



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
2001**

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Regina Elphinstone

Don McMorris
Indian Head-Milestone

Peter Prebble
Saskatoon Greystone

Brad Wall
Swift Current

The committee met at 09:39.

SaskEnergy Incorporated

The Chair: — Okay, what I will do is call the meeting to order. I recognize many of the officials and we have many substitutions this morning.

I'd like to welcome Mr. Wartman, Ms. Jones, Ms. Junor, and Mr. Hart to the committee this morning, who are substituting for other members. I understand we'll have Mr. Hart's paperwork in a matter of moments but we'll allow you a voice, as we do all members, until we get the papers.

The item of business for this morning is a continuation of discussion on SaskEnergy's 1998 and 1999 reports; as well the year 2000 annual report has been tabled in the Assembly, and subsequent to the rules has been referred to Crown Corporations Committee for review.

I'd like to welcome Mr. Clark back to the committee and I would ask that he introduce his officials.

Mr. Clark: — Well thank you, Mr. Chairman. I'm pleased to be back. My name is Ron Clark, I'm the president, chief executive officer of SaskEnergy and TransGas. On my left is Ken From, who is the vice-president of gas supply. On my right is Greg Mrazek, who is our chief financial officer and vice-president of administration and finance.

Going around just a semicircle to the back is Doug Kelln, who is the vice-president of the distribution utility; Dean Reeve is the vice-president of business development; and Mark Guillet is our general counsel; and Ron Podbielski is the executive director of communications.

The Chair: — Okay, we had some overview last Thursday when we met, and I guess I would ask, Mr. Clark, if you want to make a brief set of statements about the year 2000 report. And then I understand the audit team would like to make a brief comment as well. So.

Mr. Clark: — Well, Mr. Chairman, I think that we had a really, a very good opportunity last time to introduce the corporation more generally and speak about the strategic direction of the company.

And I assume all members have had an opportunity to look at our 2000 annual report since it's been tabled. I think another challenging year for the company, but very, very good in some respects.

Volatile natural gas prices certainly are a curse and a blessing. A curse for our customers and our small businesses, who see this volatility reflected in their operations and in their family situations. Obviously a blessing as it comprises a part of our economy and a part of our province in terms of jobs and investment.

And so you can see in our annual report that reflected in the activity of TransGas, our transmission company — drilling activity up, an all-time record last year and the reflection of

that, particularly with respect to moving more gas in our province through TransGas. Conversely you see the challenges for the distribution utility with both respect to weather . . . we're very . . . our industry, not just our company, very dependent on, not very dependent but very much affected by weather.

And of course the managing of gas price volatility is a very challenging issue because we have 320,000 customers who depend on that energy supply. Even with the run up in prices, still significantly the most advantageous energy supply and energy source in the province, but nevertheless difficult for families and small businesses.

So if you ask what keeps me awake at night, it's really trying to manage, manage the volatility responsibly and prudently and trying to do whatever we can to try and help our customers.

So it's I think been a good year, but certainly it's had its challenges, Mr. Chairman.

The Chair: — Thank you, Mr. Clark. I'll turn it over to Ms. Volk. If you could also introduce the other officials from the audit team who are here, I'd appreciate it.

Mr. Watt: — I'm going to start.

The Chair: — Oh, okay.

Mr. Watt: — Good morning. My name is Bob Watt. I was the partner at Ernst & Young responsible for the audits of SaskEnergy for the 2000 year, which is the year in review this morning. Our report to the members of the Legislative Assembly on the financial statements of SaskEnergy is on page 67 of the annual report.

Our report contains no reservations on the financial accounting practices followed by SaskEnergy. Our report indicates the practices followed by SaskEnergy are sound and consistent with practices followed by others in the industry.

In addition to providing unqualified reports on the financial accounting practices of the corporation, we worked with the Office of the Provincial Auditor to provide unqualified reports on the corporation's internal control systems and its compliance with legislation. And I'll turn it over to my colleague from the Provincial Auditor's office.

Ms. Volk: — Good morning, Mr. Chair. My name is Rosemarie Volk and I'm a chartered accountant and a principal with the Provincial Auditor's office. With me today is Andrew Martens who is also a chartered accountant and a principal with the Provincial Auditor's office.

We worked with Ernst & Young to complete the audits of SaskEnergy and its subsidiaries and we concur with their audit conclusions on the systems of internal control, legislation compliance, and on the reliability of the financial statements for the corporation and each of the subsidiary corporations for the year end December 31, 2000.

However, we are taking a wait-and-see approach on the gas cost variance account. One of the reasons we are taking this

approach is because of the uncertainty of the accounting impact of rate regulation in the public sector. We are looking for some clarification from our profession and we expect a report on rate-regulated accounting from a research committee of the Canadian Institute of Chartered Accountants sometime this summer.

SaskEnergy's accounting treatment of the gas cost variance account is not our first choice because the rate regulator is not independent. The Crown Investments Corporation minister continues to set the rates for SaskEnergy's gas sales and we will watch with interest when SaskEnergy returns to the rate review panel.

The gas cost variance account at December 31, 2000 is \$2 million . . . or \$26 million. And under rate-regulated accounting, this account is used to record the amounts that would have been losses in the year as an asset. If the rate-regulated accounting had not been used, the earnings this year would have been \$26 million less.

We will be looking for confirmation that the \$26 million balance in the gas variance account at December 31 and the amounts accrued since then are included as part of the next rate increase and collected within a reasonable period of time.

I guess that's all I have to say. Thank you.

The Chair: — Thank you. Any other comment from the officials? Seeing none, I'll just note that Mr. Clark has provided us with two items that were requested at previous meetings. And I'll ask our Clerk to circulate those as I take a speakers list.

Mr. Wall: — Thank you, Mr. Chairman. And thank you to Mr. Clark and his officials for again joining us, and to the audit team for their information.

In fact I'd like to pick up on what we just heard in terms of the audit and also a discussion that we've had in the provincial media, frankly, regarding that account — the variance account.

It was, as the folks from SaskEnergy will know, again this week the politicians were discussing the potential of some sort of financial relief for Saskatchewan families should the increases come in as they are rumoured to be coming in at this point. And fair enough, the politics of relief or no relief, I understand it's probably something that you, you know, don't want to comment on.

However one suggestion that was made this week by the Minister of Finance, that was very interesting, was the potential that the government would use some of these retained earnings and/or profits, I'm not sure which, or potentially some other revenues that they have out of GRF (General Revenue Fund), I don't know, but to some resources that the government has to help with that account. No discussion of amounts occurred. He just sort of threw that out.

And then I was asked to comment as the critic and indicated that I, you know, that seemingly was a step in the right direction and something that I think we could support. Obviously we didn't have the information on the specifics at the time, but I thought it was a pretty good idea at least to consider.

