



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
2002**

Warren McCall, Chair
Regina Elphinstone

Kevin Yates, Vice-Chair
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Graham Addley
Saskatoon Sutherland

Greg Brkich
Arm River

Yogi Huyghebaert
Wood River

Carolyn Jones
Saskatoon Meewasin

Don McMorris
Indian Head-Milestone

Peter Prebble
Saskatoon Greystone

Hon. Andrew Thomson
Regina South

Brad Wall
Swift Current

The committee met at 10:32.

Saskatchewan Power Corporation

The Chair: — Good morning, everybody. We'll call the committee to order. We are here for a consideration of the '98, '99, and 2000 SaskPower annual reports and related documentation. I bid you all a fine good morning on this icy day.

The procedure that we'll follow, of course, will consist of SaskPower making their presentation, the auditor's office making a presentation. Any comments from the appointed auditor will follow at that time and then we'll start up a speakers list for inquiry by the members of this committee.

And with that I will turn it over to you, Mr. Wright, if you'll take it away and if you could please introduce your officials as well.

Mr. Wright: — Thank you very much, Mr. Chair. In introducing the officials, I am John Wright, the president and chief executive officer of SaskPower. To my immediate right is Mr. Rick Patrick, the vice-president of planning, environment, and regulatory affairs. To my left is the very handsome Mr. Jones, who is our chief financial officer, corporate and financial services. To his left is David Hughes, who is the president and CEO (chief executive officer) of SaskPower International.

Behind me we have several officials and they include Mr. Garner Mitchell, vice-president, power production, and Mr. Kelly Staudt, vice-president of the wire business, transmission and distribution; Pat Youzwa, our head of customer services; and finally, Mr. Kory Hayko. Kory is one of our succession planning candidates and he is also our supervisor of natural gas management.

Mr. Chair, should I go through the brief presentation that we have.

The Chair: — Please do.

Mr. Wright: — Okay. Thank you very much. What we have is just a few slides in terms of a handout here that I'd just like to direct members to — hopefully everybody has a copy. And I'll just move through it very quickly.

In terms of slide two, just who we are, SaskPower is a collection of four entities: of course, SaskPower; the newly created NorthPoint Energy Solutions that deals in our marketing and trading arm; SaskPower International that's been around since approximately 1994, and the SaskPower Shand Greenhouse which is down in Estevan.

As noted by the rate review panel and others, SaskPower is an extremely complex business. And quite frankly, we are part of a very rapidly changing industry that changes almost on a daily basis. That's what makes it exciting.

In terms of the next page, item 3, we have a vision statement, as you can see there, "Excelling in competitive energy markets."

Our mandate has always been and will probably continue to always be, "Safe, reliable, cost-effective power."

And finally our values are predicated upon three very important words: "Respect, integrity, openness."

There's a little chart in terms of slide four that perhaps we could go through later, but it's a diagram of how electricity is delivered to your house, to your business, and to institutions throughout the province. I'll skip over that, Mr. Chair, but if somebody wants to know more later on we'd be delighted.

On slide 5, the next page, our facilities. We have a number of facilities throughout the province. In the southern part of the province, in the Wood River constituency is of course our Coronach plant, also known as Poplar River, about 600 megawatts of coal-fired.

In the Estevan area, Boundary dam and the Shand power station, which combined have close to 1200 megawatts of coal-fired power.

We also have a very important station in Saskatoon, Queen Elizabeth, that's undergoing a significant transformation and a re-powering to the tune of about \$140 million; it's gas fired and we call dispatchable, meaning you can turn it on and turn it off.

We also have a number of hydro plants, Coteau Creek on Lake Diefenbaker. Up in the Nipawin area, we have two plants: the Nipawin Power Station in by itself, and also the E.B. Campbell Power Station down the road a little bit further.

In terms of our gas-fired generation, you can see Success, which is just a collection of old jet engines but serves us well from time to time. The Landis simple cycle, gas-fired facility, and of course Meadow Lake. Meadow Lake has got some problems right at the moment in terms of operations. And if you'd like, we can speak to that later.

We do contract with the Meridian cogeneration plant out in Husky . . . or administered by Husky and TransAlta and that's in the Lloydminster area.

In terms of a profile for SaskPower, who are we? You can see three coal-fired and so on and so on the information.

Transmission and distribution, we are a huge infrastructure out there with over 150,000 kilometres of power lines. We have approximately 2,200 permanent employees and we serve over 430,000 customer accounts.

On item 7, it's a graphical display of the number of SaskPower employees over time. And what you can see is that in '92 and '94, the employee level was basically stable. In '96, as a result of a very significant resizing and downsizing exercise, the staff complement of permanent employees shrunk dramatically. Since then there has been an upward edging in the number of employees for a variety of reasons. These include our bulk management trading people, a stronger commitment to environmental standards and principles. In addition, we've tried to serve our key accounts, the largest customers more with new staff, better information. We've revitalized our human resources

area by adding staff there and we've reinstated a planning process throughout and also a regulatory process throughout the corporation.

In terms of our profile, again in 2000 revenues in excess of a billion or \$1.1 billion, expenses over 800 million, finance charges relating to our debt almost 140 million and a net income of approximately 126 million.

In terms of slide 9, how do we contribute to the economy and to coffers of various governments, we pay corporate capital tax on the assets that we own, coal royalties. We contribute through provincial sales tax. We also pay water rental fees. We provide to municipalities grants in lieu of taxes to the tune of about 12 million and we've had capital expenditures in the year 2000 of over \$200 million.

Our employees are paid, our permanent employees, over 150 million which contributes to the economy; municipal surcharges of approximately 30 million; and we purchase locally as best we can, \$285 million in the year 2000.

Slide 11 will just show you the revenue profile and how it's grown over time, largely attributable to load. And you can see, in the red, the export contributions, which have grown rapidly over time.

In terms of our expenses, we've broken them down by OM&A which is operations, maintenance, and administration — basically our operations costs in the green, followed by fuel costs. And I would point out how rapidly that has grown over the last several years. And finally, other expenses that we incur in terms of taxes or depreciation and other items.

How have we fared? Up on slide 13, our operations cost as a per cent of revenue. You can see that it peaked in 1994, again dropped rapidly because of the significant downsizing in '96, climbed in '98. And we're showing a downward trend for both 2000 and hopefully for 2001. Again, fuel costs on slide 14, just to show you how dramatically they've increased over the last several years.

Page 6, slide 15 shows you how we've been spending in terms of our capital. One of the reasons why staff was down in 1996 was because quite frankly there wasn't an awful lot of capital spent. Since then it's grown; \$210 million approximately in the year 2000, and we have a very aggressive capital program, a . . . had one in 2001, and again an aggressive capital program in the year 2002.

What were some of the key initiatives for each of the years under scrutiny? In terms of 1998, our SaskPower energy solutions program, where we partner with Honeywell, was developed. That's called a demand-side management program. We announced \$66 million in electrostatic precipitators down in . . . for Boundary Dam. Our SAP (systems applications and products) systems and Y2K were started in 1998.

In terms of 1999 we completed our SAP and Y2K projects. We made it safely through the year into 2000. We established safety at the corporation as our number one priority, and we've been working on that hard ever since. And in addition, we implemented a conductor skills training system that deals with

our transmission and distribution individuals; a very successful training program.

In the year 2000 we announced the QE or Queen Elizabeth station repowering project as well as the Cory cogeneration project. We're also pleased to indicate in the year 2000 that we were the first fully registered Canadian utility, and perhaps the first fully registered utility in North America, to achieve ISO (International Organization for Standardization) 14001 standards. Finally, late in 2000, we announced a major wind project and we'd be pleased to speak to . . . about that later.

How do we stack up in terms of the rate changes? You can see that on slide 17, and we've gone back to the year 1990 to put things in perspective. From the year 1990 through to the year 2002, including the most recent rate changes, our rates, on a system-wide basis, have gone up by about 19 per cent, which I believe is less than the overall consumer price inflation.

But how do we stack up compared to our neighbouring jurisdictions? And what we've included here is residential; and you can see where we stack up, small commercial, medium commercial, and large commercial. These rates don't include, and don't show, our manufacturing rates which were substantially lower.

We're not the leaders of the pack; we're not the lowest in the country. God blessed Saskatchewan with a variety of very important resources from some water, through to some coal, through to natural gas, and others. But we don't have the abundance of hydroelectricity that a Manitoba Hydro has, or that a BC (British Columbia) Hydro has, or that a Quebec hydro has. So we're in the middle of the pack. We're trying to work to improve on that over time, and we'll see where items like deregulation in Ontario go. Some are forecasting rate increases in the 30 to 40 per cent, I believe, it's reported in *The Globe and Mail* today by the chief executive officer of Dofasco. So we are the middle of the pack.

In terms of the future, it's a very exciting future for SaskPower. First and foremost, climate change encompassing Kyoto and a variety of other environmental issues. New generation — where do we go next? At this point in time it would look like we will have to add a major source of new generation by the year 2007, perhaps 2008.

Regional transmission market — how do we fit in? We're not isolated. How do we fit in with those players around us in terms of the wires, from Manitoba through to Alberta, down south in terms of Basin Electric and others?

In addition, there's always recruitment and retention challenges in terms of, for example, our journeymen linemen. Not everybody wants to live in Podunk or Oddsock, and trying to attract people to those communities is a challenge. Trying to get young people interested in working in a utility like SaskPower is always a challenge.

And finally we have facilities life extension and upgrades. Some of our units are in excess of 40 years old and we're working hard to keep those units up and running because it's most cost effective and it does cost dollars and cents at the end of the day.

That's our presentation, Mr. Chair, and we'd be pleased later on to answer any questions.

The Chair: — Thank you very much. I'll turn it over to the auditor's office at this time. Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. My name is Andrew Martens. I'm a principal with the Office of the Provincial Auditor. With me today to give the presentation is Ed Montgomery. He's an executive director with our offices and has led our work on SaskPower for several years.

Following him will be Bob Watt. He's the partner with . . . was then under the years under review, Ernst & Young — that firm has since merged and is now Deloitte & Touche. And with him is Cathy Warner. So, Ed.

Mr. Montgomery: — Thank you, Andrew. Good morning, Mr. Chair, committee members. I'd like to advise the committee that for the three years under review, that is '98, '99, and 2000, we consider the financial statements included in SaskPower's annual reports to be reliable. We also consider the financial statements of SaskPower International, the Power Corporation superannuation plan, Power Greenhouses Inc., and the Northern Enterprise Fund to be reliable for those years as well.

For the three years, Ernst & Young were the appointed auditor of SaskPower, SaskPower International Inc., and Power Corporation superannuation plan. And we worked together with Ernst & Young, using the framework recommended in the report of the task force on roles, responsibilities, and duties of auditors.

I want to point out to the committee that we have received excellent co-operation in carrying out our work, not only from Bob Watt and his team at Ernst & Young, but also from SaskPower management.

In addition to SaskPower, we also worked with Ernst & Young on the audits of the Northern Enterprise Fund for the 1998 and 1999 years, and with the Meadow Lake firm of chartered accountants called Downie Johnson Svenkeson for the 2000 year.

The other report before you is Power Greenhouses Inc. and for the years under review we worked with a firm of chartered accountants in Estevan called Matchett Potts & Seipp.

I also report that we received good co-operation on the audits of Power Greenhouses Inc. and the Northern Enterprise Fund.

With respect to our other work on internal control and legislative compliance, I'm pleased to report that for the year 2000, SaskPower and the other companies I have mentioned had adequate rules and procedures to safeguard and control their assets. Also they complied with legislative authorities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

Finally I'd like to point out to the committee that 2001 was the first time since 1996 that we have no chapter on SaskPower in our reports to the Legislative Assembly. And this reflects good work at SaskPower to improve the rules and procedures and

their governance practices.

Mr. Chair, that ends my opening comments except to say we'd be pleased to answer any questions of the committee.

The Chair: — Thank you very much, Ed. At this point I'll call Bob Watt to Ed's microphone to provide any observations he may have at this time.

Mr. Watt: — Thank you, Mr. Chair. First of all I will be suitably brief, but as I've been introduced already my name is Bob Watt and with me is Cathy Warner. We are with Deloitte & Touche, and as Andrew Martens had indicated at the front end, the audits under review were conducted when we were with . . . when I was with Ernst & Young — I should correct that — and the lead partner on the three audits that are referred to in your deliberations today, for 1998, '99, and 2000.

Our primary role was to report on the financial statements of SaskPower and the consolidated financial statements in our reports are in front of the financial statements of each of the years under review.

I would also add that we worked very closely with the Office of the Provincial Auditor and share the views of Mr. Montgomery that we have an excellent working relationship with that office in conducting our audits; and in that context, our review of the matters of internal control and legislative compliance, worked closely with Ed and his people to undertake those audits.

So, Mr. Chairman, I too am open to any questions that the committee may have. And I don't really have any further comments at this stage.

The Chair: — Thank you very much, Mr. Watt. And with that I will start a speakers list, starting off with Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman, and good morning to fellow members of the committee. Folks from the appointed auditor, welcome here, as well as staff from the Provincial Auditor's office and to Mr. Wright and his officials as well.

I guess in the world of audits, words like adequate or actually absence completely in terms of having no reference at all in the auditor's report are good things and certainly we want to congratulate the corporation for that achievement as well.

We do have some questions over the next couple of days, however, and we look forward to asking them. And maybe I'll just begin if I can with a question that was raised for me in the presentation from the CEO regarding the rate comparisons. And I appreciate and am grateful for the chart that is in the presentation.

I wonder though if the president could share with members of the committee the impact . . . the ongoing impact of rate rebalancing that it will have. I notice on the chart that in a couple of key areas the Regina figures are not as competitive as we could be perhaps with neighbours, especially for medium and large — neighbours being Brandon and Vancouver — and I guess are unavailable on the large . . . for the two Alberta cities.

So those are key numbers of course for the entire province

because those small and medium and large commercial ventures are the ones that are the sole reason we have any tax dollars to do the other things that we want to do in this province. And as a result their ongoing competitive . . . ability to remain competitive is very important.

So I wonder then if the president could talk a little bit about that. And also the impact of rate rebalancing that occurred over the both, you know, including the reporting years that has occurred and what direction the corporation intends to go in the future with rate rebalancing.

Mr. Wright: — Certainly. Thank you, Mr. Chair. In terms of the competitiveness relative to Brandon and Vancouver I did make in my introductory comments reference to large hydroelectricity facilities in both Manitoba, where Brandon is located, and as well BC, where Vancouver is located. Simply put, the lowest cost electricity is often produced by hydroelectricity, which is abundant in both Manitoba and Vancouver; and that's one of the reasons why we're not quite as competitive.

