer: — There's only 10 contracts with SaskPower.

Ms. Sproule: — My apologies, Madam Chair. The 10 contracts you have currently with SaskPower, are they under the contracts with municipalities clause that's in section 34 of *The Power Corporation Act*?

[16:15]

Mr. Kosloski: — So if I could get clarification. Is your question one of, does the termination of the contracts by the new bill terminate the contract mentioned in section 34? Is that what you're after?

Ms. Sproule: — Basically I guess I'm trying to ascertain whether the 10 contracts and the three non-written-down arrangements are the contracts that are referred to in section 34. Are they the same?

Mr. Kosloski: — No, no. So section 34, I'm advised that that refers to bulk purchase contracts, particularly Swift Current.

And if you look at the clause 5 in Bill 64, that's the purpose of having the ability to exclude certain provisions of the agreements from termination. Does that follow?

Ms. Sproule: — Well I'm just looking at clause 34(1) and it seems to describe exactly the relationship. It's not just bulk. I mean, it says:

The corporation may contract with any city, town, village, rural municipality or municipal district for the supply of electrical energy or steam to the city, town, village or municipal district, and to their inhabitants . . .

And then it goes on to say, "The council of a city, town . . . [etc.] may contract with the corporation for the supply of electrical energy . . ." And I don't understand how that isn't what these contracts are.

Mr. Kosloski: — So I'm advised that there are two contracts under that provision — one with the city of Saskatoon and one with the city of Swift Current — both for the supply of bulk energy, given that they have an electrical distribution system. In the case of Swift Current, there's an agreement out there that mentions this grants-in-lieu, and the purpose of section 5 of Bill 64 is to ensure that we don't disrupt the agreement as it relates to the supply of bulk electricity to Swift Current.

Ms. Sproule: — That's certainly section 34(4), which refers to bulk purchase . . .

Mr. Kosloski: — So this . . . Sorry to interrupt.

Ms. Sproule: — No, go ahead.

Mr. Kosloski: — This provision has only been used in two instances, in section 34: Swift Current and Saskatoon.

Ms. Sproule: — Right. So in that case, this Act could not touch those agreements at all? Because this says, notwithstanding anything in any other Act, a contract shall be made for a period as agreed on, or for an indefinite period. So the new bill cannot touch the Swift Current and Saskatoon bulk purchasing agreement, for clarity?

Mr. Kosloski: — Correct. And that's how the drafting in clause 5 of Bill 64 would accommodate that.

Ms. Sproule: — Could you sort of give a little more explanation? How do you feel that that clause 5 in Bill 64 assures that that is the case?

Mr. Kosloski: — So I'm not going to speak to the particulars of the legal advice that was provided on this section, but we're comfortable, as is Justice, that the provision in clause 5 of Bill 64 accommodates the provision of section 34 of *The Power Corporation Act*.

Ms. Sproule: — Section 5 says:

In this section, "agreement" means an agreement entered into by Saskatchewan Power Corporation or SaskEnergy Incorporated with a municipality to make a payment or grant in lieu of taxes to the municipality that is in existence

on the day on which this Act comes into force.

So would it be sufficient to say because section 34 doesn't speak in terms of grants in lieu of taxes that that would exempt those two agreements, bulk agreements, from this section? They're not the agreements that are being referred to?

Mr. Kosloski: — That's one interpretation. I don't want to be glib here, but I don't have permission to speak about particular legal advice that was provided. I can say that as drafted, we are comfortable that it addresses the section 34, Power Corporation issue.

Ms. Sproule: — All right. Has Swift Current and Saskatoon provided any commentary on that? Are they concerned, or are they also satisfied that those two agreements are not included in section 5?

Hon. Ms. Harpauer: — They've expressed no concern in to my office.