From the corporate standpoint, from your standpoint as the CEO (chief executive officer) for this corporation, how do you feel about that suggestion? And could you please comment on what kind of help that account . . . what kind of help would you need, what kind of resources would you need to be applied to that account to avoid and/or significantly mitigate the potential increase down the road in the magnitude that we've been talking about?

Mr. Clark: — Thank you, Mr. Chairman. First of all, I'm only aware of some passing comments about relief, and certainly I'm not privy to any conversations with the Department of Finance or the Minister of Finance's comment in the House, I guess.

I think about how that might happen and how the money might somehow find its way either to customers or customers being relieved of this kind of impact through some intervention.

I think the one circumstance we have in Saskatchewan, irrespective of your views of Crown corporations, is that government, as the owner, has opportunities to not necessarily, as they've done in other provinces, send out cheques to rebate and assist consumers, but you have a situation where, since you own the instruments, you could find some mechanism to say well, why don't you just eat it or not pass it on to start with.

And so, I'm only assuming that was sort of what's being implied by some kind of intervention is that the increase, in its totality at least, would not be passed on to the consumer. So you wouldn't have to send them a cheque because you just wouldn't get the bill or at least get all of the bill. So that's my understanding in terms of that discussion about assistance.

Certainly just generically, Mr. Wall, we've indicated that an increase in the magnitude of 40 to 50 per cent is extraordinary. It's very, very difficult for Saskatchewan families. Nobody would deny that. And whatever the capacity of any administration to try to assist consumers, needs to be considered I think.

I'm sorry. I'm not trying to be evasive. I'm really not much more helpful in terms of some indication yesterday that there was some thought going on about assisting consumers through some intervention which would perhaps have us not pass on all of the increases.

You know we discussed last week the increase is a combination of the deficit in the current gas variance account for this gas year and another volatile year anticipated in the next gas year. So when you take those two together we really are talking about real dollars in the magnitude of \$250 million. It's an awful lot of money.

Mr. Wall: — Mr. Chairman, if I may. You know I think we're also aware that sort of the magic number from the rate review panel for that particular account is \$20 million either way in order to . . . that would automatically trigger an additional rate increase.

But of course if nothing was done, assuming that proviso wasn't there, if nothing was done, is that the number . . . what number are we looking at potentially in that account if there is no increase, say a year out from now or maybe even by the fall?

Mr. Clark: — Well I think in terms of this gas year, and what we said last week was if the entire gas variance account was allowed to accrue through the entire 2000-2001 gas year, I think the figure, the deficit could be as high as \$120 million.

Mr. Wall: — So there are obviously . . . Well as you correctly point out the owner is the owner and what makes us unique here is that the owner in this case has the opportunity to provide some sort of relief because it's also the government, if that's also its public policy.

But you see no particular problems from a corporate standpoint in terms of providing some sort of relief in this way if it was the will of the government to do that. I'm speaking specifically of helping out with the variance account.

Mr. Clark: — No. I mean I think again it's the will of the government in terms of public expenditures. I mean at some point it's really all in the same pocket. I mean we can talk about the Crowns and their business plans and their capital structures, but if it's the will . . . if it's the public policy will to assist consumers, we just need . . . we, as a corporation and our board, need to be directed on how that's going to happen. That's all, you know. We can certainly deal with it.

Mr. Wall: — I have some more questions on another . . .

Mr. Clark: — Sorry, I don't know if I answered enough?

Mr. Wall: — Yes, those are answered, yes, but I'll maybe let someone else go ahead of us. I'm the only one . . . am I the only one on the list?

The Chair: — I have Mr. Huyghebaert on the list after you.

Mr. Huyghebaert: — Thank you, Mr. Chair, I just have a couple of questions, comments, I guess. You'd mentioned last week the cost of the natural gas is going up, and, if I remember correctly, SaskEnergy is not making any money on the cost of gas. That's correct?

Mr. Clark: — That's, on the commodity, that's correct.

Mr. Huyghebaert: — So there is money surplus. There's money in the . . . I think SaskEnergy showed a profit. Is that strictly from transmission?

Mr. Clark: — No, no. The two companies are distinct. TransGas makes its return on the tolls for companies, independent producers, that move gas through our transmission system. That's a toll that we set and generates a return for the owner. And they held . . . and the distribution company has really two aspects of its business. One is we supply the commodity that all of us burn in our furnace if we have a natural gas furnace, and that's provided at no cost; there's no markup.

Our return, or the profit if you like, of this company and all distribution companies in North America in the natural gas business is on your infrastructure, on your services. So yes, we made money last year. But not on the natural gas.

Mr. Huyghebaert: — No, but on transmission.

Mr. Clark: — Both. Yes, TransGas made money. In fact, TransGas had a very good year. People . . . people say, I don't mean to make too large of a point of it, Mr. Chairman, but people say SaskEnergy made \$44 million, you can see it on our summary here. SaskEnergy is . . . if in the generic mother company, all the subs together made 44 million.

SaskEnergy, the distribution company, the one with the 320,000 customers who feel the impact of the volatility, it made six and a half million dollars last year. So, the entity did relatively well. Most of it came out of TransGas.

Mr. Huyghebaert: — Mr. Chairman, maybe I'm not in the picture on some of this, but I gather there's more transmission entities within the province of Saskatchewan. TransGas does not have a monopoly on transmission through the province. Is that correct?

Mr. Clark: — Not through the province, but moving gas in the province, yes, we do have a legislative . . .

Mr. Huyghebaert: — Monopoly.

Mr. Clark: — . . . monopoly. But if you're moving gas, of course, as the Alliance Pipeline moves gas to Chicago or the TransCanada pipeline moves gas to Toronto through the province, those are regulated by the National Energy Board and get their jurisdiction through the National Energy Board.

But if you were going to move gas from Rosetown to Unity and decided you thought you'd build a pipeline — not right now.

Mr. Huyghebaert: — I just wanted to know if it was a monopoly and you've answered that.

The Chair: — Thank you. I have Mr. Yates and then Mr. Wall.

Mr. Yates: — My question has to do with SaskEnergy in comparison to other corporations distributing gas in other parts of the country. And in particular we have heard how efficient SaskEnergy is as a company and I was wondering, is there any independent analysis or independent viewpoints that have been displayed on that issue or brought forward on that issue?

Mr. Clark: — Well I think there are a number of things that we engage in as all companies do. I think I touched on this last week, Mr. Chairman, that we participate in independent benchmark . . . what are called benchmarking and best practice studies, as is quite common in all industries and in our industry. We do it both on the transmission side with TransGas and with the distribution company.

And in a large number of categories . . . this is all given to an independent consultant and they take the data and they run it through and make it apples to apples. And I can say that we do very, very well. I would just like the committee to know on behalf of the people of Saskatchewan — and I'm not speaking for me — but there are a lot of very good men and women in this company do a very good job.