I would note in the rate comparisons as well, however, as I mentioned earlier, we didn't include the manufacturing class. And the manufacturing class in Saskatchewan is quite heavily subsidized. For example, the large commercial, in the rate comparison showed here, is for a non-manufacturing facility — approximately \$5,240 per month for a large facility in terms of electricity. However when you layer on or add in a large manufacturing facility, those rates fall by about \$800 per month — \$4,414 for a similar-sized large facility.

In terms of rate rebalancing over the years in question, quite frankly there was none explicitly because in 1998 rates remained frozen, 1999 rates remained frozen, and the year 2000 rates remained frozen. In fact rates were frozen over the period, 1996 up until April 1, 2001, which was our first increase and a system-wide increase of 2 per cent over approximately six years. There is inherent, though, a natural bit of rate rebalancing that occurs just because of the distribution of costs and so on, albeit it was very modest and minor for the years under question.

Mr. Wall: — Thank you. Mr. Chairman, SaskPower indicates in the documents presented here that the large commercial numbers in Calgary and Lloyd, for example, are unavailable. And I wonder if the president would be able to outline whether or not any part of the corporation or other arm of government that he may be aware of has sought to find out those figures.

Those are pretty important numbers in terms of those people that practise in the economic development field in municipalities, and others that are trying to attract business. Those are really crucial figures. I know for the city of Swift Current, for example, where I was employed in a position like that, it was very important for us to be able to demonstrate what the cost would be for any scope of business in terms of the electricity that the city sold them.

So I wonder if the president has . . . could provide that and also whether or not the manufacturing numbers that are annotated on that particular chart at the bottom, small and large, whether or not those compare favourably, even with the subsidy that comes

with other classes, with some of the other places listed in the charts.

Mr. Wright: — Certainly. Thank you, Mr. Chair. With respect to Calgary and Lloydminster, Calgary large commercial facilities are served by Enmax, whereas in Lloydminster they are served by ATCO Electric or Canadian Utilities as the case may be.

As you may be aware, Mr. Chair, there is competition, deregulation in the Alberta marketplace. And there are no posted rates for large-scale, commercial facilities in Alberta. That's why we quote them as not available. Those are negotiated, traditionally, between the supplier and the customer on a one-on-one basis.

In a similar vein for our largest — approximately a little over 30 — key account customers, we have contracts with them. They're not posted rates. They are contracted, maybe in duration from 2 years through to 10 years in some cases. Consequently the data is just not available because of commercial reasons in the province of Alberta. They are not posted rates.

In terms of the manufacturing class, we'd be prepared and be delighted to provide a comparison for other jurisdictions. Not all jurisdictions subsidize their manufacturing class to the extent that we do. I'm aware; certainly in Manitoba I believe that there is a small subsidy provided to manufacturing. And we could see what we can do; we simply don't have that data available here.

But the long and the short, Mr. Chair, is that SaskPower . . . certainly on the manufacturing side of the equation when you compare \$4,400 for a large commercial facility in Regina with that of, for example, in Toronto of nearly \$5,800 or a saving of \$1,400 per month, that's quite substantial. We stack up well.

Mr. Wall: — Thank you, Mr. Chairman. With respect to that, the issue of subsidization and rate rebalancing, I wonder if the president can confirm for the committee that the intent of the corporation is to continue in that in terms of trying to basically get everybody paying for electricity exactly, you know, its cost or at least that that ratio is reflective of the costs of getting power to that . . . to those customers if rate rebalancing is going to continue.

Mr. Wright: — Mr. Chair, over the last two years what SaskPower has attempted to do in its rate applications to the Saskatchewan Rate Review Panel is to bring in line both heavily subsidized customers and those that are paying too much closer to a relationship where you're paying for the cost of power. You never get it perfect and that's why we're trying to achieve a ratio of 95 cents for a dollar delivered, to the other extreme of \$1.05 for a dollar delivered.

Indeed there are classes of customers that are subsidized, and we reference the manufacturing class. On the other side of the equation I can think of at least two customer classes — being streetlights and being oilfields — that in fact pay more than a dollar for a dollar of energy delivered.

Our goal has been, as we presented to the rate review panel, to bring those rates more in line to that ratio of .95 to 1.05 over a

four-year period. We've been quite successful in doing that in the last two applications, and we look forward to the next two years to bring them closer in line.

This is good sense; this is good business, and this is very consistent with other Canadian utilities and utilities in the US (United States) — to minimize the degree of cost subsidization as between and betwixt customer classes.

The Chair: — Okay. I've got others on the speakers list so perhaps I'll shift to . . . I've got Addley, Prebble, and then Brkich, and I'm assuming that you'll get back at that point.

Mr. Addley: — Thank you, Mr. Chair. Thanks to the officials for a very concise and understandable presentation.

A couple of questions that I'll try to link in areas, follow up on Mr. Wall's concerns. On page 18 . . . or the slide 18 it indicates that Saskatchewan is in the middle of the pack on rates. But at the bottom it indicates it does not include GST (goods and services tax), PST (provincial sales tax) or HST (harmonized sales tax). And given the fact that Saskatchewan has the lowest provincial sales tax in Canada in a jurisdiction that has a sales tax, other than Alberta, what impact would that have on these figures?

Mr. Wright: — Well, Mr. Chair, it's been many years since I was the deputy minister of Finance and as you may know, my chief financial officer was an even better deputy minister of Finance than I ever was.

Certainly the HST, which refers to the tax levied in the Atlantic region is, I believe, a rate of about 8 per cent compared with Saskatchewan's 6; in Manitoba it's 7 per cent rate; Alberta doesn't levy one, provincial sales tax. There are, of course, we do note in here municipal surcharges or franchise fees and it will depend on jurisdiction to jurisdiction. Certainly on balance, because I do not believe we levy, for example, our provincial sales tax on residential customers of this, it goes to further enhance our competitiveness across the piece.

Mr. Addley: — Thank you. Well I think it would be, Mr. Chair, if . . . well I'll ask the question. Would it be possible to have these numbers revised for tomorrow's meeting to have it better reflect what the actual numbers would be given that would be more competitive or would, or the second part of the question, or would it make much of a difference and it wouldn't be necessary to do that?

Mr. Wright: — On balance I don't think it makes much of a difference, on balance. I don't know that we could provide them for you by tomorrow. We could provide them later on. But on balance, I don't really think it makes all that much of a difference, okay? It does in jurisdictions that actually . . . like the Atlantic provinces, which we only have Halifax in our comparison here but we do compare extremely well with both New Brunswick, Nova Scotia, PEI (Prince Edward Island), and Newfoundland. And it would just further exacerbate our competitive . . . further improve our competitive advantage relative to the Atlantic provinces.

Mr. Addley: — Thank you for that observation. The second, with regards to the large commercial, the question I have, Mr.

Chair, is what is the definition of large commercial? And secondly what percentage of businesses would this take up of the pie?

Mr. Wright: — Large commercial has a definition which reflects the utilization of electricity over the course of the year. I don't have that precise definition in front of me, but the example that you are seeing here in terms of large commercial is a company that would use about 215 kilowatts of electricity per month or 239 what we refer to as kV.A (kilovolt amperes) in the course of a month. This translates into approximately 65,000 kilowatt hours. This is a larger facility in Saskatchewan. The medium commercial is just . . . it's all dependent upon size. And we could get those for you — and I may have, actually have them here. But if you'd allow me to leaf through while perhaps some other questions come, we could get that.

Mr. Addley: — That would be fine. I guess I'll expand on that question while you are looking . . . while the official is looking. And that's that given the fact that we know that the largest producer of jobs in Saskatchewan are the small business, the mom-and-pop operations, and not the large mega-projects that it is better to be more competitive in the smaller commercial than in the larger.

I mean of course we need to be competitive in all aspects. But given the small commercial I would suspect — and I just wanted confirmation of my suspicion — that the large commercial, there's one or two or three that would fall into that factor in Saskatchewan as opposed to the many, many small commercial mom-and-pop operations.

So that was the percentage of businesses in Saskatchewan, how many would fall within the large commercial versus the small commercial and medium commercial?

Mr. Wright: — It would be quite small in terms of the large commercial. In terms of our overall number of customers served, I'd probably put it in about the 5,000 or 5 per cent range at the max. The majority of our customers are from the oil field, through to residential, through to farm, through to rural residential, and they represent about 300,000 of our 431,000 customers out there.

The commercial class, in terms of the number of counts, is very small. But of course in terms of the energy that they consume are very large. For example, our 30 largest key accounts, or our 30 largest customers, consume about 25 per cent or provide 25 per cent of the revenue of . . . to the corporation. About \$250 million.

So on the one side there's very few large commercial, but they do contribute in terms of the overall revenue. As you pointed out, small manufacturing or small commercial can run from the ma-and-pa shops, the small manufacturing facility of three or four or five people. Medium would be a little bit larger — for example, Balzer's out in the White City area, their manufacturing facility would be somewhat larger. Or the former Dad's Cookies where there's a manufacturing plant out in the White City area and so on.

We'll see what we can do about getting that information for you, though.

The Chair: — I'd just ask the committee members . . . I'm going to move in groups of three. So one . . . given the interest that we've got on the speakers list today, we'll go with one main question then two supplementaries or if . . . anyway, you'll have a total of three questions to divide as you like.

But given the interest we've got on the speakers list today, I'm going to put that proviso on today's proceedings.

Mr. Addley: — What if they're two-part questions?

The Chair: — Well in the case of jiggery-pokery, the Chair will be, you know, very judicious.

Anyway, at this point I'll move to Mr. Prebble, and certainly the speakers list is . . . I'll put you back on down the line. But Mr. Prebble.

Mr. Prebble: — . . . back and forwards, Mr. Chair? Or do . . . Because I'm very happy to . . .

The Chair: — That's maybe too complex for me to handle, Peter. So we'll go with you.

Mr. Prebble: — Yes, sure. Well my questions relate to getting an update on the QE and Cory projects for starters. And maybe we can just take them one at a time. But maybe I'll start. Both of these are interest to me, given that they're in or near my home city. And I wonder if we can go right up to the current and not just limit ourselves to the year under review, Mr. Chair, if you permit that, so that we could get a full update on the state of the retrofit work at Queen Elizabeth power station.

Then my second question will relate to getting an update on the cogen . . . the progress on the cogen project at Cory.

Mr. Wright: — In terms of, Mr. Chair, the QE repowering project, Mr. Garner Mitchell, our vice-president of power production who's overseeing this initiative, would be pleased to speak to it. Perhaps, Garner.

Mr. Mitchell: — Mr. Chairman, I'm pleased to report that the repowering project that's at the Queen Elizabeth power station is well underway. Basically what was being done at QE is that six new gas turbine units were installed. They were supplied by Hitachi corporation. Each one is a 25-megawatt machine. So in total the six machines will add up to 150 megawatts.

The good news is that the no. 4 machine or the first machine is commercial. It went commercial, into commercial operation last week. The no. 5 machine is being tested as we speak. And then it'll just proceed ahead and every month we'll add another machine into commercial operation, so that by the end of April of this year all six machines will be generating.

What's exciting about this project is that each of these gas turbines has its own electric generator that it drives, and that's where we get the electricity from. But the exhaust gas is run through a once-through steam generator, and so each one of these machines has a once-through steam generator — it's like a boiler — attached to it. And so the waste heat is captured and used and converts water into steam. The steam from these six boilers, once they're steam generators, is combined together.

And new piping has been installed and that goes over to the existing units which are quite old, but they're the number one and number two machines, were put in in about 1959 so they're, you know, over 40 years old. But they've been upgraded and tested and refurbished.

And so the steam from this new combined cycle plant will then run the steam turbine, which drives an existing generator, and so we also get electricity off of that. So what's exciting about that is we got . . . we'll have increased reliability because of the new equipment and because of the work upgrading on the old equipment. But what's even more exciting is that you save fuel in doing this. The advantage of the combined cycle plant is you get . . . in a common sense, you get 35 per cent better gas mileage. So not only do you get new and reliability but you get better gas mileage.

And from an environmental perspective again, the more efficient you can be then the less greenhouse gases and things of that nature that you release to the atmosphere.

So that's kind of where we're at. It's on target. It's on budget. As our president had discussed earlier, it's basically a \$140 million dollar project. And so we're coming to the end of construction. We're into commissioning start-up and it's kind of a good news story.

The Chair: — Additional comments?

Mr. Wright: — Mr. Chair, assuming no further questions at this point in time on QE, we'll have Mr. David Hughes, our president of SaskPower International respond to the Cory question on how we're doing on that. As you know that's a joint venture with ATCO out of Alberta. David.

Mr. Hughes: — The Cory cogeneration project currently is about 50 per cent completed in construction. We're still within our budget parameters as well as scheduled for start-up in November 2002 as planned. Things are moving along quite well. I really don't have anything else to say about the project at this time.

Mr. Wright: — A little description on the project, Mr. Chair, would be . . .

Mr. Hughes: — The project is a 228 megawatt cogeneration combined cycle plant. It can operate either in a cogeneration mode providing steam to PCS (Potash Corporation of Saskatchewan Inc.), at the potash Cory mine site, or strictly in a combined cycle mode utilizing all the steam through the steam turbine to produce electricity.

There are two units, gas turbines, each with a rated capacity of about 85 megawatts, and as well a steam turbine of about 90 megawatts.

Mr. Wright: — Again, Mr. Chair, another very environmentally friendly form of generating electricity. And we're looking forward to having that up and running, as my colleague mentioned, November 1, 2002.

Mr. Prebble: — Yes. I just have one other question for now, and that relates to SaskPower energy solutions. I wonder if we

can just get sort of an update on the initiatives that are underway there right now, including the initiative on provincial government buildings.

Mr. Wright: — Certainly, Mr. Chair. We're rather pleased about this initiative. As I mentioned, we started in 1998 and it's with our partner Honeywell.

And I'm going to get our vice-president of customer services, Ms. Pat Youzwa, who's responsible for the initiative, to speak to it. It's taken off and again we're quite pleased with the progress. Pat?

Ms. Youzwa: — Yes. Thank you. This is an alliance that we have with Honeywell, which is a five-year arrangement, and we're sort of two and a half years into it.

We have a number of different projects in different states of development. If you look at the phase one, which was our first set of projects with SPMC (Saskatchewan Property Management Corporation), we're well on our way with phase 1 completed. Phase 2, 3, and 4 are under construction at the present time.