Ms. Sproule: — Just moving on then to section 36. I think in committee that SaskPower explained that that is a municipal surcharge section in *The Power Corporation Act*, which will not be impacted by this decision. I believe that does show up on ratepayers' bills at this point in time. Okay, I'm getting a nod. So that payment in lieu of taxes . . . I think the most unfortunate thing about all this is the terminology is so confusing. It's horrible. And so there is still in existence a municipal surcharge, which is described as a payment in lieu of taxes for SaskPower, correct? Then there will be the new bill which will establish . . . I don't know what we're calling it. I don't know what you're calling it now, but it's just revenues from supply of energy. So you're not referring to the new bill as payments in lieu of taxes, I hope.

Hon. Ms. Harpauer: — I hope so too.

Ms. Sproule: — Good. Because I mean, I think you know my experience of payments in lieu of taxes is generally where taxes are due and owing, and a Crown corporation that doesn't have to pay taxes recognizes that and pays a payment in lieu of taxes which, unfortunately, has been misused. So will SaskPower then change the terminology in this section? Because I think it will lead to further confusion if that terminology remains the same in section 36 because it certainly was confusing when we first encountered it.

Hon. Ms. Harpauer: — So I'm assuming, as you probably, you know, working here now for some time, when they have a reason to open the Act, then this would be a housekeeping measure. But they wouldn't, I don't imagine, open the Act just to make this one change.

Ms. Sproule: — Thank you. And if I understand correctly, there's between 2 and 300 towns and villages that are now paying the municipal surcharge under section 36, and that's, I believe, is that 5 per cent as well?

Hon. Ms. Harpauer: — No, it's 10 per cent in the cities and 5 per cent in the towns and villages. There's 16 cities, so this is equal among all the cities, all 16; and 382 towns and villages are all the same at 5 per cent. Again, this is not collected. This

one gets even more confusing, but there is a lot of fairness built into it. It is, if I live in Humboldt, I believe, or outside of Humboldt, it doesn't change my power bill. But if I live in Humboldt, a part of my payment is foregone to the community.

I believe this is how it works in SaskPower. This isn't part of the bill, but if I have a power bill of \$180 and I'm living outside of Humboldt, \$180 goes to SaskPower. If I live inside of Humboldt, 180 minus 18, the smaller number; that's \$162 goes to SaskPower, 18 goes to Humboldt.

Ms. Sproule: — Okay. It is confusing.

Hon. Ms. Harpauer: — The SaskPower surcharge has increased quite substantively, I believe. over 70 per cent increase in the last decade. So it's a substantive revenue flow. It only goes to urbans. The rural, they can't access this program. They are projecting that'll be 74 million in the upcoming years, so it is a significant revenue stream.

Ms. Sproule: — And ratepayers, regardless of where they live, are paying the full \$180. It's just how it's shared with municipalities, and the urban municipalities get some.

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — Yes . . . [inaudible interjection] . . . You're saying no.

Hon. Ms. Harpauer: — This is a particular debate, and I have yet to get a clear answer. However it's not part of the bill, so there is no . . . I don't have a clear answer for you right now. I have been in debate with SaskPower whether or not I pay a higher power bill inside a city than outside of the city. However it isn't part of this bill.

Ms. Sproule: — Thank you, Madam Minister, and I appreciate that. And I wanted to get sort of a clearer picture of the whole regime, and I appreciate that it is complicated.

I look at . . . The bill is repealing, I believe, section 59 of *The SaskEnergy Act*. I'll just make sure I get that right. Yes, that is section 4 of the bill. So subsection 3 repeals section 59. And when I'm looking at that, it appears to be a two-tier section as well because 59(1) says if you've entered into an agreement respecting payments in lieu of taxes, which is the wrong terminology, then if it was with SaskPower, then SaskEnergy would take it over. I think that's where SaskEnergy took over all these old SaskPower contracts. So that's — or agreements — however they were arranged.

And then the second part of that clause, I believe, is a surcharge. So there will no longer be a surcharge by SaskEnergy under . . . with the new bill coming in. But is that being replaced as well by the new arrangement under the regulations? Or is that . . . Maybe that's clause 44(1)(b). I just want to get a sense of how many layers of charges there are.