With respect to the actual purchase of natural gas on behalf of . . . which is, let's be candid, is a somewhat thankless job because if you don't get it right people are angry and if it goes

up they think it's your fault. It's sort of like the old adage about shooting the messenger.

But again at the risk of being self-indulgent, I think we've done very well. I give all the credit to Ken From; I think he's one of the best in the business. And certainly there are . . . if somebody was listening to Mr. Gormley last week — I believe it was last week Ken was on — they interviewed Peter Linder from Calgary. Peter Linder is an acknowledged expert in this country on oil and gas investments and securities. And Mr. Linder was very, very laudatory of our historic practices of buying gas and our prices being, as they are currently, the lowest in North America.

So once in awhile you get a stroke but you know in this business, what goes around comes around. We've still got . . . we've got tough challenges out there. But I want to say, Mr. Chairman, there's lots of independent reporting and data that would indicate that we can hold our head up with anybody in North America. And in some cases, we're amongst the best or the best.

Mr. Yates: — Thank you. My next question has to do with our deliverance or rural distribution of service.

In comparison to other provinces in Canada, would we have greater distribution to rural communities, rural farms than other provinces? And could you comment on where some of the other provinces might be in that particular issue?

And then secondly, if they don't have access to natural gas as a heating fuel and . . . Where do we sit in comparison to other types of heating fuel like propane, oil, and other products that are used to heat homes in other communities where natural gas isn't available? Either in our province or else other provinces?

Mr. Clark: — Mr. Chairman, I think I indicated last week in some of my opening remarks that Saskatchewan and Alberta stand as the two jurisdictions in North America where we have 90 per cent penetration of our market and our customers. I suspect Alberta benefits a little bit more from the concentration in Calgary and Edmonton.

With 64,000 kilometres of pipe we do have one of the largest systems in North America. And in terms of small communities, farms, I'd like to say we have every one of them; we don't have everyone, but we have significant penetration. And certainly there's no one in North America . . . When Nova Scotia was looking at us . . . as you know Nova Scotia is now starting the process of distributing natural gas with the Sable offshore gas coming aboard two years ago and New Brunswick doing the same thing. Provinces like Saskatchewan are the envy of those provinces where small businesses, families, farm operations would love to have access to natural gas.

And other provinces: you can drive through large, large areas of rural Manitoba and you won't find any natural gas. So I think that historically this company has done a good service to Saskatchewan in terms of trying to make natural gas available.

And I think it's a very good question to all members. I would like to say that with all the press coverage from almost a year now on natural gas volatility and rate increases is that there

might be a perception that natural gas still isn't your best buy in Saskatchewan, your best energy buy. And it's significantly, it's still significantly your energy source of choice.

And I could say that we have some material here that an average household, and this . . . correct me, is this . . . that the current rate, an average household using 3,550 cubic metres which would be a bungalow with a family of four — normal amount of showering, hot water consumption — your natural gas bill would be just under a thousand dollars annually. Fuel oil would be a little over \$1,950 annually. Propane would be just over \$2,400 annually, and electricity would be at about \$2,200 annually.

So in many instances, natural gas today is at least 50 per cent cheaper than I think all of the viable options. So it's tough sledding for all of us in the distribution business right now but we've still got a very attractive, clean-burning energy source.

The Chair: — Mr. Yates, any other questions?

Mr. Yates: — Not at this time.

The Chair: — Thank you.

Mr. Wall: — Thank you, Mr. Chairman. A couple of questions in terms of the decision-making process with the corporation as it relates to the government as well, if I may. And the first one relates to the . . . something germane to the annual report, I think, for this year — the sale of some very, very low price gas I think that SaskEnergy had the opportunity to make because they well obviously purchased it at a very low price which would be good news I'm sure.

So the decision, I think, was made and you can see here that it forms the bulk of the profits for the corporation in that area anyway. This particular sale, I'm guessing, and I'd just like a bit of detail on that in terms of the amount the corporation made off of that, if I can.

Mr. Clark, in addition, I wonder, could you confirm or tell the committee whether or not the corporation made any specific recommendations to the government, to the minister responsible, in terms of the potential for this, for this fairly positive development at the corporation. In other words, that there were a number of options: the corporation could sell the gas at a substantial profit and improve its overall bottom line, or maybe put into the system, I guess, and maybe have some of the benefits diluted. But I wonder if you could comment on those things, please?

Mr. Clark: — All right, Mr. Chairman. Just if I might, Mr. Wall, just as a slight point of clarification. I think you said the bulk of the profits were made from the gas sales. I want to say that that's clearly not correct. Of the regulated operations TransGas made \$26 million, which had nothing to do with any excess gas sales. LDC (Local Distribution Company) made six and a half million dollars; the subs made three and a half million dollars. So there certainly was some money made and I'll have the chief financial officer go into that in some detail.

What has transpired is that we had a storage field at Pierceland. And as all storage facilities, there is what's called cushion gas

in the reservoir. And you need it there when you're operating it as a storage field. When the decision was taken that we didn't need that storage field — it wasn't a good ongoing business operation for us — we had an opportunity to what's called blow down that cushion gas.

It was, I think, a prudent business decision by my senior staff and that cushion gas is booked, booked at . . . And Greg will get into it in a second. And obviously we have to recognize the book value and, just like buying a stock and seeing it go up, you get the appreciation. And in these prices, we were able to achieve some additional revenue for the company and therefore for the people of Saskatchewan.

With respect to specific recommendations, our board encourages us obviously to try to grow these companies. This blow down did not occur at the expense of our customers — 320,000 customers. This was just a good business opportunity.

And all I can say, Mr. Wall, is that when there's additional revenue, I guess it gives the owner some options as to . . . Certainly we don't as management and our board doesn't have the fiduciary right to determine what those excess revenues are to be used for. We're to try to operate this company as prudently on the investment side and as creatively on the revenue side as we can.

I think we've done that. And as I say, what the owner does with the revenue, I guess we'll have to wait and see.

Greg, why don't you try to be a bit more specific than I was on the blow-down gas.

Mr. Mrazek: — Sure. If you take a look at the consolidated income that we had in 2000, which was \$44 million, and it was about 37 million the year before, a change of about \$7 million, of that amount, about six and a half was due to these gas sales — about six and a half million dollars was the incremental amount. That's, I think, the question that you asked.

Mr. Wall: — Yes, that's right. Thanks.

Along the same line, again, a little bit I guess on decision making. And I appreciate that response, Mr. Chairman, and Mr. Clark. This is about decision making but on quite a different subject.