And we have now worked with other customers as well; with the Saskatchewan Valley School Division, the city of Regina, and the East Central Health District as well. We are also exploring some further opportunities with SPMC on the fifth phase, and some other health districts and also school divisions throughout the province.

Mr. Wright: — Mr. Chair, at the present time under this program, we're working with our larger customers and larger institutions. Down the road, we would hope to be able to expand this into smaller communities where perhaps we could take a look at the curling rink, the town hall, the community centre, and try to see what we can do on a combined basis to provide this service through Honeywell through our partnership.

So right now the focus is large institutions and large customers, but because it's a good demand side management, we'd like to see if we can get it down into the smaller communities and facilities throughout this province.

Mr. Prebble: — Just one supplementary if I may, Mr. Chair, as a final supplementary to our officials, and that is that, do we have any estimate — and maybe we don't at this point — but do we have an estimate of energy saved on these various initiatives?

Ms. Youzwa: — The estimate that we have is that on average, and it varies from facility to facility, that the projects will save anywhere from 25 to 35 per cent of energy used.

Mr. Prebble: — My thanks to our officials and I'll pass the torch on, Mr. Chair.

The Chair: — Watch your fingers.

Mr. Brkich: — Thank you, Mr. Chairman, and good morning officials.

Question kind of takes it in a little different direction. I guess it relates to more to the public relation end, Mr. Chairman. I believe the last time we were here — I think we discussed this a little bit — about I think it was you were diamond sponsors for Ducks Unlimited. I'd like to know for them three reporting years, how much money you've given to them and if it expired in the year 2000 or if . . . I can't remember if it expires in the year 2000, or if it carries on, and if you have any more information on that.

Mr. Wright: — Thank you very much, Mr. Chair. This is indeed a question that the good member raises from time to time. I do recall being here in the year 2000 and he raised it at that point in time. And earlier, I believe it was this year, he had a request for information . . . or a freedom of information request on how much we do spend on Ducks Unlimited.

In terms of Ducks Unlimited in the year 2000, our contributions to the initiatives were comprised of three components. The first was our annual grant pursuing to . . . pursuant to our diamond legacy sponsorship — \$115,000 — and that was through our communications group. In addition, we purchased at — for our Shand power station employees and our Boundary Dam power station employees — tables at the annual Ducks Unlimited charity auction that were about \$600 each. And in addition, we had a \$60,000 grant coming out of our environmental area and a partnership — and I'm going to have trouble pronouncing this, Mr. Chair — Pasquia project with Ducks Unlimited. So in the year 2000, we spent \$177,000.

In the year 2001, we again committed to our \$115,000 per year, pursuant to the diamond legacy initiative. And that continues for many years. I believe we did buy some tables in the Estevan area and perhaps elsewhere for the charity auctions. But to the best of my recollection, in the year 2001 we had no major program similar to the Pasquia project with Ducks Unlimited. So approximately \$120,000 in 2001.

Mr. Brkich: — Thank you, Mr. Chairman. Does that mean that you're going to be a diamond sponsor . . . I take it . . . You say it goes on for many years. Is this carrying on basically forever or is this a commitment that you've signed?

Mr. Wright: — This is a long-term arrangement with Ducks Unlimited. It was signed I believe back in 1996. And again our annual contribution is \$115,000. The exact term of the contract I'm not certain about; but it is a multi, multi-year term to it. In fact it's 30 years, Mr. Chair.

Mr. Brkich: — What would be the total at the end of 30 years?

Mr. Wright: — Well I think, Mr. Chair, if you multiplied 30 by 115 you'd get approximately . . . 115,000 per year, you'd get a little over \$3 million.

The Chair: — Three?

Mr. Brkich: — I wonder if I could just make one quick comment on this, if that's all right by the Chair's indulgence.

The Chair: — We didn't talk about comments under the question . . .

Mr. Brkich: — Okay.

The Chair: — Lecture.

Mr. Brkich: — Okay.

The Chair: — Quick comment, Mr. Brkich.

Mr. Brkich: — Okay. The reason I have . . . and I think I've approached it . . . and just so the members opposite know, Ducks Unlimited, a lot of my constituents aren't that happy with them over the number of years. And the years that are coming up, the amount of money . . . or amount of land that they're starting to buy shows that they have, I think, quite a few sponsors spread out to the world.

I think that \$3 million could possibly be spent better if it was going to be public relations or donation money spent in different ways, either through rink communities, initiatives like that, sports, small kids or subsidies to rinks would be . . . But a lot of my constituents tell me that \$3 million could be better spent at . . . And thank you for the Chair for allowing me that comment.

Mr. Wright: — Mr. Chair, there's no doubt that some people agree with our sponsorship at the annual auctions I attend from time to time. I do see members of the opposition present. And there are people that disagree with the initiative. And we understand that.

It forms an important part of the Saskatchewan fabric, our contribution to Ducks Unlimited. And what we're recognizing in part by working with them is the potential for carbon sinks or greenhouse credits associated with many of the wetlands. So there certainly is a payback, not only in terms of preserving areas within the province for the ducks, but also from SaskPower's perspective, potential for greenhouse credits. And we're working closely with Ducks Unlimited on that.

Six of this, half a dozen of the other. Not everybody agrees. I understand.

The Chair: — Okay. Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you, Mr. Chair. I have a couple of questions — three — and some of it's related down in the Poplar River area. But I guess my first question, during the reporting years to the CEO is, is SaskPower producing enough energy to supply the needs of Saskatchewan, or in fact during the reporting years have they had to go outside of the province to purchase additional electricity to support the needs?

Mr. Wright: — Mr. Chair, what we do is we optimize our system each and every day, each and every hour, in each and every minute. Which is to say that we will go outside of the province and import power if the price of that power is cheaper than what we can produce.

For example, Mr. Chair, this morning I pulled up our system and we had a load at 8:28 this morning, which was the peak of 2,592 megawatts. At the time that I pulled this off, a little bit past 9:30, we were in fact importing from Manitoba Hydro almost a hundred megawatts; we were in fact importing from Basin Electric Power corporation, to the south of us, a little over

a hundred megawatts. Why? Because the prices they were offering was cheaper than what we could produce it with using some of our more expensive simple-cycle plants, for example, the Landis simple-cycle natural gas plant or Queen Elizabeth station unit no. 3. So our job again — safe, reliable, and indeed cost-effective power. And we will source whatever we can in terms of externals.

For example, Mr. Chair, in the year 2000, imported power represented about 10 per cent of all that we consumed, and that's contained on page 25 of the 2000 annual report. As we move along, we've ensured or we're moving to ensure security of supply. One does not want to, at the end of the day, be beholden to a Manitoba Hydro or those to the south of us. We want security of supply.

And as we discussed earlier, with our 150 incremental megawatts coming on stream at the Queen Elizabeth station in an environmentally friendly manner or our Cory cogeneration project coming on stream approximately 228 megawatts, or indeed our wind-power projects of approximately 16 megawatts, we are ensuring security of supply.

Mr. Chair, there was some debate in 1998. As I recall, opposition members were concerned about security. One of the things that the current SaskPower team has done is to make sure safe, reliable, cost-effective power in a secure manner.

Mr. Huyghebaert: — Thank you, Mr. Chair. This relates to the Poplar River plant directly. And during the reporting years, did SaskPower purchase offshore, out-of-country, out-of-province coal to supply the power plant at Poplar River?

Mr. Wright: — Indeed there were some tests done at the Poplar River power station. I would like Mr. Rick Patrick, formerly the president . . . or the vice-president — not the president yet — the vice-president of power production, currently the vice-president of planning, to speak to that issue.

Mr. Patrick: — Thank you, Mr. Chair. We did conduct an experiment at Poplar River. We imported about a thousand tonnes of Wyoming coal, Powder River basin coal to conduct a technical experiment and there were a number of reasons why we did that.

First . . . well, in no particular order. The particular native coal that we burn in Poplar River is extremely abrasive. It contains quartzite and it's very, very hard on our equipment. We have a very high maintenance budget because of the wear and tear that the coal and the ashes we produce when we combust it produces on the equipment.

To look at options, if you like, to help control our maintenance costs we have looked at using, perhaps, other coals either as a blend or replacement to see what they can do for us. And we wanted to determine whether Powder River basin coal could be used in our facility successfully from a technical perspective. The Powder River basin coal does not have the abrasive characteristics so it could be a coal that would provide an advantage from a maintenance point of view.

The second reason we looked at it is from an environmental perspective. The Powder River basin coal has some advantages

from an environmental point of view in that it has a higher heat content which means that we burn less of it; we produce less ash. We actually produce somewhat less carbon dioxide for the amount of electricity we're producing.

Marginally there are some advantages to the power plant itself. The Poplar River power station is one of the few plants we have where we actually have an ability to produce on a regular basis electrical production in excess of the original nameplate rating of the equipment. And one of the ways that we control our costs is by putting more and more power out of our existing facilities — in effect driving them beyond their original designs.

One of the ways we can do that is by using a fuel in the boilers that has a higher heat density, if you like, than the original design. The fuel that's native to the area has approximately 5,500 BTUs (British thermal unit) per pound; heating value, Powder River basin is about 8,800 BTUs per pound. So you just have a higher density of heat, if you like, as you put the . . . (inaudible) . . . flow through the boiler.

That could be an advantage. The design we looked at, if we were to use that fuel on a long-term basis would allow us to take those units, which were originally operating at about 290 megawatts up to about 325 megawatts. It's just a better utilization of the capital resource.

The other reason we looked at possibly burning it — and again this was in a test to determine whether the fuel was workable or not — was basically one dealing with an issue of competitiveness. We only have one coal supplier in this province. And we used to have two; there now is only one. The one has been bought out by the other.

It puts us at a disadvantage commercially when we really only can deal with one source of supply. Having the ability, if you like, to bring coal from other places simply allows us to provide a little leverage, if you like, on the coal suppliers — to keep them honest, so to speak.

The physical configuration of the Poplar River power station is such that it lends itself to having an outside source of coal brought to it. There are rail lines coming to the site. There is not good rail service from Canada to the Powder River basin in the United States; that's not an economical route at this point. But we wanted to see whether it would work.

We extrapolated the data to the Estevan area for similar reasons although the Estevan area coal does not have the abrasive properties and there's not a maintenance issue, nor do the Estevan units lend themselves to being driven beyond their nameplate ratings so that we get more production for the same amount of installation.

The economics and technical analysis at the end of the day was that at Poplar River it could work, technically. At the time, with the American dollar/Canadian dollar being the way it was, it was marginally economic. With the dollar going the way it has, it currently would not be economic, but nonetheless it remains a tool in our kit bag of things that we theoretically could do if we had to. Our job is about having options, and this simply identified the viability of the option.

In the case of the Estevan area the economics did not work out. There were not enough pluses to make it worth continuing the pursuit of that. So it's simply a piece of information that we have in our kit bag. Should we decide to ever operationalize, at least we understand what it could do for us and what it could not.

The Chair: — One more, Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you very much. And it's also very heartening to hear that competition really is worthwhile.

My final question this go-round is, considering the answers from the CEO and the staff, we're very concerned with environmental issues, we're very concerned with cost-effective measures to provide power. Was consideration given during the reporting years of nuclear generation?

Mr. Wright: — To the best of my recollection, no, Mr. Chair. I certainly wasn't around in 1998 at SaskPower; I was wearing a different hat at CIC (Crown Investments Corporation of Saskatchewan) and it wasn't considered during those reporting years.

I would mention, though, that we are looking at new supply options for 2007-2008, and our board has mandated us — our board of directors has mandated us to make sure that we're exploring all options, from further solar, further wind, biomass, small-scale hydro, large-scale hydro, clean coal technologies, and the nuclear option.

The Chair: — Okay. I've got Mr. Wall, then Mr. Addley.

Mr. Wall: — Thank you, Mr. Chairman. I was going to move into the . . . a question on SAP but I think, Mr. Chairman, I'll ask a question then on generation, and keep it to the reporting years, and the CEO has identified 2007 as sort of a target date here. You know, setting aside the nuclear option then, was work and consideration given on the other generation options to the corporation in any of the reporting years? And if that's the case, would the CEO outline the preferred methods of generation at least — although that's a very general sort of discussion I know, but I think it would be useful.

Mr. Wright: — Mr. Chair, this question deals not only with '98, '99, and 2000, but it moves into the future, and we'd be delighted to be able to respond more towards where we're going in the future.

As I mentioned, in the year 2000 we established the Cory cogeneration initiative as well as the Queen Elizabeth repowering, and we did look at other options in that. But I think what's more intriguing and challenging is where we are going into the future. And with your permission, Mr. Chair, Mr. Patrick would be delighted to speak about his exploration into these issues currently.

Mr. Patrick: — Thank you, Mr. Chair. If I'm allowed to ramble on with the environment, I hope people brought their lunch because it's going to take a long time.

I don't mean to be facetious, but the future for SaskPower, in terms of new generation, revolves almost entirely around the

issues of environmental management.

If I can just back up — historically the mechanism by which utilities make their supply decisions is really to find, from a portfolio of theoretical possible options, that which best matches a need at the time. And there's a couple of needs that you need to match.

One is the load characteristic in electrical system composes of really two parts. There's a fairly firm piece of generation which is required, if you like, around the clock or at least of a sufficient time that you refer to that as baseload. And when you need to serve that part of the baseload and as it rises over time, you want to install equipment which operates, if you like, continuously and at a high efficiency for that purpose. It's the kind of equipment which you don't start and stop very often, and in the case of SaskPower, that's generally met by our coal fleet.

Coal-fired units generally don't take kindly to being stopped and started frequently. You basically turn them on and you let them run, preferably at full load, as long as you possibly can. That's how you extract the maximum efficiency from that type of an installation.

At the same time, however, during . . . there are times of days when the peak goes up and down. In the morning when people are cooking their eggs or in the supertime when they're frying their pork chops, the load will go up for a while, then it will diminish. In the night, when people turn the lights off, it falls off.

You do not want to install baseload type installations to serve those peaking periods. Instead, we have other types of apparatus. The president referred to it earlier about things that are dispatchable. It's equipment that lends itself, technically, to being ramped up or down — either being taken completely off-line, turned off and on on a daily basis, or at least having its load modulated significantly over its load range. And we do that in SaskPower really in three ways.

One is by selectively purchasing import power over the wires from Manitoba, Alberta, or from the United States. If there's cheap power when we need it, we'll buy it for that purpose because we're always trying to buy the cheapest next piece of generation, wherever it may come from.