[16:30]

Mr. Kosloski: — So 59(1) of *The SaskEnergy Act* deals with the nine agreements that SaskEnergy has with municipalities. 59(2) deals with the 100 municipalities that were a result of

SaskPower minute and a special arrangement that was made with those municipalities. What the bill does, so clause 4 of Bill 64, is it eliminates those arrangements and replaces them via regulation.

Ms. Sproule: — So the nine agreements you're referring to in 59(1) are the contracts that SaskPower signed?

Mr. Kosloski: — Yes, at that time it would have been . . . I recall that SaskEnergy was part of SaskPower until 1988, so those agreements would have been under the legal entity of SaskPower, but it would have related to the natural gas distribution system. So again a little more complexity there.

Ms. Sproule: — And there was nine; you're referring to nine. There are 13 agreements with SaskPower. Are those different?

Mr. Kosloski: — That's a different agreement.

Ms. Sproule: — Okay. I think at this point I will conclude my questions for the time being and ask my colleague to continue with hers.

The Chair: — Ms. Rancourt.

Ms. Rancourt: — Thank you. One question I have was, would I be able to get a copy of the contracts that you have and have that tabled?

Hon. Ms. Harpauer: — Your colleague in the SaskPower annual report estimates asked for those and was told that they were just going to get legal advice on any sensitivities. And that would be the SaskPower ones; we can do the same with the SaskEnergy ones.

Ms. Rancourt: — I would appreciate that. Thank you.

So I just wanted to get some clarity when we're talking about section 3 and 4 because it refers to redirecting the funds to the general revenue and municipalities. And please excuse me if I didn't hear this correctly, but my understanding from what you were discussing was that the changes to this was so that there could be a change of the way the payments are calculated. Is that true?

Hon. Ms. Harpauer: — No.

Ms. Rancourt: — Okay. So will there be municipalities receiving some of the grants in lieu of taxes?

Hon. Ms. Harpauer: — Yes.

Ms. Rancourt: — So how will this look like?

Hon. Ms. Harpauer: — As we had announced that there was a disproportionate impact on . . . and this affected the cities. And so we had announced how we were going to mitigate that impact by having the reduction in the grants-in-lieu no more than the 30 per cent of their revenue-sharing amount.

In the case of Regina, we . . . because they receive considerable more than Saskatoon because Saskatoon retained their power company, so that we did not reduce from Regina any more than

we would have Saskatoon.

Ms. Rancourt: — And again from some of the discussion we've had, it sounds like you're planning on meeting with municipalities and discussing ways to work out possibly changing the way the funding is distributed to them. Could this include even more municipalities included in this funding process?

Hon. Ms. Harpauer: — There will be no more, 109. So whatever is discussed and chosen will be much like the surcharge. Whether it's fair, it's explainable; the person that's paying it is seeing it; it's transparent. So when you say more, any moving forward, depending on what the revenue stream is of course. For infrastructure funding, it depends where the infrastructure project is. That's kind of the community by community, but general revenue streams, we'll be looking for what is fair and equitable.

Ms. Rancourt: — So will all of these communities continue to pay into the surcharge?

Hon. Ms. Harpauer: — I think we went through this quite at length. In the case of SaskPower, they're not. We are all paying it. Everybody's paying it, province-wide. In the case of SaskEnergy, this is transitioning. I've already acknowledged through quite lengthy questions with your colleague that this is a transition out of that program where just 109 communities pay it.

The Chair: — Mr. Meili.

Mr. Meili: — If it won't be removed from Bill 64, if you're going to continue to cancel the grants-in-lieu for SaskEnergy, could SaskEnergy stop charging that surcharge given that you've acknowledged that that's an unfair practice?

Hon. Ms. Harpauer: — Could they just themselves decide one day that's what they're going to do? Is that what you're asking?