And I would ask you to comment, Mr. Clark, if you can, please inform the committee if you have ever received a directive, written or verbal or otherwise, from your minister or from the Board of Crown Investments Corporation over the last number of years — last two years, I guess, two or three years — as regards SaskEnergy's or SaskEnergy International's potential to invest in new projects, either greenfield projects or some other sort of business, I guess.

And what I'm getting at to be more specific and more fair in the question, Mr. Clark, is you would know that in 1998 there was, I think it was this committee, Mr. Chairman, did some considerable work on Channel Lake, that particular issue. And as a result, some recommendations came forward from that for the Crowns to gauge their decision making.

So either in any of these last few annual report years — they're all sort of germane to the question — have you ever received any direction from the government basically saying look here are the recommendations from that Channel Lake report and we would ask you to abide by those in terms of looking at any ventures, looking at any new ventures on the part the corporation?

Mr. Clark: — Well certainly, Mr. Chairman, the results of the Channel Lake, the X number of recommendations — I can't recall 30 or 40 or 41 of them or whatever, it seemed like a large number — were referred to our company and to our board of directors, I think our general counsel is aware of that, to see whether there were any aspects of governance that we, as management, or our board could do differently or perhaps consider as a process for reviewing investments.

I want to say that we have — and I would encourage you to look at our board of directors — we have an outstanding board of directors with a lot of corporate governance experience and industry experience. We have set up our subsidiaries with respect to anything, whether it's Swan Valley Gas right next door or the Chilean investment, with very strict governance criteria, in terms of the role of our board and the vetting of these issues.

And so two things, Mr. Wall, certainly I never got any directive to do anything. We had the Channel Lake recommendations referred to us.

You will see this year in our annual report — I think starting on page 82, I could be wrong — there's quite a lengthy section on corporate governance. We adhere to the TSE (Toronto Stock Exchange) standards for corporate governance. And I think it's fair to say that we're in the upper quartile with respect to corporate governance practices. So with regard to any of our activities, but particularly with respect to matters related to investments, I think that there was nothing that came out of the Channel Lake that we didn't feel that we were well equipped to manage in terms of good governance. Sorry, my . . .

Mr. Wall: — No, that's it. Thank you very much.

Mr. Clark: — I'm not sure I totally understood the question.

Mr. Wall: — Well, you answered it, so you . . .

Mr. Clark: — I guess if I ramble on long enough, I'll get somewhere.

Mr. Wall: — The answer was obviously better than the question then, because you answered the question. So thank you.

Mr. Clark: — It's like the university exams — if you write enough, somewhere, maybe, there's something in there.

Mr. Wall: — Always pick C.

The Chair: — Thank you.

Mr. McCall: — In the discussion of the '98 and '99 reports, there's a fair amount of attention given to the latitude that

hedging and storage had given SaskEnergy in terms of what they're doing for their customers. I was just wondering if you could recap that a bit and talk about the situation for 2000, in terms of hedging and storage, where we're at in that regard.

Mr. Clark: — Ken, do you want to jump into that one.

Mr. From: — Sure. Thank you, Mr. Chairman. In regards to SaskEnergy's practice of its gas buying, gas procurement, and gas pricing, certainly our hedging program, which is I would say the most extensive in North America for a gas utility, has proven quite successful in this era of rising prices.

In the last 18 months, our hedging program alone has saved consumers about \$125 million, which, if you will recall, is more than what the last rate increase was. So it's very significant.

What we do in that market is we do not try and pick the bottoms; we're not here trying to speculate where gas prices are going, but we take an approach which is more based on a portfolio management approach of layering . . . layering in some prices so that we can get a nice portfolio of prices over a period of time to, hopefully, capture something that is good for the consumer.

Our goal is to prevent shocks from occurring. For example, if the market price today is \$7 there's not much I can do about that. But what I can do, is try and prevent the consumers of the province from being impacted, should it rise unexpectedly to \$15 or to \$20. And that's what our hedging program is meant to do.

In terms of gas storage, we talked a bit about that at the last meeting, and gas storage is integral to our entire operation. It is built in lieu of transmission capacity. Indeed, we do have a least cost infrastructure program at SaskEnergy, TransGas with regard to storage.

Storage provides a benefit in a rising price market in the sense that we can put gas in the ground at last year's price and take it out in the current year's price, which has been higher, as we go from year to year. That same storage facility may incur a commodity price in the opposite direction should prices fall.

But again, the storage there is an operational concern. We have the most severe weather swings I think of probably any inhabited place, certainly that gets natural gas anyways, and we must manage that, and it's storage that allows that to happen. And it has, in the past number of years, provided a significant cost, perhaps a cost delay if you will, to our customers because they have been sheltered this current year with what happened in the previous year and our hedging program has enabled us to have a low previous year price and then just pass it on forward.

The difficulty this year, as I mentioned last time, is that that cheap storage gas we had which originally was half price, turned out to be a third of the price, that is all gone. The winter this year, the weather eroded all of that gas supply.

So as we go forward into the next number of years, we have no real nice carry-over from some very low priced gas. We are in there in the marketplace buying it, and our hedging program is going to try and ensure that our customers are not shocked as

sometimes they are in some other jurisdictions.

Mr. McCall: — Sorry to jump around on you here, but there's a question that had come up earlier with regards to transmission rates and making reference to that and the fact that SaskEnergy has a monopoly within the province of Saskatchewan. How would the transmission rates compare nationally?

Mr. Clark: — Our transmission rates for TransGas?

Mr. McCall: — Yes.

Mr. Clark: — With our competition principally in Alberta with the old NOVA system, which you know has merged with TransCanada Pipelines, it's a little bit difficult. NOVA has gone to a very complex system now of distance tolling and volume tolling and pipe diameter tolling. So there would be . . . you could pick an area of Alberta and a particular pipeline in Alberta, a section of pipe in Alberta, which would be lower than ours but on balance we have the lowest transmission rates and have a significant competitive advantage in moving some gas out of Alberta. It's an advantage we've been exploiting for the last couple of years.

The Chair: — Mr. McCall, do you have any further questions?

Mr. McCall: — Just one final question. Last time that SaskEnergy went before the rate review panel, there was a comment from some quarters that what SaskEnergy should be doing is instead looking internally to find efficiencies to make up the projected short counts.

And I was just wondering if you could make . . . What's your response to that and if you could make reference to it in terms of, you know, are there . . . In terms of finding efficiencies, what are the benchmarking processes that SaskEnergy goes through and how independent are these? There has been reference made to that in an earlier question, but . . .

Mr. Clark: — Well it's always a fair question. When there's . . . anybody's affected, your household or whatever, by changes in the expenditure pattern, you say well can we, quote "tighten the belt" a little bit. And I want to say just with respect to our operations that we've done that. I think you will not find a distribution company owned — I don't care who owns it — anywhere in North America where in the last seven years there's been one rate increase of 2.4 per cent which relates to the actual bottom-line operation of the company.