Alternatively, we will start and stop our gas-fired generation, because gas-fired units lend themselves to being started and stopped relatively quickly. You can take a simple-cycle unit such as Landis and you can turn it on and have it up to full load in 20 minutes. So it lends itself very well to being stopped and started. And we do that and those units will stop and start more than once a day.

The other thing we do is we modulate our hydro system. Hydro units also lend themselves to being started and stopped quickly and so insofar as there is water available, we will use the water judiciously to meet the load requirement and we'll stop and start hydro units in fact several times a day, in some cases, per unit.

So depending on what the need is you're trying to meet —

whether you've got a problem with having to have more peaking power, more of this dispatchable stuff, or whether you need baseload — you'll make a decision.

And so through the 1990s, having previously installed a lot of baseload coal — the last unit being our Shand power station which went on line in 1992 — the system was fairly flush with baseload capability. It needed equipment that was capable of being modulated. And so more recently we've added the Queen Elizabeth repowering project and the Cory ones because those projects lend themselves to being modulated to follow the system load.

We're now at a point where in the future we're looking a little bit more at baseload. The capacity factor or the load factor of our electrical system over the years has been rising, which means that the kind of industry and utilization in the province tends to run longer during the day. And if you went back 10 or 15 years ago, the system load factor was probably in the 60 per cent range, which meant that 60 per cent of the time you were at full load in terms of the whole system. Now, I believe, it's up into the 70s; I don't have the exact figures. But it just means that there are industries around that basically are running around the clock or at least running more of the day anyway. They may have a 16-hour workday or something. It tends to raise the bar.

We maintain, if you like, a theoretical inventory of new sources of generation and you know it's our business to have options available. I mentioned that earlier. Our job is to know what's available to us, to try and pick the wisest one at the time. So we have at any particular time in our inventory a theoretical assortment of gas-fired, hydro, coal-fired, and theoretically, nuclear generation options. And these are just hypothetical engineering models. They're not necessarily real power plants. They are simply our awareness of the cost and the characteristic of those kinds of projects.

So if you happen to need a large baseload unit, for instance, you could look at those kinds of apparatus which could bring that capability to the system; determine what the costs and the other impacts would be, whether they're environmental or other; try and determine whether there's a site at which those things could be located; and whether you could sort of make it happen, whether we did it ourselves, do it through what I call a non-traditional business arrangement with a partner.

I call it non-traditional because up until the mid-'90s, the sort of style of the province and SaskPower was we owned and operated everything. Because we determined in the mid-'90s that we were no longer being the most competitive to the advantage of our customers by having within our portfolio of selection the cheapest generation options, we needed to find those other people who could bring these other things to us.

And the example was, in the mid-'90s, we brought on stream the Meridian project at Lloydminster. It's a baseload, high efficiency, cogeneration, gas-fired facility that provides a waste heat for making steam for the oil refinery up there. That particular site-specific advantage, i.e. a steam host that needed heat, belonged to somebody else. It didn't belong to SaskPower. It was a site which was only accessible, if you like, by others. We did a business arrangement where other people built the

plant and we've contracted for all of the power over the life of that project.

And we get the best of both worlds. Our customers get the advantage of the cheapest power that was possible at the time and we got access if you like, in effect, to a site that we would not otherwise have gotten access to. We couldn't barge in there and force them to let us build a power plant on their site. It doesn't work that way; the site belongs to them.

The same with the Cory site. That site does not belong to us but it represents a thermodynamic opportunity to exploit which is not otherwise available to us. So again, a non-traditional business arrangement where, by creating a partnership, we have a way to access that site that would not otherwise have been available — and to the benefit again of our customers because, at that time, that was the cheapest source of new generation.

So when we're looking into the future— and the president mentioned 2007 — we're looking at again a whole range of alternatives. Could be more gas-fired generation.

Looking at coal — and maybe this will come up later and I won't dwell on it now — there are a lot of environmental issues around the combustion of coal. The Kyoto thing and more recently, in Canada, the ramping up of the federal interest on the control of mercury emissions from fossil fuel combustion is making it very, very difficult for us to go ahead with coal-fired generation until we've got our heads around how we would manage the emissions from these plants. And we're spending a lot of time and effort and money, quite frankly, trying to find ways to technically manage the emissions from both our existing coal-fired plants and anything new that we would build.

And quite frankly, it does not make sense for us to build plants unless we know how to manage the emission streams over the long haul, frankly, to a level where those emissions would be zero — because there's no doubt in my mind that, over time, our society will demand that electricity be produced with no unmanaged emissions. And so our planning perspective is that anything we install has to have apparatus that could be attached to it to get the emissions down to, essentially, a zero level over time. And that's hard to do because in a lot of cases those technologies are just barely coming on stream.

We're also looking at some small-scale hydro in the North. We're looking at more wind. We've got a small group of people working on what we call distributed generation which are very small power plants which would be sited close to load and would take advantage of some local fuel availability.

For instance, we recently announced a flare gas project down in the Carlyle area where we're putting in 60 kilowatts of micro turbines to burn essentially what would have been a waste gas stream burned off atmosphere in an oil field flare. There's a fair potential in that.

We're trying to find a lot of little projects, quite frankly, to forestall the need to make the big decision. The problem with the big decision is, there isn't a good big decision waiting for us. Coal is difficult because of emissions, nuclear is mentioned . . . it's not really off of our radar screen, it's just that nuclear

historically has had waste management issues, it's had cost issues, it's had its own maintenance stuff. There aren't any clear winners.

Large hydro is a problem for this province. We're just embarking now on some studies where we're looking at the long-term hydrology of the Saskatchewan River system from the point of view of climate change because the changing distribution of precipitation in the West has us very concerned that over the long haul a big hydro plant, such as the ones that already exist which have basically a 100-year life, simply will run out of water in time because the watershed that feeds the Saskatchewan is drying up. And the way the glaciers are receding, and the way the climatologists are predicting the annual precipitation will come to us, makes us very concerned about the long-term reliability of water in the Saskatchewan river systems.

This is a question we're recently posing. We do not have the answer to this. Nobody has the answer, but we're working on it and quite frankly would not commit to a large hydro project if we didn't have a better sense of the long-term availability of the water.

So I haven't given you a definitive answer. What I guess I'm telling you is we've got a lot of irons in the fire. We're pursuing environmental mitigation, availability of water. We're looking at a lot of non-traditional, very green projects like wind and local renewables, trying to buy some time, quite frankly, for a few years until the technologies mature that can allow us, for instance, to build a coal plant with the certainty that the thing actually will function properly from an environmental perspective.

Mr. Wall: — Mr. Chairman, thank you for that answer. I appreciate that. And there is a lot of very interesting information in there, and no doubt you have your work cut out for you.

I'd like to switch if I can, Mr. Chairman, to SaskPower International and some specific questions, if I can, on the financial statements that we were provided for these years. Just generally, first, if the CEO would comment on the ongoing losses that continue to rack up at SaskPower International and an explanation as to why that continues to occur, please.

Mr. Wright: — Mr. Chair, SaskPower International was formed in 1994 with a multi-purpose mandate. One, to explore opportunities for investment outside of the province; number two, to handle our fly ash business; and number three, to engage in consulting services across the province, or sorry, in jurisdictions outside.

For the years in question the losses have shown a downward trend, and I trust and I hope that that will continue. For example, in 1998 the net loss was approximately \$680,000; in 1999 it was just a tad over \$200,000, and it's fallen in the year 2000 to approximately 146,000.

In terms of the overall business structure the corporation, SaskPower International that is, does make a positive return on our fly ash business. And more recently . . . I know it's not under review, but 2001 we had a very successful year in terms

of the fly ash business.

Consulting services have not particularly panned out. It's very competitive out there and some of the consulting services perform as a loss leader. They also, in terms of providing our staff with experience working in other countries such as Russia, such as Egypt, such as Kazakhstan, and elsewhere.

In terms of the overall future for SaskPower International, where I think the hon. member is going, we're anticipating that SPI (SaskPower International Inc.) will have a positive net profit in the year 2003 and will be returning dividends to SaskPower International as early as 2005.

Now how can it be that if you have a profit in 2003, why can't you return a dividend? Well there is the question of the losses over a number of years that must be paid back before one can provide a dividend.

So we're looking forward to a very bright future with SaskPower International. Two excellent projects underway with a world-class partner, Cory cogeneration, and more recently, as announced, the Muskeg cogeneration in Alberta.

Mr. Wall: — Mr. Chairman, this is my last question in this set, is it not?

The Chair: — Yes.

Mr. Wall: — Well let me just ask this then, and I hope to be able to return to this before lunch in my next set. So let me just ask this. The CEO just informed committee members that he expects that SPI to be profitable by 2003, arguably three years after the last hard number that we have to deal with. The deficit at the end of 2000 was about \$3.6 million. And so for there to be any sort of profit at all, assuming the deficit hasn't decreased significantly since then — and maybe that's an incorrect assumption, and if it is, fair enough — that means that the SPI will then be expecting in 2003 to make a profit obviously in excess of \$3.6 million?

Mr. Wright: — No, Mr. Chair, that's incorrect. What the hon. gentleman is referring to is the accumulated deficit of SaskPower International which — and he is correct — it's \$3,642,314 as at December 31.

In any one year though SaskPower International may run a small loss — for example, in 2000, 146,000 — or it may run a profit. If you run a loss it goes to add to that accumulated deficit of 3.6 million. If you run a profit, it goes to reduce that accumulated deficit.

So our expectation is in the year 2003 when both the Cory project will be on stream and the Muskeg River project will be on stream there will be a positive net profit for SaskPower International. However, there will still be an accumulated deficit, and that will be chunked down over time to zero is our expectation and in a positive sense by the year 2005, hence SaskPower International will be able to pay dividends at that point.

You have to remember, Mr. Chair, that an investment in a power plant like Cory takes several years not only before it

comes on stream, but also several years because of the capital cost allowances, depreciation, and so on for profitability to really rise rapidly. You're making an investment not for one year or five years or ten years, but 25 years in the case of both Muskeg and Cory. And the future positive streams are out there in a very, very beneficial way ultimately to the ratepayers of this province.

The Chair: — Okay. I've got Mr. Addley, Mr. Huyghebaert, and Mr. Wall, and a 12 o'clock immediate target for recess for lunch.

Mr. Addley: — Thank you, Mr. Chair. I have three questions. Just to commend the officials for not ducking Mr. Brkich's questions.

My questions are relating on slide no. 19, and it's combination of climate change and new generation requirements in anticipation of approximately 2007-2008. And I know you've talked . . . or the officials have talked at great length on the ideas of renewable energy and cogeneration, that sort of thing, and doing small projects to delay the big decision.

But could the officials talk either specifically in the areas that were . . . the years that were in question, or in general in the future, in the areas of energy conservation in particular as well as utilization of renewable energy and cogeneration.

Mr. Patrick: — Okay, in the years in question we were, if you like, studying the availability of renewables. There is a couple of things that we have done. I'm sure the members are aware that the SunBridge consortium is coming on stream, and has come on stream in fact with a wind project, 16 of 17 wind turbines in the Gull Lake area are now operating. The last one is not running yet because the contractor has a problem with a piece of equipment. Hopefully, that will be resolved shortly. And SaskPower is intending to go forward with approximately five megawatt wind project later this year, to be in service in the fall of this year.

So these are projects that had their genesis, if you like, a couple of years ago. So they're in the period in question.

The broader question of small projects and sustainable development is, quite frankly, in SaskPower's world, a relatively new thing. The culture of electric utilities — if I can just digress a little bit — tends to work best on economies of scale, historically. And generally the bigger the better. And so for many, many, many years in our industry and in my career — and I've been with SaskPower for a very long time — everybody was always waiting for the next big, bigger thing to come along. And what we've found as an industry is that there was a point of diminishing returns. When you made things too big you really started going backwards on your economy scale because the reliability wasn't there, or the costs were so great, or there was other problems attendant with it.

So it kind of stabilizes as an industry on certain unit sizes that make sense to us. And SaskPower has a certain selection of unit capability which works well for us and serves the need of our system. You can't have equipment that's too big, because if it happens to go off-line unexpectedly then you've got this big hole in your generation pattern which somehow has to be filled.

And that power has to come from someplace else. And that can be difficult.

That's one of the reasons, incidentally, why nuclear has not been a real . . . high on our favourite list. Because beyond any other issues it may have, the minimum nuclear size in Canada is far too large for our system there. The minimum nuclear capability of the CANDU system is about 600 megawatts, which is twice as big as anything we otherwise would install. So it doesn't fit very well with our portfolio.

At the other end of the spectrum, you've got a plethora, theoretically, of tiny little projects which could come on stream. And these could be, as I mentioned earlier, flare gas — and we've got a flare gas experiment going on — this is stuff that's been thought about for a while but is only really starting to come on stream. And it takes a convergence of issues to make it happen.

And people have to be environmentally aware. Like, historically we burn off flares in oil fields and not care about it. I mean, people just . . . it was just a waste and it was gone and who cared? People are starting to care about this stuff. And as soon as people start to care, things started to happen.

Frankly, SaskPower will not be, I don't think, the main developer of these really small projects because they are so niche oriented. What they really need is an entrepreneur to find them and bring them to fruition. What we're trying to do as utility is create an economic environment to encourage entrepreneurship. It's good, I think, a number of ways. First off, it's hard for a utility like SaskPower to scale down to really tiny projects because we're just not like that. It takes as much effort in manpower and man-hours, if you like, to put a one megawatt project in stream as a 300 megawatt . . . (inaudible) . . . A bit of an exaggeration, but it's kind of like that. There is a real economy of scale on big projects.

So as a company we can't afford to employ enough people to chase these little projects. But there's lots of people out there who have good ideas. And so what we've put into place are a couple of small power producer policies over the years which encourage people to bring these projects to us.

To connect to our system, there's a technical connection standard that must be met because it has to be a safe connection to the grid, if you like. But beyond that, we will pay these people in exchange for the fact that when they're running, we don't have to, so to speak. Or if they're running, we don't have to add new equipment because they're essentially providing new generation for us. There are some issues technically around these kinds of projects because they're inherently sort of unreliable in the sense that if the owner of that project chooses to not run it on a particular day, it's not available to us. We can't force the person to turn it off and on. It's again one of these non-dispatchable things.

Similarly with wind, the wind studies that we've done in the '90s and we're currently confirming in the Gull Lake and southern area with some monitoring that we've set up this winter, is that you get about a 40 per cent availability from your wind generation. You know, you . . . people think the wind blows all the time, and the answer, it does, but it doesn't blow

hard enough all the time to give you 100 per cent output from a wind turbine.