Mr. Meili: — Well I expect that they would like some direction. But would they be able to not charge that surcharge anymore?

Hon. Ms. Harpauer: — The answer is no.

Mr. Meili: — No, they couldn't stop charging it. They must continue to charge it.

Hon. Ms. Harpauer: — Correct.

Mr. Meili: — I'm a bit confused, forgive me. Why would they have to continue to charge it? Could they not eliminate that practice?

Mr. Kosloski: — If you look at clause 4 of Bill 64, they replaced, or the new 44.1 clause 1, there's a "shall" there so the law would require them to pay it.

Mr. Meili: — Okay, it says to "an amount not to exceed 5%" so they could change that amount so long as it's less than 5 per cent.

Mr. Kosloski: — Theoretically, but this is to replace what's already in existence.

Mr. Meili: — Those regulations that are referred to in the legislation are still in the process of being written, so theoretically — we'll go with theoretically — you could write those regulations to have that amount not exceeding 5 per cent be zero.

Mr. Kosloski: — Possibly, but this is . . . The intent here is to replace what's in existence already with this.

Mr. Meili: — I'm just trying to confirm that given the minister has described this as an unfair practice, that it would . . . that there are options to eliminate it.

Hon. Ms. Harpauer: — I'm not sure what's the point to the questions. I mean because now you're fine lining whether or not SaskEnergy's going to then say, oh we're going to decide now everyone's 3 per cent. Is that where you're going with this?

Mr. Meili: — I'm really trying to see if there's a way that we could not do what's being done, which is . . . And what's being done is an unfair practice. You've described it yourself as being unfair, as having the, basically a special tax for the cities and communities subsidizing the rest of the province. So given that it's not, it doesn't make sense, is there a way that we could not proceed with that action?

Hon. Ms. Harpauer: — You asked me that previously whether or not we would consider not proceeding with that action. I answered that question very clearly. For this budget, the answer is no. We have this in our budget. We are proceeding with this initiative. We will, through the transition year, basically make this more fair and equitable in what it will be going forward. But the answer will be no, as you continue to try to find out if SaskEnergy's just going to unilaterally charge less.

Mr. Meili: — So it is, that is exactly what I was trying to do, is establish whether there are other mechanisms to end an unfair practice, but what I'm understanding is, and you've underlined, and it's clear, you plan to continue that unfair practice because you need the money.

Hon. Ms. Harpauer: — And we are continuing an unfair practice to the municipalities and entering into . . . You're right. It's not entirely fair for this year, but it has been unfair for decades.

Mr. Meili: — Oh, it's unfair in a very different way now. You're now unfair directly to the ratepayers who are paying it to the rest of the province, compared to before when it was potentially unfair in that different cities had a different mechanism. But it was always the ratepayers in those cities paying into their own city.

Hon. Ms. Harpauer: — Mr. Meili, we have agreed on this, like, several times. I'm not sure the point of your pursuing it again and again and again. I'm sure there's a rationale to it. I can only answer this so many times. I've answered the question.

Mr. Meili: — It's an interesting discussion. But I will pass it on to my colleague.

The Chair: — Ms. Rancourt.

Ms. Rancourt: — Clause 8, this clause indicated that the bill, if enacted, will come into force on proclamation and will be retroactive to April 1st, 2017. Was there a purpose of making this bill retroactive?

Hon. Ms. Harpauer: — Yes it would have to be retroactive in order to meet the amount needed for our budget.

Ms. Rancourt: — And has any official communication gone out to the affected municipalities?

Hon. Ms. Harpauer: — Yes.

Ms. Rancourt: — When was that sent?

Hon. Ms. Harpauer: — April 21st.

Ms. Rancourt: — And was this sent out to all the municipalities affected?

Hon. Ms. Harpauer: — Yes.

Ms. Rancourt: — I'm going to let my colleague ask some more questions.