Certainly there's been commodity rate pass-throughs; some down unfortunately largely, recently upward. And so when people confuse the two and say well, boy, you should look for a little more internal . . . And last year for example we got lauded by the rate review panel for the two and a half million dollars we found last year, again to try and reduce costs.

But when people think of this commodity price increase and say, well tighten the belt, I mean we're talking about \$250 million. I mean if I had no employees, if you just said well I'm going to let the 800 —which is ludicrous of course — I mean if you just said you can't do anything. I think the operating maintenance budget, Greg, is around \$93 million. I mean if we had no employees, if we had no trucks, if we had nothing, you'd

find \$93 million.

So I mean we need to keep it in perspective that the commodity price volatility is really quite significant, to say the least. And so we feel that we are not the least bit timid to have our operations assessed. And we've done that through benchmarking. We run . . . I'm happy to say that under any rigorous review, I don't care who comes in, we run a very tight ship.

And it's nice to say find it internally, but we're talking about magnitudes of increase that even two or three years ago were larger than the whole gas portfolio. What was the whole gas portfolio itself, say three years ago, Ken?

Mr. From: — I think three years ago it was about a hundred million dollars. And I can remember when I first started in the business, it was about 80. And now we're looking at increases that far exceed what . . .

Mr. Clark: — Are three times that.

Mr. From: — . . . the total budget was.

Mr. Clark: — So we're not troubled by people saying: look inside, I want to know are you trying to run a good tight operation. I have no difficulty sitting before the committee and saying I believe we do. But there's no rabbit in the hat for \$250 million. Not inside our company anyway.

The Chair: — Mr. McCall, any further questions?

Mr. McCall: — Just one last little question.

The Chair: — Mr. McCall, I do have Mr. Brkich also on the list.

Mr. McCall: — Okay, I'll be very brief then. But in terms of the benchmarking, who are the independent people reviewing SaskEnergy's practices? I'm sure you have every right to be proud of the corporation and the people working there, but as far as the independent perspective.

Mr. Clark: — Well Ernst & Young, which is I think a global or nationally recognized accounting firm did the one for TransGas . . . and Ernst & Young did the distribution company as well.

The Chair: — Mr. McCall, any further questions? Thank you, sir.

Mr. Brkich: — Okay. Thank you, Chairman. Mr. Clark, I just want to start with . . . just going down the list here, I see you had 3,100 new customers. And last year, it's roughly — I can't remember — I think it was roughly in the 2,000 range. Are these new customers, totally new ones, or are they customers that have been disconnected for various reasons and then reconnected and you count them as new customers?

Mr. Clark: — I'm going to ask Mr. Kelln to speak to that just so that I don't in any way mislead the committee.

Mr. Kelln: — The 3,100 new customers referenced in 2000 represents the number of active customers in SaskEnergy at the

end of the year. So it incorporates new growth of new communities being connected. It also subtracts off customers who maybe no longer need natural gas. So it's the net number of active SaskEnergy customers.

Mr. Brkich: — Okay. I was talking . . . the question was if you've been cut off and then reconnected for let's say, you know, you missed your bill payment and there is cut-offs. Sometimes they'll be cut off, then they'll be rehooked up in a month or two. Are they counted then as a new customer again?

Mr. Kelln: — No.

Mr. Brkich: — Okay, that was the question.

Mr. Kelln: — That's why we count . . .

Mr. Brkich: — Okay, thank you. Getting back to the gases. I'm just looking for some information here on gas. I see you have a number of gas wells drilled in Saskatchewan. You have a target and an actual. Do you renew . . . own these wells?

Mr. Clark: — No we don't. We don't own any gas wells.

Mr. Brkich: — Okay. Why . . .

Mr. Clark: — We own the gas field that I mentioned earlier in Pierceland which is . . .

Mr. Brkich: — Okay, you lease . . .

The Chair: — Could I just ask, again for *Hansard*, that we not have crosstalk. Mr. Brkich, if you'd allow Mr. Clark to complete his answer before interjecting with another question.

Mr. Clark: — That was partly my fault, Mr. Chairman. I apologize.

Mr. Brkich: — My fault too.

Mr. Clark: — Go ahead and finish and then I'll . . .

Mr. Brkich: — So I'm just asking, do you lease gas fields then?

Mr. Clark: — Lease them? No, no. We have Bayhurst . . . do you want to explain? We get a royalty on . . . what's called an overriding royalty on some fields that used to be owned at one time. Do you want to speak to . . . (inaudible interjection) . . . But no we don't. Simply, we do not own gas fields and we do not lease gas fields. But you might see in there a royalty from, from gas and I think it deserves an explanation.

Mr. Reeves: — Yes, we actually hold a gross overriding royalty, I believe, on some properties that date back to assets that were disposed in the 1980s and we retained a royalty interest. And so we have some small royalty interest on properties that are owned by third parties.

Mr. Mrazek: — Excuse me, your question was do we . . . Those gas wells we are referring to, that is what we are projecting the number of gas wells would be drilled by independent producers in Saskatchewan? That was your first

question.

That is what we are . . . because what we need to know is in our transmission business we have to anticipate the amount of gas that's going to be transported in our pipeline on the receipt side of our business. So we need to understand that. So that was our projections to what would be happening in the province. I think that was your first question.

Mr. Brkich: — Yes, right, that was. Mr. Chairman, next question then. Obviously, do you project how much gas is in Saskatchewan? How is our supply compared to, let's say 10 years ago and possibly in the next 10 years coming up?

Mr. Reeves: — Well that's one, as a transportation company, is difficult for me to answer. That's probably an Energy and Mines; they're responsible for the gas reserves in the province and tracking proven and probable reserves.

From a provincial perspective, if you look at gas drilling in the province and productive capability, productive capability is very close to where it was in the early 1990s. So we've managed to maintain that productive capability out of the province over the last number of years. But not really a lot of additions in gas reserves as far as new exploration.

But the province really holds its own. And it tracks very similarly to all the provinces in Western Canada, both Alberta and British Columbia.

Mr. Brkich: — I guess what I'm asking is, hopefully there will be gas for the next 10, 15 years?

Mr. Reeves: — I think everybody in North America would like to answer that question. Clearly from a Saskatchewan perspective, there are fields that have been producing in this province since the 1950s. And I think a lot of people in the 1950s said by the 1970s those fields would be depleted. And here we are today. I mean southwest Saskatchewan, the Maple Creek-Hatton area, you know they continue to produce very significant amounts of natural gas.

Mr. Brkich: — Thank you. Another question I wanted to ask. Do you have the breakdown of how many rural customers you have and how many you don't have hooked up?

Mr. Clark: — I think we do. We have a pretty good sense of that.