So you only get so much. So trying to get these small bits of generation to fit into our needs is a tricky bit of management but we've turned the corner, I think, culturally in that we're trying to encourage this stuff to come on stream.

We're currently studying whether or not we can find a way to get a large wind development going in this project. Right now, we're just playing with small stuff as experiments — 11 megawatts in the SunBridge project, 5 megawatts in the SaskPower project. We're looking at a theoretical 100-megawatt or 150-megawatt wind project. But we have to find a way to integrate in the system, because when the wind doesn't blow, you can't count on it, which means you have to back it up with something else. And what's the something else? Well in our case, it's our gas-fired plants, which don't run all the time, and it's our hydro which doesn't run all the time.

So we're trying to find the optimum packaging of hydro, gas, and wind that can work as a set. And so we're doing a lot of stuff. In the period of the review, I think we were going through a transformation from the old utility model — you know, big is better — to small is okay, and we're trying to find a way to make that actually happen. I don't . . . I don't know if I've answered that part of the question.

As far as conservation — again historically, it's not been in our interest historically to encourage conservation, quite frankly, because we make our money by selling our product. We don't make our money by not selling our product. What we've come to realize more recently is future generation, or even the mitigation of our existing generation for environmental reasons is so expensive, it's worth our while to find ways to have people not need electricity. That's actually cheaper than finding cheap ways to supply it.

So this is a . . . we're kind of dusting off an old field of endeavour. It's not something we wanted because we didn't have to; there was no money in it for anybody. But our society is energy hungry and quite frankly, our rate structure is flat. You can use as much as you want at the same rate. There is nothing in the rate structure of Saskatchewan or, frankly, most places which discourages use. If you really want to get people to back off, charge them more for the more they use and maybe they'll make economic decisions to not use. But right now it's not like that. We're basically letting people have as much as they want.

Mr. Addley: — Thank you, Mr. Chair, and that's a very helpful answer as it pertains to renewable energy and the downsizing of energy production.

And you've talked a little bit about the energy conservation. But it's . . . on the one hand you have the generation and on the other hand you have the utilization. So you can either get bigger and try to find ways to generate more power as demand increases, or we can try to decrease the demand. And the official touched on it that in some cases it's less expensive to conserve energy than it is to build a plant to produce it.

In prefacing the question, is the official aware of the eastern

seaboard of the United States, in particular in Massachusetts and some of their power generation, that because of the environmental laws being so stringent and so difficult to actually generate new power plants, whether that's coal or hydroelectric, that they've actually pushed retrofitting of businesses? That they've actually taken a more activist role and saying that it's going to cost this amount of money to actually generate this electrical need, but to conserve that amount of electricity, it's cheaper to go in and retrofit a business at a private company's — utility's expense.

I guess the question is: are the officials aware of that? Is that . . . is my understanding correct?

And the third part of my question is the officials . . . are the officials planning on doing something about that if what I've . . . my understanding is correct, if my understanding is correct?

Mr. Wright: — Very briefly, Mr. Chair, our flagship is EPC, energy performance contracting, which my vice-president, Ms. Youzwa, spoke to earlier.

It is a very similar type of program where we go in with our partner, Honeywell, and take a look at a large institution or a large industrial and come up with ways of retrofitting not only for the electrical savings, but also for heating savings, generally natural gas. And this is done at no cost, no charge to the resident, institution, or enterprise and the savings pay back for the capital refit.

As I mentioned earlier we're giving contemplation to pushing that program down into what I'll call the smaller community level as well, where we take a look at retrofitting the community hall, the rink, the business centre within the community.

So we're moving along those lines, I think, quite successfully having dipped our toes in with EPC as I mentioned earlier. We're quite satisfied with that program and hope to expand it into the future.

Mr. Addley: — My third and final question is . . .

The Chair: — I'm afraid you'll have to ask it later because I don't want you to fool around with the one part . . .

Mr. Addley: — No, well I'm not . . . Well I wasn't attempting to do that.

The Chair: — . . . two part, three part, four; five part, six part. So I'm going to move to the next questioner which is Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman. I'd like to discuss if we can, just before lunch, the SaskPower International situation a little bit more. And we'll keep it to the years under review and . . . although have a, hopefully, a little more general discussion on the structure of SaskPower International and its relationship to the parent, and a potential exposure that exists for the ratepayers, the customers of SaskPower as a parent, depending on the activities of its subsidiary.

We've seen in these reporting years that there have been ongoing losses as there has been from the outset of this

subsidiary, SaskPower International, to the point where the year-ending deficit as we indicated . . . we discussed earlier was 3.6 million. I assume in the statement of financial position, it also highlights that 3.6 million simply as a deficit. There's no debt attached to it specifically so we're assuming the deficit's supported, obviously, by the parent. That would seem to be the indication, at least if not directly, then indirectly.

Now there's been discussion of this issue lately as regards the potential for the government if it wishes to continue with international arms of SaskPower or any other Crown, to simply separate the two. There was comment made of it by a consultant to the rate review panel here just about a month ago. And I think it certainly . . . a discussion of that doesn't lead us into any ideological or philosophical fight I don't think, not with, obviously, officials but with the members of this committee from different parties. It's just a matter of treating . . . structuring government-owned corporations differently.

And I wonder if the CEO would please comment to the members of the committee as to why he endorsed that this indeed take place — the separation of SaskPower International and the parent SaskPower.

Mr. Wright: — Well, Mr. Chair, there are really two issues here and we have to be very careful about the two issues. One is the accounting and the other is the rate experience.

Now on the accounting, SaskPower International is a subsidiary, same as Shand Greenhouse, same as NorthPoint Energy Services. And proper accounting, and endorsed by our external auditor and indeed, the Provincial Auditor, is you roll all of those financial statements up into what I'll call the mother corp, SaskPower, and that has been what's reported in '99, '98 and, indeed, the year 2000, and that is correct.

Now the issue that I think the hon. gentleman is referring to really deals with rate regulation and the separation for rate purposes of external investments from the rate base and appropriate rate setting. The consultant to the rate review panel suggested that this be done, that SaskPower International and its profits — as early as 2003 — be separated from, for rate purposes, from SaskPower. And indeed, I endorse this. But there's a lot of significant issues around this and you need to stop and you need to think very carefully through this whole issue, regulated versus unregulated.

Regulated is the assets in the province generally and unregulated would be investments external. Let me give you a couple of examples, Mr. Chair. Wind power, should that be regulated or unregulated? It's a premium product. Another other alternative would be when we import or purchase power in Manitoba and move it across our lines and pay the tariff on the lines into Alberta, should that be regulated or unregulated? The contracts that we write with key accounts, as I've mentioned a little over 30 of them, a quarter of a billion dollars — should that be regulated or unregulated?

And indeed, Mr. Chair, there's a whole series of issues around this that we would like to stop and think very carefully about.

There's a lot of precedent in neighbouring jurisdictions — for example, Alberta or Manitoba or Ontario — on what should be

regulated or unregulated.

It's not simple. It's quite complex and we need to think through this.

I hope that answers the gentleman's question, Mr. Chair.

The Chair: — We've reached 12 o'clock, which was the agreed upon hour of recess. And yes, Mr. Addley?

Mr. Addley: — Yes. I notice that we've made a change on the order of where you're chairing the questions. I'm wondering if you could reconsider that over the noon hour because it seemed from my perspective and from the body language of the members on the other side that it's seems to be somewhat bureaucratic in that less free flowing. And I'm wondering if the Chair could take the noon hour to reconsider and perhaps revert back to the way it was being chaired in the previous weeks.

The Chair: — I'm always considering how to best serve this committee as your Chair, so that's part of the ongoing.

With that, we stand recessed with Mr. Wall to return with two questions at 1:30. Thank you.

The committee recessed for a period of time.

The Chair: — Good afternoon. We'll reconvene the committee. We'll wait for a day to see how the three questions format works out. That being said, Mr. Wall, you've got two to go. And I might remind you that there is ample room on the speakers list and certainly in terms of time, so knock yourself out.

Mr. Wall: — Thank you, Mr. Chairman. Just before the lunch break, we were discussing the separation of International and the parent. And specifically we were talking . . . I think I mentioned . . . I asked some specific questions about the financial statements for Saskatchewan Power International for the years under review.

And there was this discussion of the fact that for various reasons which officials have been very forthcoming about, the SPI hasn't been profitable. And in addition to that we know that the plans for SPI are such that they are planning some very significant investments on into the future over the next number of years that of course bear a certain amount of risk. Regardless of the due diligence and the work that any corporation will do, you make those investments at some risk to your shareholders, in this case the people of the province.

And so, Mr. Chairman, with that I also noted just as we were winding up for lunch the fact that the CEO in our opinion had quite rightly supported the consultant's suggestion from the rate review process in December that SaskPower International be separated from the company. And the quote of it is — and we have enough copies for members of the committee — from a *Leader-Post* article, by the official is that:

. . . given the nature of the industry and given the nature of the beast, we agree that it should be separated out . . .

It being SPI.

. . . should be separated out so there is no financial exposure to the ratepayers.

And so with the questions before lunch and that as a bit of a preamble, the official opposition and specifically myself would like to move a motion at this time that reads as follows:

That this committee call upon the provincial government to follow the recommendation in the Dillon Consulting Ltd. report to the Saskatchewan rate review panel in reviewing SaskPower's 2001 rate increase application that SaskPower International be split off into a separate fully cost-accounted corporation so that SaskPower customers are protected from power rate increases as a result of SaskPower International's business losses.

The Chair: — If we could take a couple of minutes to consider your motion, Mr. Wall.

Okay. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move at this time that we table this motion and I would just like to explain why. Without having the Dillon Consulting Ltd. report in front of us, I'd like to understand fully the context and everything before we were to move on a motion like this.

The Chair: — Just to bring everybody up to speed here, the motion as put is in order and now we've got a motion to table to consider. One moment.

We've got a slight question as to the . . . We'll have a two-minute recess. We've got a question on the procedural impact of a motion to table. One moment. Two minutes, rather.

The committee recessed for a period of time.

The Chair: — As your Chair — and we'll reconvene at this point — as your Chair, in the interests of making a well-informed decision, I wonder if the opposition — before we even get to considering motions of deferral, certainly the opposition has informed us that they've got copies of the said reports, but that the members of this committee might have the best possible amount of time to consider, to read, first of all, and to consider the report — I wonder if you might not consider withdrawing the motion to move . . . or to defer the motion until tomorrow morning?

Mr. Wall: — If there is an assurance that . . . First of all, Mr. Chairman, I understand the request and I don't think it's unreasonable. I would, however, say that this isn't the secret report that we were quoting, and certainly it was a matter of media attention and discussion with SaskPower appearing before the committee these two days. I think we on this side would have assumed all members would be prepared to deal with something, especially on the issue of SaskPower International, when clearly that's been a hot political issue, if you will — not just SaskPower International, but all international activities of our Crown.

So it's disappointing. Having said all of that, I think that it's fair to say that we would like, at the end of the day — because we think the motion's fair, we don't think it's . . . there's nothing

ideological in it; it's supported by the consultant's work and we think members . . . we think we can get unanimous support for this motion by . . . from this committee. We're confident of that.

And if what we require is a day, if members require today to look at it and perhaps some questioning of officials, who I'm sure will already have an opinion about it, then certainly we would be willing to do that.

The Chair: — Okay. So we'll revisit this matter at the top of tomorrow's meeting, is what you're . . . And again, I recognize what the member is . . . so this motion will be considered at the top of tomorrow's meeting.

But I would, I would point out one thing in response to the member's comment as to the documentation. The documentation for which we need to prepare for this meeting sits right over there. And it's extensive. And certainly members being diligent about their duties on this committee will be taking into account everything that is pertinent to the work of this committee.

But surely you'll understand that maybe everybody hasn't read . . . you know, and perhaps you're a faster read than most. But there is a fair amount of documentation to sort through in preparation for this committee. So I certainly wouldn't want to impugn the diligence of the membership of this committee around their preparation for this committee.

So that being said, we'll consider this motion at the top of tomorrow's meeting. And with that, Mr. Wall, if you've got one more question on your three, feel free.

Mr. Wall: — Thank you, Mr. Chairman. I wonder if officials could indicate to members of the committee whether over the past three years — I beg your pardon, during the years under review currently by the committee, if CIC, the parent corporation, has directed a valuation of SaskPower by any outside underwriter or any outside firm.

Mr. Wright: — Thank you very much, Mr. Chair. There was a very lively and interesting discussion in *Hansard* on pages 171, 172, and 173, referring to June 14, 2001 where about the same questions were asked of CIC officials pertaining to evaluations.

If I may, Mr. Chair, just to quote a little bit from there, for example, the chief financial officer of CIC, in response to a question from Mr. Wall, indicated that:

. . . looking at it from a strategic perspective, whether alternatives that could maintain or enhance asset values, and we gave no particular direction to the investment bank as to what the outcome should or should not be.

And that pertains to whether or not it should be for privatization or elsewhere.

In addition, on page 172 of the same date, Mr. Frank Hart, the CEO, responded to a similar question from Mr. Wall as to why these evaluations were being undertaken, and I quote:

. . . it's just prudent in terms of our role as an investment portfolio manager with the extensive consolidation going

on (in this case, the telecommunications industry) . . .

Further, Mr. Hart goes on — on page 172 again — to indicate to Mr. Wall in a similar type question:

I don't believe we've had (any) recommendations to privatize.

I think, Mr. Chair, the record is fairly clear on what CIC officials said with respect to the evaluations that were undertaken by CIC in '96, '99, and 2000.

Mr. Wall: — Well I guess we'll be coming back to it, Mr. Chair, because there's no . . . I think I know what he's saying, but there's no direct answer, I don't think, in that response.

The Chair: — You're more than welcome to.

Mr. Wright: — Well I can't . . . I would encourage the member to ask the question again or I'll give him a very direct response.

The Chair: — Okay. On the speakers list I've got Mr. Huyghebaert and I've got Mr. Yates. And of course I'll entertain any other additions to said list.

Mr. Huyghebaert: — Thank you, Mr. Chair. I'd like to just go back to the Poplar River facility. And I've had some concerns expressed to me, and it might not be fair for officials today to have an answer for this. But I want to bring it up anyway and maybe we can get an answer at tomorrow or a later date. It goes hand in hand with the environmental issues that we spoke about earlier, and SaskPower being a very conscientious environmental citizen, and this deals directly with that.

There's a stretch of road, rail, that was expropriated by SaskPower a number of years ago that goes from the Poplar River station in a northeasterly direction — and I have just a faxed map if anybody would like to see it — and it has been abandoned. And it's been abandoned during the reporting years; abandoned I believe before that and since that, but it was not used during the years of the review. So, ergo, it was abandoned during those years.