The Chair: — Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Madam Minister, I'm just looking at the press release that you posted on March 31st. And you said that the cancellation of this program was equivalent to reducing revenue sharing by about 15 per cent or less; however, a few it was more than 30 per cent. And you made the discussion to ensure no one would see more than 30 per cent, so there were nine municipalities that had a reduction on that calculation.

I guess my question is, there will be a number of municipalities that would not have seen any reduction in their revenue sharing as a result of this decision. Are there any discussions as to bringing that amount up so it's fair across the board? Or maybe it's not a fairness issue.

Hon. Ms. Harpauer: — The revenue sharing itself has a formula and so the revenue sharing wasn't reduced at all. We were just using the revenue sharing as a measuring stick. There are pools within revenue sharing and monies are allocated for urban municipalities, for rural municipalities, for the North, and then there's calculations within each of those. So did we change the revenue-sharing formula? No. We were using the revenue-sharing amount as a measuring stick to decide the impact on a community by this decision.

Ms. Sproule: — I guess then that leads to one final question from me, and that is I understand, and I don't know this for sure, but I've heard that when, over the years as a revenue-sharing formula was being worked on, and I know it took a long time, that these municipal surcharges were taken into account when the revenue sharing was established, so that taking it out now creates some inequities within the revenue-sharing agreement.

So I guess my question is, when the revenue-sharing formula was established, were these municipal . . . like, obviously the cities knew they were receiving these monies. Were they taken into account when the revenue-sharing formula was finally completed?

[16:45]

Hon. Ms. Harpauer: — No.

Ms. Sproule: — All right then, that's my final question. I don't know if my colleagues have any further . . . Looks like we're . . . [inaudible].

The Chair: — Seeing no more questions, we will move to vote on the bill. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

Clause 6

The Chair: — Clause 6, is that agreed?

Some Hon. Members: — No.

The Chair: — Hearing nays, I will . . . I believe the nays have it, but what I will ask is are there any yeas? Seeing none, I see the committee is voting all nays. So clause 6 is not agreed. The clause is defeated.

[Clause 6 not agreed to.]

[Clauses 7 and 8 agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Miscellaneous Statutes (SaskPower and SaskEnergy) Amendment Act, 2017*.

I would ask a member to move that we report Bill No. 64, *The Miscellaneous Statutes (SaskPower and SaskEnergy) Amendment Act, 2017* with amendment. Mr. Steinley. So moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I'll ask the minister, do you have any final comments?

Hon. Ms. Harpauer: — Thank you, Mr. Chair. And I want to thank the committee members for their time here, for the thoughtful questions, and also all of the officials here that have helped answer questions and give information prior to being at this committee, even if they haven't directly answered the questions here.

The Chair: — Ms. Rancourt, do you want to have a couple of

comments?

Ms. Rancourt: — Again, yes, I want to also join with the minister and thank the committee members for being here tonight and all the officials for making time to be here and answer some of these questions.

Like I said before, this is a really important bill. It impacts a lot of communities and families in our province. And I also want to say that I appreciate the fact that the minister took a second look and made the amendments to the Act as well because I think everybody should have the right to appeal something if they feel it's not fair. And so, again, thank you for being here today and like always, being prepared. And have a good evening.

The Chair: — Thank you. Minister, I believe this committee is going to vote off the remaining estimates. So, Madam Minister, and your officials, you can be excused from the committee.

**General Revenue Fund
Government Relations
Vote 30**

The Chair: — We can start with vote 30, Government Relations. It's on page 69. Central management and services, subvote (GR01) in the amount of 9,211,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. First Nations and Métis engagement, subvote (GR12) in the amount of 79,807,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Municipal and northern engagement, subvote (GR07) in the amount of 570,904,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Saskatchewan Municipal Board, subvote (GR06) in the amount of 1,809,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Public safety, subvote (GR11) in the amount of 10,298,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Public safety, subvote (GR11) in the amount of 10,298,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Provincial public safety telecommunications network, subvote (GR13) and the amount is zero dollars. This is for informational purposes only. There's no vote needed.