Mr. Kelln: — We have a total of approximately 24,000 farms hooked up, as well as the majority of the communities in the served area of the province. And we feel there's approximately 20 to 30,000 customers remaining that are accessible. And when I refer to accessible, not in the extreme northern locations where it's just very difficult to get to.

Mr. Brkich: — You know, I think I touched a little bit on this last time. Well, even the member opposite there talked about transmission. You figure you said we have a very good layout to the province. I know a lot of that came through the '80s when there was a program out there.

Do you think there . . . have you got any direction from the

government that maybe another program would be coming if you want to expand the transmission lines?

Mr. Clark: — No we have no direction for a program similar to the '80s which was clearly a program to expand infrastructure in rural Saskatchewan and was a clearly subsidized government initiative. And I think that's appropriate when the government chooses to make those investments. We've not been directed to do that.

As we spoke last week, Mr. Brkich, we try in the context of the policies we have, to be as helpful. We know that there are, as you say in our shop, there's not much low-hanging fruit left. Everything that's left is pretty difficult. And therefore the impact on the customer contribution side is often fairly substantial.

And as I say, we've tried to do it through different ways of down paying only 25 per cent and carrying on the bill over a number of years. But we don't deny that there are some customers for whom hooking up on a cost-recovery basis is difficult.

But the short answer is, we've not been directed to introduce — let me call it — a subsidized program.

Mr. Brkich: — Mr. Chairman, then it's probably fair to say then, the 24,000 rural customers you have hooked up, if you wouldn't have had a subsidy program you probably wouldn't have had quite as many as them right now then.

Mr. Clark: — I think — I wasn't here when that was done in the '80s — but I think that's probably a very, very fair comment. It looks pretty attractive at \$200 when maybe it really has real costs of 8 or 10,000. So if you came by my door and I could get it for 200 when it was a lot more, I probably was pretty enticed to do so.

Mr. Brkich: — Well naturally as an MLA (Member of the Legislative Assembly) that's what we've been told. I mean same as the city. If you live in a town, you know, you live in a town or huge city, it's a very small hookup charge. Now in the rural it's a very huge hookup charge so I don't think you'll probably get them 20 or 30,000 rural customers unfortunately.

It would be nice because I know I've been approached many times. They said that was a good program and, you know, that's the only way they can afford to. There's not too many people . . . I don't think anybody sitting here could afford a \$10,000 hookup if they wanted to have natural gas at their house, you know; whether you lived in the city or the rural. I think that's all the questions I have right now.

The Chair: — Thank you, Mr. Brkich. I was remiss during our last meeting to not permit a break and was chastised by members politely and quietly, but privately. And so we will break at . . . I will note not from the opposition as it turns out.

It being 10:30, I'm going to suggest that we recess for 10 minutes and reconvene at 20 minutes to 11, to allow the officials a bit of a break and all members a chance. So we'll stand recessed for 10 minutes.

The committee recessed for a period of time.

The Chair: — Okay, I'm going to call the meeting back to order. I have on the list, Mr. Hart. I should note that we do have the substitution form for Mr. Hart now, so you have all privileges of membership.

Mr. Hart: — Thank you, Mr. Chairman. I have a couple of questions, I guess, that deals with your purchasing policy. I wonder if you could . . . and more I'm looking for your policy with regards to purchases you would make in the operation of the company, in your operation and maintenance. I'm not talking about large capital projects and that sort of thing. And I wonder if you could just outline your purchasing policy for me?

Mr. Clark: — Well I'll start, and I'll refer to my colleague here, who's vice-president of administration and handles the procurement area. Our policy generally is that we do have a commitment to buy in Saskatchewan first, if we can. We do about, on an average year, about \$60 million, I think, of acquisitions; and over the last seven years that I've been with the company, we've always exceeded 80 per cent of our purchases in Saskatchewan.

And where we purchase outside Saskatchewan it would be for example a solar compressor which is produced by Caterpillar in San Diego. And even then we try to get some offsets where the company, in the case of Caterpillar, did a lot of work with some steel fabricators in Saskatoon. So we got some offset.

So the short answer, Mr. Chairman, is our goal is to buy in Saskatchewan. We do a lot of work with Saskatchewan suppliers. We do a lot of work to what we call unbundle projects so that smaller businesses can . . . You know you might have a project that's of a scale that somebody can't match or meet, doesn't have the bonding, whatever. We'll unbundle it so that smaller businesses can take a shot at breaking the contract up into two or three.

I don't know, sir, whether I'm answering your question or not.

Mr. Hart: — A follow-up question would be then, like for a smaller purchase in terms of the company, in your tendering process . . . And where my questions stem from is I have a business in my constituency who did bid on one of your tenders and weren't successful. And they really had no idea as to why they weren't successful and that sort of thing.

And I just wondered if you'd care to comment. Apparently when they were asked as far as . . . The tenders were opened in private. They never had any idea as to whether their bid actually, you know, was the low bid. They were told that they weren't but they had no confirmation of that. And I just wonder . . . I would like you to explain your policy in that area.

Mr. Clark: — Well it's certainly correct that we have a closed tendering bidding system. It's bid competitively but for business reasons we don't open . . . don't have publicly opened tenders.

And certainly I think it's a fair question when somebody's unsuccessful. And I think where . . . in my experience, those that come across my desk where individuals have asked, we

have endeavoured to explain without violating the confidentiality of the other bids. For example we've tried to indicate to the bidder why they were unsuccessful, in what areas. Whether it was . . . 99 per cent of the time it's price. There may be some other qualifying criteria. And we generally try to feed back that information so that the individual's better prepared next time.

So if you've got someone like that and maybe they didn't get as much information as they liked, maybe we could try to, we could try to rectify that. But that's the procedure we use. Greg or Mark, anything more I should say about that?

Mr. Hart: — I guess my concern stems from customers of SaskEnergy in that I realize that there's . . . perhaps there are some business reasons why disclosure cannot be made. But on the other hand, I'm sure your customers would like to know that you are doing business, and being very cost-effective, and that sort of thing. And there is some uncertainty in this area.

I would like to say that I have an answer for you as to how to solve that uncertainty but I don't have privilege to all, you know, all your business arrangements and that sort of thing. And I would urge you to look at that area very closely and be as open as you can so that not only the people who are bidding on your tenders feel that they were handled fairly but also your customers, that they feel that you are receiving best value for the dollars you are spending.

Mr. Clark: — Mr. Chair, that's a good point. I understand that. I've been a city manager where the process is open tendering and everybody can just look at the numbers and walk away. As I say, I think that the trade-off between some of the business confidentiality, that is still dictating that we go this way.

I can only give you an undertaking, Mr. Hart, that we are scrupulous in going with the low bidder, the low qualified bidder, and I guess, you can't see the numbers; I guess, I'll just have to give you that undertaking, that's what we do. And we run a tight ship, but we're always trying to make sure that bidders feel like they've been treated fairly.