And my question is: what is SaskPower doing with this abandoned property in terms of environmental issues and what the future of this chunk of land is?

Mr. Wright: — Mr. Chair, I think the gentleman is referring to the railway tracks to the old mine, but I'd like Mr. Garner Mitchell perhaps to speak to it. Mr. Mitchell not only is the VP (vice-president) of power production but was also the plant manager at Coronach at one point in time in his career.

Mr. Mitchell: — Mr. Chair, I believe the reference is probably to the rail line that connected the original first mine. It was called west block mine; it was located west of the plant and west of the town of Coronach. And as I remember it, it was about 8 or 10 kilometres long, a 8- or 10-kilometre distance from the original mine site to the power plant.

The purpose of the rail bed is that all the coal was hauled to the power plant from the mine by train and so they had to construct this railway. And that mine ran for about a 10-year period, at

which case the mining company moved to what was called south block which was a location northeast of the power plant and, consequently, had to walk the draglines and build a new rail line because it was totally . . . it was a different direction.

At that time, the west block mine was reclaimed. The land was put back to good state and the old mine site was physically removed.

The rail line, the abandoned rail line or the rail line that was now redundant, I remember dealing with an environmental review of the area and I know that we fenced some areas and moved some rip-rap and rocks and stuff like that to stop erosion on the area. But it served as a real good wildlife habitat and it was just not economic to fill in these large cuts that were created. It just didn't make any economic sense and it did provide this wildlife habitat. And consequently, to the best of my knowledge, that's probably the purpose that it still serves today.

It would cost a huge amount of money to, kind of, put the hills back in because we had to cut through some of these hills and then that dirt was used to form the rail bed. So it does serve a useful purpose and it also serves, for the environment, and it also serves through wildlife habitat and it also is probably the economic responsible thing to this point in time.

Mr. Huyghebaert: — Well, thank you, Mr. Chair. I guess the wildlife habitat would be a debatable issue, which we're not here to debate. But there is growing concerns within the area of this being a habitat for kochia weed and noxious weeds, and a letter I have received basically indicates that, that kochia weeds and Canada thistle are growing and spreading into adjacent fields all along that corridor.

And as custodians or owners of the property I guess my question back to SaskPower is, are they considering anything further with this to avoid this spread of noxious weeds and especially kochia? If anybody has dealt with kochia weed, it's a terrible weed within any farming community and it's becoming a real problem. And as you can see, one can see by the length of the road which the officials mentioned were about 10 kilometres . . . about 7 miles, so that's 10 kilometres give or take a little bit. And it cuts through predominantly all farmland and the problem is going to get worse rather than better unless something is done. And I'm wondering if officials could explain if in fact they will do anything about this problem.

Mr. Wright: — Mr. Chair, we'd be delighted to receive the correspondence of the hon. member and we will act upon it accordingly. This is not an issue that I'm aware of, as the president, nor is the vice-president of power production aware of. And in checking with issues down just recently with the plant manager down in Coronach, he wasn't aware of it. However, if we have some information from you we will review the situation and should you request a report from us on it, we'll provide you with same.

Mr. Huyghebaert: — Yes, that will be fine. My last question for this set is in a little bit different realm, but we had officials talk about new generation of power and some smaller operations of power. And my question is quite simple. I've talked to some people that are interested in wind power and one

of the problems that they have, Mr. Chairman, is excess. My question to the officials is, would SaskPower be interested in buying excess power from private enterprises that are producing wind power that is excess beyond their personal needs?

Mr. Wright: — Mr. Chair, we have two programs in place to deal with issues of this nature, be they wind or solar or small gas. The first one is that we will pay 2.67 cents per kilowatt hour for a project's surplus power from projects under, I believe, it's 100 kilowatts. For projects between 100 kilowatts and up to 10 megawatts, we certainly have a program called our small producers program where we will enter into discussions with the proponents of such a project with an opportunity to purchase, at a cost-effective rate, the surplus power that they may be generating.

The Chair: — For the speakers list, I've got Mr. Yates and then Mr. Brkich and Mr. Prebble. So, Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. My first of three questions has to follow up on what Mr. Wall asked. It . . . simply stated, has CIC or the Government of Saskatchewan, at any point, asked the SaskPower to undertake an evaluation of their asset?

Mr. Wright: — No.

Mr. Yates: — Thank you. So at no time has the Government of Saskatchewan or CIC, to your knowledge, undertaken to look at privatizing any aspect of SaskPower?

Mr. Wright: — A different question but the answer is, to the best of my knowledge, no.

Mr. Yates: — Thank you. And my final question has to do with SaskPower International as a company. Would it be true to say that SaskPower International today is a separate, fully cost-accounted corporation?

Mr. Wright: — Yes.

Mr. Yates: — Thank you, Mr. Chair.

The Chair: — Good. Mr. Brkich.

Mr. Brkich: — Mr. Chairman, my questions deal with Lake Diefenbaker and the dam site there at Coteau Creek there. Just wondering, through the reporting years, Mr. Chairman, how much power was generated through that dam through '98, '99, and 2000? What percentage was sold to the public?

Mr. Wright: — I believe, Mr. Chair, that information is generally available in our annual reports, and I'm going to have some on my crew with me here to see if we can find those exact statistics for you. But it is available.

Mr. Brkich: — Okay. Mr. Chairman, was it, through them years, was it running at full capacity?

Mr. Wright: — I'm sorry, Mr. Chair, I didn't quite hear the answer . . . or the question.

Mr. Brkich: — The question was . . .

Mr. Wright: — I guess . . .

Mr. Brkich: — Was that running through full capacity for them three years or could you have generated more power out of it?

Mr. Wright: — Mr. Mitchell would be delighted to answer your question, Mr. Chair.

Mr. Mitchell: — Mr. Chair, in answer to the first part of the questions, the gigawatt hours that were generated from Coteau Creek hydro station in 1998 were 770 gigawatt hours or if you want to say . . . another way of saying that is 770,000 megawatt hours, just moving the decimal points. In 1999, it was 750 gigawatt hours. In the year 2000 it was 570.8 gigawatt hours.

The answer to your question is the Coteau Creek hydro station is used to its maximum advantage and potential by SaskPower on behalf of its customers.

There is a large reservoir so there's fairly large storage capability. But again it's dependent on the snowmelt in the Rocky Mountains; it's somewhat dependent upon the snowmelt on the plains of Alberta and a little bit into Saskatchewan. So you get what water as comes from the mountains, type of thing. So then what you try to do as a company, you try to utilize that water to best advantage.

Because it is a large reservoir we are . . . SaskPower is not the only party that has access to that reservoir. There is irrigation that is done through Sask Water and other such entities and so they have requirements. There are also requirements for releases on the rivers and things like that, so you have to follow what the rules of regulation are. But Coteau Creek is a valuable asset because of this large reservoir.

And there is a concept called on-peak and off-peak. And what we mean by on-peak are the hours from 6 o'clock in the morning until 10 o'clock, 10 p.m. or 2200 hours, 10 p.m. So during that daytime, for dinner peaks and suppertime peaks and things like that, the hydro has much more value.

So SaskPower tries to extract the maximum value out of that. And during the off-peak hours, like the midnight . . . over the midnights, then you'll cut back production on such a plant as Coteau Creek. But no water is wasted and you try to take maximum advantage of it. Coteau Creek is very interesting because it's very . . . right now at present — and I realize that this is to deal with '98, '99, and 2000 — but the water level in that reservoir is down 6 metres. So it's like 20 feet down, so it's . . . there's not a lot of water left there.

And because last year was a very low hydro year, not a lot of water came down from the mountains, this year is shaping up to be also a below-average runoff year. So again all it's . . . it's used to its best advantage. And that's monitored not only by SaskPower, but by Sask Water and other such agencies.

Mr. Brkich: — Thank you, Mr. Chairman. The question I was asking was, do you have the percentage, 5 per cent, 10 per cent, roughly — I don't have the figures in front of me; I guess I could do it if I had in front of me — of what the power is generated there was the premise of the first question.

And also another question is, you said you were at the full capacity. When you're putting water through do you have to apply to Sask Water first for the amount of water to be let through?

Mr. Wright: — Mr. Chair, with respect to those questions, I'll defer to Mr. Mitchell, who's trying to work through the percentages as we speak.

Mr. Mitchell: — I have the figures here. I haven't divided it out in that particular percentage. But in, in E.B. Campbell in 19 . . . or at Coteau Creek, at Coteau Creek, 770 gigawatt hours. In that year, the total hydro production in SaskPower was 3,650. So again, it depends what figures you want. I can take the percentage against the total . . . total generation, because the total generation by SaskPower was 16,515.7 gigawatt hours. So I can give it to you as the percentage of the total production, or I can give it to you as the percentage of the hydro production.

Mr. Brkich: — A percentage of the total was what I was looking for.

Mr. Mitchell: — Okay. The total at . . . was 770 divided by 16,515.7 and so that would come out to 4.6 per cent. So the Coteau Creek hydro station in 1998 generated 4.6 per cent of the generation by power production by SaskPower.

Mr. Wright: — And a similar amount, Mr. Chair, in the other years. It's a little bit less than the other years because the water level has been down. And I believe, Mr. Chair, that there was a second part to the question that dealt with the releases of water and are we governed by Sask Water on this. And Mr. Mitchell has an outstanding reply, I'm sure.

Mr. Mitchell: — Yes. Like, there's a licence to operate and run and that's in conjunction with the predictions of water that's coming in by Sask Water.

So Sask Water will actually direct. If it looks like the reservoir is going to fill up, then they will direct releases and SaskPower will generate more power so as not to waste the water. Again, water is very precious — try and get all the energy out of it that we can. And you'll start releases in anticipation of a major snowmelt in the mountains. So that's just year by year business that's done between the agencies.

But again, like 1998 was a normal production year, a normal water year; 1999 was a normal year; 2000, it was starting to drop off and there was less than normal production due to a shortage of water. And last year, in 2001, it was even worse.

So again, you can only deal with the water that you're given by nature.

Mr. Brkich: — Can I have one more? I wasn't counting. Sorry about that.

The Chair: — I'll certainly put you on the list.

Mr. Brkich: — Okay.

The Chair: — I'll put you further on down the list. I'll take that as indication right now.

Mr. Prebble: — Thanks very much. Mr. Chair, I'd like to first of all get a little more clarification on what the implications of the proposed motion that we'll be discussing tomorrow are and, while we're doing that . . .

The Chair: — Mr. Prebble, we'll have ample time to discuss the motion tomorrow.

Mr. Prebble: — No. But I want to ask questions. Are we not allowed to ask questions pertaining to it now?

The Chair: — If it's within the reporting years, certainly. But if it's about the motion we're . . . I just wanted to remind the member that we've got a discussion of the motion tomorrow.

Mr. Prebble: — No.

The Chair: — But if there's another question, then . . .

Mr. Prebble: — I have a question.

The Chair: — Please proceed.

Mr. Prebble: — Yes. I will. Thank you very much. My question relates to what projected revenues SaskPower anticipates receiving in ensuing years from SaskPower International.

So we discussed this morning the losses that have been incurred to date which I think were in the range of 350,000, but perhaps you can just remind us of that again. And I'd like to be clear about what the projected either profit or losses are going to be in the ensuing four to five years. Is that in order, Mr. Chair?

Mr. Wright: — Mr. Chair, the first part of the question which is what were the losses in prior years or the years under review — it was approximately 680,000 in 1998, 202,000 in 1999, and 147,000 in the year 2000. We are projecting a loss, a modest loss, in the year 2001 and 2002. We will turn to profitability in the year 2003 through to the year — I think our projections go out another 25 years — so to about 2028. Each year beyond 2003 shall become profitable.

To the extent that there are current losses, if you remove SaskPower International, those losses would not form part of the rate base for rate-making purposes. In addition, commencing in 2003, the profits, which would otherwise go to lowering domestic rates, would not enter into the rate base.

The more profitable, therefore, that SaskPower International is in the outer years would not directly result in lower rates. They will have an impact indirectly however.

Mr. Prebble: — Thank you very much, Mr. Chair. I want to thank Mr. Wright for that answer and also want to ask a further clarifying question on the matter of wind power and other sort of small-scale generating activities for which, as he pointed out, SPC (Saskatchewan Power Corporation) will pay owners.

How many arrangements right now do we have whereby SaskPower pays 2.62 cents per kilowatt to generators of electricity? Are there any of those arrangements in place?

Mr. Wright: — I believe that there is one, Mr. Chair, that pertains to a wind power facility. Beyond that, myself and my officials are not aware of others.

Mr. Prebble: — Where is that facility?

Mr. Wright: — I believe it's called — and I'll stand corrected — A-1 Trucking . . . Carlyle seems to ring a bell, Mr. Chair.

Mr. Prebble: — I think I've used up my three questions, Mr. Chair. But we can maybe return to this a little later. I just want to thank our officials very much.

The Chair: — Okay. I've got Mr. Wall, Mr. Addley, Mr. Brkich, and Mr. Prebble.

Mr. Wall: — Thank you, Mr. Chairman. The way SPI, I mean we're . . . I think Mr. Prebble's opened a question here. The way SPI was established, I guess, in 1994 and the way it existed through the reporting years that are under review now, was there any financial exposure to ratepayers whatsoever in terms of what happened with SPI loss or profit?

Mr. Wright: — Mr. Chair, to the extent that SPI's financial statements are rolled up into the overall financial statements of SaskPower and to the extent that SaskPower International had a loss, the answer to the question would be yes. If, however, SaskPower International had a profit, the answer would still be yes — one to the benefit, one to the detriment.

Mr. Wall: — Right. Thank you, Mr. Chairman. And if in any of the reporting years SPI would have been separated, legally separated, so as to limit or eliminate the exposure to ratepayers, is there anything preventing the government of the day from mandating that any profits that SPI generates would go into the rate base of SaskPower?

Mr. Wright: — Mr. Chair, that is a policy debate for the government and for the politicians.

If I may, Mr. Chairman, I would make an observation that let us remember that SPI has three lines of business. One is external investments, to which they have one investment in Alberta — Muskeg — and a joint partnership on Cory.

But there are two other important lines of business, one being consulting. And in a regulated versus an unregulated world, it's questionable whether or not it should be in or out. And the same, Mr. Chair, with fly ash. And that's why . . . Well I'll leave it at that, Mr. Chair.

Mr. Wall: — Thank you, Mr. Chairman. I'm down . . . This is number three, is it not?