Non-appropriated expense adjustment in the amount of 2,895,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only. No

amount to be voted.

Government Relations, vote 30, 672,029,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2018, the following sums for Government Relations in the amount of 672,029,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Ms. Lambert has moved. Is that carried?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

**General Revenue Fund
Justice
Vote 3**

The Chair: — Next vote is vote 3. The next vote is on page 89. Vote 3, Justice, central management services, subvote (JU01) in the amount of 48,059,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Courts and civil justice, subvote (JU03) in the amount of 39,638,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Innovation and legal services, subvote (JU04) in the amount of 36,165,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Community safety and well-being, subvote (JU05) in the amount of 36,566,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Boards, commissions and independent offices, subvote (JU08) in the amount of 37,326,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Custody, supervision and rehabilitation services, subvote (JU06) in the amount of 165,576,000, is that agreed . . . Sorry, we'll start over. Subvote (JU06), the amount of 165,574,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Policing, subvote (JU09) in the amount

of 204,257,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Saskatchewan Police Commission, subvote (JU12) in the amount of 1,484,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Capital and improvements, subvote (JU11) in the amount of 12,995,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustments in the amount of 5,969,000. Non-appropriated expense adjustments are non-cash adjustments presented for information purposes only. No amount is to be voted.

Justice, vote 3, 582,064,000.

Some Hon. Members: — Agreed.

The Chair: — Didn't need to be carried. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2018, the following sums for Justice in the amount of 582,064,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Steinley so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Parks, Culture and Sport
Vote 27**

The Chair: — The next, vote 27, Parks, Culture and Sport. It's on page 69. Central management and services, subvote (PC01) in the amount of 9,011,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Parks, subvote (PC12) in the amount of 21,324,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Resource stewardship, subvote (PC18) in the amount of 6,356,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Community engagement, subvote (PC19) in the amount of 30,623,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Regina stadium project, subvote (PC16) in the amount of zero dollars. This is for informational purposes only. There is no vote needed.

Non-appropriated expense adjustment in the amount of 4,387,000. Non-appropriated expense adjustments are non-cash adjustments presented for information purposes only. No amount is to be voted.

Parks, Culture and Sport, vote 27, 67,314,000. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2018, the following sums for Parks, Culture and Sport in the amount of 67,314,000.

Mr. Steele has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Tourism Saskatchewan
Vote 88**

The Chair: — The next vote is vote 88, Tourism Saskatchewan, in the Estimates book is page 115. Tourism Saskatchewan, subvote (TR01) in the amount of 13,445,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Tourism, vote 88, 13,445,000. I will ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2018, the following sums for Tourism Saskatchewan in the amount of 13,445,000.

Ms. Carr. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — So carried.

**General Revenue Fund
Supplementary Estimates — March
Justice
Vote 3**

The Chair: — We will do supplementary estimates. We will do vote 3, Justice. It's on page 10. Courts and civil justice, subvote (JU03) in the amount of 1,860,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Boards and commissions, subvote (JU08) in the amount of 1,000,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Justice, vote 3, 2,860,000. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2017, the following sums for Justice in the amount of 2,860,000.

Ms. Heppner.

Ms. Heppner: — Sure.

The Chair: — Okay. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

The Chair: — The Standing Committee on Intergovernmental Affairs and Justice, third report. Committee members, you have before you a draft of the third report of the Standing Committee on Intergovernmental Affairs and Justice. We require a member to move the following motion:

That the third report of the Standing Committee on Intergovernmental Affairs and Justice be adopted and presented to the Assembly.

Ms. Heppner: — I so move.

The Chair: — So, Ms. Heppner. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Seeing that we've completed our business this afternoon, I would ask for a motion of adjournment.

Mr. Steinley: — I so move.

The Chair: — Mr. Steinley has moved that this committee now adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 16:59.]