Mr. Hart: — If I can just have one final comment, Mr. Chair. I guess what I would urge you to do is wherever possible use the open tender system so that wherever possible both the people who are attempting to do business with you and your customers can see that, in fact, you are using due diligence in procuring your supplies.

Mr. Clark: — I hear you, sir.

Mr. Hart: — Thank you.

Mr. Wall: — Thank you, Mr. Chairman. And I just have some final questions along, a little bit along the same vein that we asked . . . I was asking earlier on, if I can, Mr. Clark, again, to do with the decision-making process.

You know, we see in your annual report, to a lesser extent arguably than other Crowns, but we'll see in all the other annual reports of Crowns that come before us some significant interest in investing in ventures outside the core business, for some Crowns; and for others outside their core business and outside

our provincial boundaries; and in SaskEnergy's case, and in the case of others, outside the country.

And I think there is some . . . a great deal of trepidation on the part of the public when they see this happening because, of course, the way our system works and because you're a Crown, and because you have an official opposition and the political system, I would argue that the failures, when taxpayers' dollars are lost on these ventures, would receive much more publicity than those that may have had more success. That's just the way the system's been. It doesn't matter who's in government or who's in opposition, I think.

That said though, I think that a lot of — not all of the people's concerns — but some of people's concerns, when they look at these corporations, that their corporation is risking dollars overseas and other ventures, might be ameliorated somewhat if there was a much more transparent or rigorous process that they understood was happening, that was happening as a test, as a measure of each and every single such investment outside our borders or outside the core business of a Crown.

And that goes to the heart of some issues that we've been dealing with here lately, in the legislature, asking questions in the wake of the annual reports. And I mentioned the Channel Lake report specifically because it arguably set up some rigorous standards for all the Crowns to use in those many recommendations that we alluded to earlier. And you answered that question honestly and straightforwardly and I appreciate that.

And so, it begs this following question. Is there any — other than Channel Lake's recommendations — are you aware or has the provincial government, has your minister, ever provided you as a Crown, or other Crowns you may be aware of, with a strict set of guidelines and a process, a due process, involving the cabinet potentially or involving some other board, maybe CIC (Crown Investments Corporation of Saskatchewan) board, but a strict process by which you must follow in terms of exploring any ventures? And I know, right now there . . . you know, either currently or previously, I guess is the question.

The Chair: — Mr. Wall, this question may be better directed to CIC officials on the CIC investment policy when we have that chance; but I welcome Mr. Clark the opportunity to address SaskEnergy specifically.

Mr. Clark: — Very briefly, Mr. Chairman. An excellent question and I'm glad you came back to it, Mr. Wall, because I wouldn't want to think that I misled you when I answered with respect to Channel Lake.

Certainly CIC as the holding company does have investment guidelines, 12, 14 fairly specific points that are germane to all the Crowns who wish to engage in out-of-province investments, and we adhere to those. The theory being if they don't meet that test, don't bother coming over.

So when I was answering with respect to Channel Lake, I apologize if I seemed to be exclusive.

There is a set of investment guidelines at CIC for international investments and they are slotted into our own due diligence

process if we engage in an examination of an opportunity outside the borders, whether it's Swan Valley, Manitoba or Chile.

And I might just say, Mr. Chairman, not to be long-winded and perhaps out of line, Mr. Chairman, but I think this issue of foreign investment really needs — with all due respect — less political rhetoric and a little bit more real hard work. Because we've got to grow these companies.

And as a CEO I'm quite happy to come before this committee. And if I — in going forward to our board and CIC — make a number of bad investments, then I should suffer the same fate as a private-sector CEO and probably I should be sacked. And I'm prepared to have my feet held to the fire on that account.

I think we need, we need to have a million people in this province have an understanding of why we have some legitimate expertise to sell and market. And where, in some cases, not just consulting, it can be an equity opportunity.

And as I say I have no hesitation in saying that if one goes to the annual report — as I think you fairly asked last week about the '99 annual report — that our international subsidiary lost money. But as I say, I probably won't be around to be invited back when the terminal value of our \$7 million investment is \$62.25 million. And I have every reason to believe that's exactly what will happen.

And I'd like to have 10 of those to be honest with you. Because my daughter plans on staying here in this province and so does my son. And I think we'd all benefit from a more genuine discussion of those kind of investments.

Not whether there are some lost . . . I mean there isn't a private sector company that doesn't have a basket of investments where some win and some lose. And I say if the CEO has too many losing ones, probably isn't CEO much longer.

Mr. Wall: — Well perhaps more of a comment, Mr. Clark. But you know, I think there will become . . . I think the day will come that there would be less political rhetoric about small-, medium-, or large-size losses by Crown corporations when they're investing, only if the people of Saskatchewan decide that the ownership structure will change — if the people say that, I'm saying.

And the reason is, is because frankly they're the shareholders of these Crown corporations. There are many benefits to the corporations in terms of being Crown-owned — be it borrowing in some cases; be it less rigorous disclosure requirements. There are a lot of benefits to you being a CEO of a Crown as opposed to CEO of a private-sector company.

One of the downsides however — one of the downsides however — is that in addition to you having a board to report to, then a CIC board, and then a minister and a Premier and a cabinet and a caucus, is that there's an official opposition in our system. And whoever that opposition is, that will be arguably one of the downsides to sort of offset many of the benefits that you have of running a Crown corporation as opposed to a private sector company.

And I think therein lies the difficulty. People will want to talk about failed, the failures perhaps more than they would if you were a, if the SaskEnergy, you know, was a private sector company. And there's no official opposition in the exchange, stock exchanges, you know. Certainly there's critics but it's not as concerted. So I'd offer that comment, and thank you for your answer.

Mr. Huyghebaert: — Thank you, Mr. Chairman. I wasn't sure how specific we should or could get within this committee, but I did speak to Mr. Clark during the break for a minute and I just have some specific questions that I would like to ask that is pertinent to my constituency.

And it deals with the hog operation at Wood Mountain, and a line was put through, a gas line put through to the hog barn to make it a viable operation. And my question would be: is it a high-pressure/low-pressure line is probably the first one, answer that I would need. But more specific is: how many farms would have access to that line and how many farms actually hooked up?

The Chair: — I guess in terms of drawing the lines as to where we're going to ask questions, certainly these are legitimate questions to be asked. Just as a caution though, I would say it may be unrealistic for us to expect the officials to have that level of detail with them. I know in my initial discussions with them, although they're extremely well briefed and obviously understand the issues, sometimes they won't have it.

If the officials, and I trust all members would accept it in these kind of questions, if the officials are able to report back to us, I trust that that's an acceptable? Okay, thank you. And Mr. Clark may have the information, I don't know.