The Chair: — One more, yes.

Mr. Wall: — In the financial reports, and I don't have them open right now, but in the . . . we'll pick on 2000 — I beg your pardon — 1998. No we won't.

Well I guess generally speaking for any of them, could you please outline — I beg your pardon — could the officials please outline what makes up the cost of goods sold exactly in the

annual reports for SaskPower International under the years in review because it's, as a proportion of the revenue excluding the consulting, it's quite high. And I want to clarify if it also includes, Mr. Chairman, if the cost of goods sold also doesn't include somehow the costs of consulting when there is admin and salaries . . . And all right I'll just let the . . . I'll be quiet.

Mr. Wright: — Mr. Chair, the almost dominant item, and I can't think of any other, is the cost of fly ash, and that pertains to SaskPower International's fly ash business.

Mr. Wall: — Okay. That's it. I'm done, right?

The Chair: — Yes, you are. For now anyway. Okay. Thank you, Mr. Wright. Mr. Addley.

Mr. Addley: — Thank you, Mr. Chair. What I'd like to do, Mr. Chair, is ask two questions now before, and then get an answer and then ask my third question. So I'm asking two questions now because they're in the same area and I think they can be overlapped.

Question no. 1 — and I guess I would direct the officials to slide no. 8 concerning the finance charges and the debt and the equity — but the first question is: could the officials outline the breakdown of the debt? I guess that's a simple of a question. The second question is the debt/equity ratio and the comparison to other utilities.

So those are my two questions, on the breakdown of the debt held, and then the debt/equity ratio as a comparison and what that is.

Mr. Wright: — Mr. Jones would be delighted to answer that question, Mr. Chair.

The Chair: — . . . a delighted Mr. Jones. Mr. Jones.

Mr. Jones: — Mr. Chair, Mr. Addley, thank you for the question. SaskPower's debt position over the last four or five years has improved. In other words, it's come down dramatically.

If I could give you a couple of numbers. The gross debt, all of the debt of the corporation if you like, was approximately \$2.1 billion in 1995-96. At the end of the years under review, gross debt was down from the '96 level, approximately \$500 million, to approximately \$1.6 billion. The company has made a dramatic improvement in reducing its debt position.

Most of this debt if you like . . . Or I should put it in a different way. In terms of the composition of the debt, roughly half of the debt is US-pay or US-dollar denominated debt. The other half is Canadian-pay or debt denominated in Canadian dollars. Most of the debt is longer term. In other words, it has an average life in excess of 10 years.

In terms of debt/equity ratios, the debt/equity ratio, which is used by some as an indicator of financial help for the corporation, has also shown dramatic improvement over the last five years. It was approximately 64, 65 per cent in the mid-'90s. It is approaching our target level at this point of roughly 55 per cent debt in your capital structure or, more commonly, your

debt/equity ratio.

Mr. Addley: — Thank you. The third question goes back to what we were talking about this morning on energy conservation and the model that the officials talked about for retrofitting businesses and perhaps expanding that to smaller businesses or smaller residential.

And the question — the officials commented that there is consideration for expanding this and that we were already doing that — and I guess the direct question is, is that in a written form anywhere . . . I guess the question is: are there plans to publicize this in a wider format than presently being done?

Mr. Wright: — The concept is under construction within SaskPower, Mr. Chair. We have some work to do to bring it to its fullness and when we do we will then be stepping out, we hope, with a new product to provide to the smaller communities.

Mr. Chair, I should also mention we do have another demand side management program that I was negligent in mentioning this morning, which is called energycheck, which is on the Internet site. We host it in conjunction with our sister Crown, SaskEnergy. And that provides very useful tips for residential homeowners on energy conservation, both from the electrical side and from the heating side.

Mr. Brkich: — Thank you, Mr. Chairman. Just to follow-up on what I was questioning before was, you'd said as we all know the lake was down considerably in 2001. Do you monitor the snowpacks on the eastern slope of the Rockies and do you know where they are right now?

Mr. Wright: — Mr. Chair, we personally don't monitor them. There are some skiing enthusiasts within SaskPower, but setting that aside, Sask Water in conjunction with the Alberta water corporation does this. We are in receipt of their last monthly report for January of this year, 2002, which provides an indication of not only the snowpack throughout Saskatchewan, which is pretty abysmal, but also indications in the mountains are that while good snows were received in places such as Jasper, Lake Louise, and Banff conditions in December deteriorated due to a lack of snow.

Overall at this point, Mr. Chair, it would appear that we are down in terms of our outlook of water supply by about 28 per cent relative to a median year.

Now having said that, winter isn't over. March snowstorms may occur and there may be heavy spring rains that we have our fingers crossed.

Mr. Brkich: — Well I hope you're right as many residents around Lake Diefenbaker are.

I guess my next question deals with . . . You've been burying many lines throughout rural Saskatchewan, taking the lines above head and any programs to burying them throughout the province in the reporting years?

Mr. Wright: — Mr. Chairman, SaskPower did during the '80's, and I believe the program was wrapped up in 1995; had

the RUD system, or the rural underground distribution system. Through that system, SaskPower buried at virtually no cost to customers rural lines or lines throughout rural Saskatchewan at a total cost of approximately \$300 million. That was not a revenue generator.

If we were to continue the program — I realize this wasn't part of the question — but if we were to continue the program, the cost would be about \$480 million to finalize it.

Do we bury lines out there nevertheless? We still do in certain cases, Mr. Chair. We have two programs out there. One for farmyard safety that we spend on average \$2.5 million to assist farmers in burying lines and improving the overall line performance in terms of safety in the yard.

And we also have a hazard program, which identifies hazards out in rural Saskatchewan that we spend about another \$2 million on in terms of removing those hazards. Which may or may not involve burying lines in the latter case.

Mr. Brkich: — Thank you, Mr. Chairman. On them two programs, are they basically cost shared with the landowner, or does SaskPower do that exclusively themselves?

Mr. Wright: — Of the total cost, SaskPower contributes approximately 75 per cent of the program costs and the farmer is asked to pick up 25 per cent. This is a very excellent program. I want to mention that throughout the province in fact — and I know it's not under review in 2001 — we exceeded our annual allocation of 2.5 million. We're more like 3 million because we are concerned about safety out there.

The Chair: — Thank you very much, Mr. Wright. On the speakers list, I've got Mr. Prebble, Mr. Wall, and Ms. Atkinson. And I've also got some rumblings about a break, and perhaps if we go to the break at quarter to three. Any earlier desires there? Going once, going twice. Mr. Prebble.

Mr. Prebble: — On the question of wind-generated power, I'm wondering if there are any safety issues with respect to connecting people who want to generate wind power to the grid for those purposes.

Mr. Wright: — Indeed, there are always safety issues around electricity in any form, fashion, whatsoever, Mr. Chair. For people who are interested in establishing their own wind turbines, we simply ask, would you please come and talk with us? If you're going to be attached to the grid, you must meet our requirements, and our requirements are generally set through North American standards for interconnection as established by what is referred to as NERC, which is the North American Electrical Reliability Council.

So people should come and talk with us. They must come and talk with us. It's a huge safety issue, and we welcome the conversation.

Mr. Prebble: — Thank you. Mr. Chair, I also wanted to ask a question about SaskPower's donations and what the total was that was contributed to the . . . to Saskatchewan communities and organizations in the year 2000.

Mr. Wright: — Mr. Chair, if I may, we have a donations policy that we've been revamping over the last little while. What we attempt to do is find certain categories for donations. And if I may, for example, education should represent 25 per cent of our donations; the environment has come up in the last several years to 25 per cent; culture, 15; sports, 6 . . . or sports, 10; charities, 6; and so on.

Mr. Chair, for the years under question, our contributions were about \$886,000 in the year 1988 . . . or 1998, I'm sorry, jumping up rather substantially because of a large donation to the, I believe, the Science Centre in the year 1999 to \$1.974 million. And jumping again in the year 2000 to \$3.4 million.

Now of that 3.4 million, Mr. Chair, 2 million was attributable to our contribution to the synchrotron facility. This donation was first noted back in 1994 by the corporation, but was recorded and booked to our accounts in the year 2000.

We generally have, as a budgeting purpose, one . . . a little over a million dollars available. We have a formula as well, that we try to spread it around the province. This is not a Regina or Saskatoon initiative. And we have a formula that's based on the number of customers, the number of SaskPower employees, and the amount of energy consumed in a particular community, so that we can recognize areas such as Estevan, or recognize areas such as North Battleford to a greater degree than perhaps in previous years was the case.

Mr. Prebble: — Thank you. That's all my questions for now, Mr. Chair.

The Chair: — Okay. I've got Mr. Wall and Ms. Atkinson.

Mr. Wall: — Thank you, Mr. Chairman. A question on SAP which Mr. Wright made reference to early on in the presentation. I wonder if he would take us through, generally speaking, what that project entailed. I understand it may have started prior to his arrival at the corporation but completed during the years under review and I wonder if he could do that for members of the committee.

Mr. Wright: — Well, Mr. Chair, I'll take it at a high level and should there be further questions, one of my VPs can answer that.

I believe this initiative was started back in, or had its genesis back in 1997, give or take. Simply put, recognizing that the year 2000 was approaching — Y2K — and recognizing the state of the systems within SaskPower, they were no longer maintainable. They were not efficient. They were not effective and had to be replaced. The question that arose, therefore, was do you replace it with an enterprise-wide system such as SAP or a product from Oracle or PeopleSoft, or do you have a hodgepodge of different types of systems?

The decision was made that we should go with an enterprise solution and through a competition on RFPs (request for proposal) it was determined that SAP would be the appropriate software of choice for the corporation. The program was launched in approximately 1998 and the software . . . The program had two elements. It's not just implementing software; it's also implementing process change. And the program was

known as Delta which is, of course, Greek for change. The project went live on August 2, 1999 at a cost of approximately \$58 million, somewhat under budget. At that point the project doesn't just stop and stand still and everybody go, whoopee, because again it's not just about the software. It's also about changing the processes to be a more efficient company.

We have worked hard to identify benefits from this program, to capture these benefits from this initiative, and we currently, Mr. Chair, have a committee or several committees dealing with this. It's called CPIP, or corporate process improvement program, which is trying to extract from SAP the maximum amount of benefit for the corporation, and therefore the people of this province, humanly possible. We have an ad hoc committee of the board of directors to oversee it. We have an executive committee which is the chief financial officer, myself, and our chief CIO, or chief information officer, that oversees this.

We have eight projects underway and what I find almost exciting — and I'm an excitable kind of guy, I should mention that, too, Mr. Chair — but what is exciting is we're working very closely with the Provincial Auditor on trying to measure these benefits, trying to determine do we have the best processes in place, are there ways in which we can improve the capture of these benefits or improve our processes.

This is new for the Provincial Auditor, somewhat new for ourselves, and we're really looking forward to working closely with their office along with our external accountants over the next several months and learning an awful lot from both sides of the equation on how to make things better.

Was the program expensive? Yes. But we believe in the long run will provide tremendous benefits to the corporation. And each and every day, we're learning that there are new benefits to having implemented SAP.

Mr. Wall: — Well thank you, Mr. Chairman. So just so I have it clear then, Mr. Wright is indicating that the \$58 million is the total cost of the SAP project and that it was under the original budgeted amount which was?

Mr. Wright: — Pretty well the same, Mr. Chair. I have round figures here and it shows the budgeted amount was 58 million and the actual costs were 58 as well. I believe it was 1 or \$2 under actual budget though.

Mr. Wall: — So then, Mr. Chairman, I guess my final question would be SaskPower considers the project completed then. You know, obviously there is still work. The president has outlined that they do with it and ongoing monitoring of the new system I presume. But the actual project, the implementation is considered complete and wrapped up and that is the total cost of SAP for SaskPower?

Mr. Wright: — No, Mr. Chair. The cost that I quoted took us to that date of August 2, 1999 when we went live or turned on all the software and made it the computer system of choice.

But there is ongoing developments around it which is, in some cases as with any new system, there's a burp, there's a gurgle. There are screens that aren't quite right. There are things that

you want to change. And we're always implementing that on a go-forward basis.

In addition, Mr. Chair, as I mentioned, this is not just about software and technology of that sort. It's also about process changes and learning how to do our job better utilizing this tool.

So this is a continuous improvement program of sorts. And will it ever stop? Perhaps not. Perhaps we'll always be improving.

The Chair: — I've got Ms. Atkinson, Ms. Eagles, and Mr. Forbes.

Ms. Atkinson: — Yes. I want to talk about the debt/equity ratio of the corporation. So my question is directed towards, I believe, Mr. Jones.

Mr. Jones, in 1991, what was the total debt of the corporation?

Mr. Jones: — Ms. Atkinson, if you just give me a moment I will see if I have that number. I have back to 1992 here with me. I can get that other number, but at December 31, 1992 the debt of SaskPower was approximately \$1.9 billion.

Ms. Atkinson: — \$1.9 billion?

Mr. Jones: — That's correct.

Ms. Atkinson: — Okay. And you indicated that the debt rose then to about 2.1 billion?

Mr. Jones: — It peaked in the mid-'90s at about 2.1 — 2 to 2.1 billion. Correct.

Ms. Atkinson: — And it's now down to 1.6 . . .

Mr. Jones: — That's correct.

Ms. Atkinson: — . . . billion. Okay, I'm just trying to get clarification on that. Earlier we spoke about the rural underground electrification program that cost approximately \$300 million. Was that money capitalized and therefore added to the corporation's debt or what . . . did it come out of annual operating costs?

Mr. Jones: — Chair, Ms. Atkinson, that amount would have been capitalized and would have been financed in part with debt. There is — let me try and explain — there is no sort of tag; this dollar of spending whether capital or operating is not tagged to this particular debt. There were profits earned during those years as well. So you could say that in general this program, as others, was financed with the profits earned by the company as well as debt.

Ms. Atkinson: — Okay. I'd be interested in knowing if the committee could have access to information as to what the . . . what are we talking about when we say that the company has a debt of \$1.6 billion. What are the items that have been included in that long-term debt? And if that could be shared with the committee by tomorrow that would be very helpful.

The Chair: — Actually I think Mr. Jones is making to share that information right now.

Mr. Jones: — Chair, Ms. Atkinson, I could refer the committee to, for example, the 2000 annual report and then . . .

The Chair: — Mr. Jones, if I could briefly interrupt you, and for the members of the committee's sake — and I know we've got some people subbing in, and things like that — generally when we've got the annual reports here under consideration, our Clerk is able to provide us with copies of said reports and related documents and they always sit behind here and I've . . . I happened to note that we've got a particularly robust selection of reports from which to choose. Anyway, that said, Mr. Jones.