Mr. Clark: — Sorry, Mr. Chairman, perhaps I . . . it's not for me to give the member advice on the operation of the committee; I apologize. I thought it was a legitimate question and we can either answer it . . . I know Doug can answer it generically but we would also undertake to give specifics so that the example can generate some concrete information.

Mr. Kelln: — I guess generally I can tell you that the farms along the route were offered service at a price. And I can't give you the exact numbers. I know a very low number took up the offer. The challenge we have on that project is again the distances we have to travel to each farm.

But the project was done similar to what we do around the province, that we ensure that when you have an anchor load such as a hog barn, which is positive thing, it decreases the cost of the communities that could possibly access it. However, in this case, the costs are still fairly significant.

We have done a number of similar types of hog projects around the province. I think of the Ponteix area, where we're able to tie in a number of farms at the same time. A little different kind of project that the barns were located at a lot of the individual farm sites.

So, it again follows the same kind of investment cost philosophy that we have, and certainly we could undertake to provide you the specific numbers.

Mr. Huyghebaert: — Yes, thank you. And if that's available — and I know there's an awful lot of variables within the costing — but if, at some point if you could provide some examples. If you're 100 metres or if you're a mile or if it goes right by your facility and you don't have to cross a road or a railroad, just some examples, if that could be available I would appreciate it.

Mr. Clark: — Certainly we'll give the committee that undertaking, Mr. Chairman, and supply it to the secretary.

Mr. Huyghebaert: — That's all. Thank you very much.

The Chair: — Thank you. I have two other government members who have indicated that they have questions they'd like to ask. I note that it's nearing 11 o'clock, I'm not sure whether they're germane to the year-end review, but Mr. McCall. Mr. Wartman.

Mr. Wartman: — Thank you. A very brief portion of the report speaks about energy conservation on page 30 and the do-it-yourself tips that have gone out to customers. And in some ways for a company that is selling, providing gas, it would seem like a conflict, except for what I've seen in terms of the corporate responsibility, the recognized need to try and be as efficient as we can.

I'm wondering, very briefly, if there are plans for expanding the energy conservation side of things, for encouraging, maybe even providing some motivation to help customers become more energy efficient? And the second part of that would be within the company itself, are you doing what you are able with your own buildings, holdings, etc., to make those as energy efficient as possible?

Mr. Clark: — Well briefly, Mr. Chairman, and I appreciate the opportunity to reiterate. Member Prebble asked the question the last time, and I think I indicated that we had gone down this road in this past year. So in terms of . . . and in fairness all utility companies are endeavouring to try to help their customers in any way they can with this volatility.

And we certainly ventured into more aggressive areas of trying to assist in conservation ideas and tips and putting an . . . a free energy conservation audit on our Web site, so that people can kind of go through it at home and see what they can do and self-assess. And so we're going to try mostly in the areas of public education, working with . . . in the schools. The school system is very open to these kinds of initiatives with their students and try to get people thinking conservation, even at a younger age. It's sort of like the old days of the environment, of trying to promote that understanding.

And with specific reference, Chairman, to actual programs where we might, as you say, induce with interest subsidies or something, those are areas that we have not . . . If we've explored it, we certainly haven't implemented it. And I think it really does touch on the area of public policy. And again it behooves us, or our board, to start sort of spending the owner's money on things that would be explicitly subsidized, for example.

But the short answer is we feel we're getting a positive response

from our customers or we're going to try and get more aggressive in this area because it is a long-term solution, there's no question.

And we do see it. It's interesting. One point, Mr. Chairman, I think is very relevant. Ten or so years ago, the average home used well over 4,250 cubic metres. That same house today is getting closer to 3,500. And that's the result of triple-glazed windows and more insulation and better furnaces.

And so we've seen . . . If we never gained any more customers, we'd be a smaller company just by virtue of the fact that our same customers are using less gas. And that's exclusively an issue of conservation measures in their own way.

Mr. Wartman: — Second part of the question in terms of the buildings, holdings of . . .

Mr. Clark: — Oh, I'm sorry. I'm sorry. Well we obviously carry out all the . . . our own internal energy audit activities in our facilities throughout the province. As you know, we promote the use of natural gas vehicles, which are both energy efficient and environmentally friendly. So I'd like to think that we're quite a good corporate citizen when it comes to those issues as well.

Mr. Wartman: — Okay, thank you.

The Chair: — Mr. Wall, I understand you have a final question. Mr. Yates has advised me he has a motion. Just a comment. Certainly.

Mr. Wall: — Well I'm assuming we're wrapping up, Mr. Chairman. So I just wanted to take this opportunity on behalf of the opposition members to thank you very much for your attendance here on two days of testimony, if you will, and for your forthright answers, and we all wish you much luck as you try to continue to ensure we can pay as low bills as possible. And again, thanks for your attendance and participation in these meetings.

Mr. Clark: — If I'm not out of line, Mr. Chair, I just want to say thank you as well. We feel that we are treated very fairly and with great decorum.

And I think, at the end of the day, all of these people are all of our customers and they're all Saskatchewan citizens and we all would like to ensure that their welfare is a very prosperous one. So we're going to do the best we can.

And I say, Mr. Chairman, to all members, at any time, if there's something that you'd like to know more about or you've got a constituent or whatever, please don't hesitate to contact us. We'd like to think that we can overachieve on customer service; not always, but we'd like to think we try.

So, I'd like to thank the committee for this opportunity to make our observations as well.

The Chair: — Thank you, Mr. Clark. And I'd like to thank your officials for appearing today and last week as well.

I'll recognize Mr. Yates, who I understand has a motion.

Mr. Yates: — Thank you, Mr. Chair. I move:

That the Standing Committee on Crown Corporations conclude its review of the annual report and financial statements of SaskEnergy Incorporated and the financial statements of its subsidiaries TransGas Limited, Many Islands Pipe Lines (Canada) Limited, SaskEnergy International Incorporated, and Bayhurst Gas Limited for the years ending December 31, 1998, December 31, 1999 and December 31, 2000.

The Chair: — Thank you. It has been moved. Does not require a seconder. Is there any debate from the members on the motion? Seeing none, are we ready for the question? All those in favour?

Members: — Agreed.

The Chair: — Opposed, if any? Seeing none, the motion is carried.

In terms of other business . . . I'd like to thank the officials and certainly allow them to be excused at this point.

If I can just say perhaps we can work out among Mr. Wall, Mr. Yates and I, as the ad hoc steering committee, an agenda for next Thursday. I think the CIC (Crown Investments Corporation) officials will be available, so we may want to go back and start the discussions there. But we can talk about this over the next few days.

With that, there's a motion to adjourn. And it is carried.

The committee adjourned at 11:08.