Mr. Jones: — Chair, thank you again. For the committee, I would just refer them, in the case of the 2000 annual report, the notes to the financial statement detail the long-term debt of SaskPower. That's shown on page 39 of our report.

The debt is primarily made up of borrowings from the province. In Saskatchewan, the Department of Finance coordinates the financing for the government as well as Crown corporations. So the detail is there. If — to try and be helpful here — if the member has tried to get a sense of what was this debt borrowed for, then in general we could provide a list of the capital expenditures over a number of years.

But again the particular debt issue, this particular debt issue would not be tied to one particular capital project. But we could try and identify for . . . for the committee here is a list of our capital expenditures over a number of years, if that's helpful.

Ms. Atkinson: — Yes. If I could just clarify, Mr. Chair, what I'm looking for is an indication of what's happened to the corporation's debt in the last 10 years, and what specific projects have been capitalized for each of the fiscal years going back 10 years.

And I don't believe that's in the annual report.

Mr. Wright: — We can produce that and provide it, Mr. Chair. I think it might be useful if we tried to keep out of the projects that are less than a million dollars. I'm just reviewing what was on in 1998 and it is endless, in terms of the number of projects.

And with the permission of the committee, if we said one million or greater, that would make it an awful lot simpler for us. Is that acceptable, Mr. Chair?

The Chair: — The heads are nodding in unison. Okay.

Mr. Wright: — Mr. Chair, sorry. Can we just get clarification on how far back you want to go? The further back we go, the records tend to be a little bit shakier. Back to . . . we could try to go back as far as possible — 1990?

Ms. Atkinson: — Yes, sure.

Mr. Wright: — Okay. We'll try the best we can, Mr. Chair, recognizing perhaps the limitations on the data.

The Chair: — Okay. Anything else to add to that round? No.

Ms. Eagles: — Thank you, Mr. Chair. Mr. Wright, I would just like to touch on the rural underground development program as

well. And what are the cost comparisons between burying power lines as opposed to installing the new lines?

Underground is virtually maintenance free; overhead has a lot more maintenance, I always thought anyhow, because of the frost and the line snapping and things like that. So I was just wondering what the cost comparisons were at construction time as well as in the long run.

Mr. Wright: — Off the top of my head, Mr. Chair, and I'll stand corrected on this, it's about 5:1, which is to say burying cable is about five times as expensive as overhead. And again I will stand corrected on that and check it.

Certainly there are advantages to burying cable. There are also risks associated with that. For example, Mr. Chair, a snap in a line on the overhead side of the equation can be repaired very effectively and efficiently and quickly by many of our staff. The flip side is if something goes wrong when it's buried, it can be much more difficult to (a) locate, and (b) the process of digging up the area to fix the line can be more difficult.

That being said, certainly there are advantages to burying. As the member perhaps mentioned, ice storms and windstorms, which occur in this province, are not . . . when you bury the cable, obviously there's no impact. But again, it's about 5:1.

Ms. Eagles: — Okay. I thank you, sir.

The Chair: — Anything further, Ms. Eagles, at this time?

Ms. Eagles: — . . . thanks.

The Chair: — Okay.

Mr. Forbes: — Thank you, Mr. Chair. As I was reading the 2000 annual report, on page 23 it talks about revenues, and I was interested in knowing . . . it seems there's a bit of a trend in terms of exports from 4 per cent to 12 per cent, and I'm wondering what kind of impact . . . what are the past and future trends of exports of energy, and what does that . . . impact does it have on utility rates?

Mr. Wright: — Mr. Chair, back in 1998 the corporation exported approximately \$21 million worth of generation, or worth of electricity outside of our borders. This was and continues to be exported predominantly to Alberta and to a lesser extent down into the United States through our inter-ties.

In 1999, that amount jumped to 42 million. In the year 2000, that amount jumped to 126 . . . \$128 million, sorry. In the year 2001 we projected in excess of 100 million in export revenues.

And I'll speak about the future. This is a major, major benefit to the people of the province because the net profits from that approximately 40 per cent, depending, approximately 40 per cent of those revenues is net profit, that goes to lower rates — also begging the question of regulated versus unregulated.

As we look into the future, as I mentioned in my introductory comments, the marketplace for electricity is extremely volatile. And we had anticipated in our rate application, for example, net revenues or gross revenues of about 95 million in the year 2002.

However, if you look at prices in neighbouring provinces, they have dropped like a rock since we made those projections last August, largely as a result of two issues. One, the slowdown in the economy, and it is occurring all around us. And number two, of course, the price of natural gas has come down sharply.

So it's going to be a bit of a tricky year next year for us. We're working hard, but the long and the short is it's of great benefit to the people of this province — our export opportunities.

Mr. Forbes: — And the second part, I guess, follow-up to that is what kind of role does SaskPower envision in terms of their planning, especially when you talked this morning, or they talked this morning about considerations in 2007 about future plans for development?

Mr. Wright: — Mr. Chair, just in the near term, by November 1, 2002, we will have brought on-line, through our Queen Elizabeth repowering and our Cory cogeneration plant and our wind power initiative, close to 400 new megawatts of production which is, roughly speaking, a 13 per cent overall increase in our capacity. This will last us for several years as we move forward and, as Mr. Rick Patrick suggested, provide us with some breathing room up to the year 2007, particularly if we can get some of these small-scale hydro projects underway.

It also presents, coming back to the gentleman's earlier question, export opportunities for us using very state-of-the-art plants which will further enhance the net profitability in a regulated environment — I put that caveat in there — to the benefit of the people of this province.

So we're looking towards the future even today, and as Mr. Patrick mentioned, everything's on the table. But we're in an excellent supply condition and an excellent export condition beginning later on this year.

Mr. Forbes: — My third question is totally different, Mr. Chair, but it relates to the South Saskatchewan River. There's been much talk about the Meridian dam. I'd be curious to know what SaskPower's thoughts are on the Meridian dam and the impact it may have on the amount of water in the river system.

Mr. Wright: — Mr. Patrick is our resident expert.

Mr. Patrick: — Generally speaking, it's not good for us. A couple of things are happening. First off, is the historical availability of water in the Saskatchewan River system. Water we've actually received has been in excess of that which we are actually legally obligated to get from the province of Alberta. The way the watersheds are operated, each jurisdiction has the right to keep 50 per cent of what comes in.

The Albertans have historically not kept 50 per cent. They've usually let a lot more through than that. So our access to water has been much greater than that usually.

In fact this year, 2001 just past, the Albertans kept almost exactly to the drop 50 per cent of what was due them. So to some degree what we saw in 2001, it was an exacerbation of a difficult situation because there wasn't much water to begin with, but they kept their share for sure.

If a place like Meridian comes on line, it probably means a couple of things. It means that they would have more infrastructure capability on a consistent basis to keep their 50 per cent of the water all the time because now they've got more storage for it, and they would probably expand their irrigation systems in southern Alberta or at least certainly use the ones they've got now to a better advantage. So we probably would be only getting our 50 per cent thereafter. Whereas if they don't have it, we're more likely to get more than 50 per cent. So that's not helpful at all.

The Chair: — At this point we'll recess until 3 o'clock sharp; we're going to get rolling again at 3 o'clock. So with that, happy catching your breath and other duties, I'm sure.

The committee recessed for a period of time.

The Chair: — We will reconvene. And starting the speakers list off I've got Mr. Wall.

Mr. Wall: — Thanks, Mr. Chairman. I'd like to discuss . . . there's some discussion of the open access transmission tariff in the 2000 report. I have one left field question just before we get into that though, and it has to actually do . . . I will relate it directly to the years under review for SaskPower, but it has to do with SaskTel's most recent annual report where they detail the purchase of 49 per cent of a company called, based in Atlanta, Georgia, called Retx.com. I'm assuming that's the pronunciation because it's spelled: r-e-t-x-.com.

Just very briefly they describe it as a secure and efficient nationwide clearing house portal for processing the full set of supply chain transactions among electric and gas and natural gas distribution utilities, retail energy service providers, and consumers.

And I just wanted to know, Mr. Chairman, if officials at SaskPower at any time in the reporting years '98, '99, or 2000 were approached by SaskTel International officials just to offer, to get an opinion on this potential investment of this particular company?

Mr. Wright: — Yes, we were, Mr. Chair. We were approached. It is not a product that we would use because the nature of the marketplace is different here than it is in the US. And we were not particularly interested from our perspective in making an investment in a product that we would not be using.

Mr. Wall: — It was SaskTel's request . . . Mr. Chairman, it was SaskTel's proposal or request that SaskPower consider, at least consider partnering on this investment then? My question, my first question, Mr. Chairman was — and I accept that it was answered as well — or it was intended to be, did they seek SaskPower's advice as regards to this company or any knowledge SaskPower might have of this company or any of its competitors, etc.? But I just want to clarify it, indeed they were requesting if SaskPower had an interest in joining with them.

Mr. Wright: — They asked us our opinion of the product. As I recall, Mr. Chair, we viewed the product, it is a dynamic bit of software that would be very beneficial in certain marketplaces. We considered, from our perspective, would we want to invest in this. I can't recall if they were explicit saying do you want to,

or what have you, Mr. Chair, but it's not a product that we would use here given the structure of the marketplace. So, we passed along our comments and we left it at that.

Mr. Wall: — Mr. Chairman, the . . . what would . . . what is . . . not what's wrong with the structure of our marketplace, but what's different about the structure of our marketplace that would preclude an interest on the part of SaskPower of utilizing a service like this? Not investing in it, of utilizing a service like this?

Mr. Wright: — As I vaguely recall, and this was several years ago, Mr. Chair, this product deals with the back office and serves as a clearing house for multiple parties. For example, you may have one customer who could be served by several different generators, all electrical power, in a competitive marketplace. And this serves as a clearing house for those sorts of transactions.

In Saskatchewan there is a near monopoly, not a full monopoly, but a near monopoly here and so there are not multiple back office clearing procedures. We clear it all through SaskPower.

Mr. Wall: — Thank you, Mr. Chairman.

The Chair: — I've got Mr. Yates. But I would like to comment at this point that your vague recall is quite detailed. Anyway, I commend you on that.

Mr. Yates: — Thank you, Mr. Chair. Mr. Chair, I'd like to ask a couple of questions about SaskPower's contributions to the communities, both large and small, in rural Saskatchewan. And I ask what they think, and I know they'd be somewhat speculative, but what they think the difference would be to service delivery in smaller communities in rural Saskatchewan if we were in a multiple delivery system and the impact potentially on small communities and farmers and people throughout the province.

Mr. Wright: — Well, Mr. Chair, it depends largely upon the rate structure that's in place. As members of the committee may be aware, currently urban residential, which includes cities, towns and villages, rural residential, which is acreages and other items, and the farm community receive subsidized rates. That is to say they are not paying a dollar for a dollar of energy delivered.

In a competitive marketplace, a competitor would not go near those sorts of individuals because number one, they couldn't compete and number two, they wouldn't make any money because they would be providing the energy, assuming they could provide it at the same price as SaskPower, at a loss.

One of the things about Saskatchewan is that there's a million people, which are spread very, very much across this province. And the bread and butter for somebody to come in and compete with the SaskPower clearly is not in the farm community and clearly is not in the small villages or towns.

You would look for large industrials and you would look for the larger communities such as Regina and Saskatoon. One could see a scenario, among many, whereby rural Saskatchewan in a fully competitive environment would always have to rely upon

SaskPower, unless of course they wanted to pay more — like purchasing it from somebody else who would sell it a higher price, likely, than SaskPower.

Mr. Yates: — Thank you, Mr. Chair, to the officials through the Chair, my next question along those same lines is over a period of time obviously the subsidization amounts to a far amount of the company's total profits. Could you share with us the amount that that would have meant, including things like burying lines and subsidizing even overhead lines to farm operations? What the infrastructure development and building throughout Saskatchewan, how much that has actually subsidized for individuals in general — I'm not talking about specific cases but if you could give us some feel for what the value of that is.

Mr. Wright: — Mr. Chair, that's a very broad and far-reaching question and has many, many different components but let me give you some examples. Again as I mentioned for residential — be it farmer, rural, or urban — there's a degree of cross-subsidization, which is to say they pay less than a dollar. The flipside, of course, is somebody else has to pay more than a dollar and as I indicated that's generally attributed to two customer sources, street lights and oil field customers. Again, we're trying to bring this in line.

SaskPower provides many programs out there, both today and in the past, that have not been revenue generators but that serve other purposes. The rural underground distribution program served not to generate revenue but for other purposes, noble at heart. In addition our farmyard safety program provides others. When we hook up a farmer, we subsidize; the first \$1,300 of the actual cost of putting in the line to a farmer is at the cost of SaskPower. And there are many, many others.

Our donation program which we spend about a million dollars a year, of which about 25 per cent of all of that is attributable to the smaller towns, villages, and rural centres. To actually quantify that, I'm sure that a team of consultants would be required to noodle on that question for quite a period of time.

The long and the short is that in many different ways there are many different degrees of cross-subsidization that occur within SaskPower — for safety reasons, for cultural reasons, for historic reasons. At the end of the day of course as the president and CEO, I think the people of this province are well served with safe, reliable, and cost-effective power.

From time to time we do make changes to programs because in some cases they've been overly generous or overly complex; or in other cases, underly generous. One example being again, that farmyard safety program where we've enhanced, back in 1999, the program to encourage more farmers to take it up.

So I hope that tries to answer some of your question, Mr. Chair, that the hon. gentleman asked.

Mr. Yates: — Thank you, Mr. Chair. My final question is along the same lines. In a deregulated or in a private industry market, would these programs have occurred in your opinion? Would there have been subsidization to individual farms? Would there have been subsidization of . . . for small communities or for burying of lines, those types of endeavours?

Or would the user have borne the full cost?

Mr. Wright: — In a deregulated marketplace, depending upon the position of competitors, a lot of programs would disappear or would be modified significantly. Perhaps the role of SaskPower as a safety champion in rural Saskatchewan dealing with electrical issues would diminish significantly, because our competitors may not want to be providing the same level of subsidization for a hookup of a rural farm. Alternatively, of course, competitors may in their wisdom choose to introduce other programs. And we'd have to work through that very carefully.

There are other initiatives that we have here in Saskatchewan that we're very proud of, 37 customer locations throughout the province. In a competitive environment it's questionable whether or not those 37 customer locations could remain open. For example, in Alberta, one major, major corporation who serves well over 600,000 customers has one call centre. The nature of the industry would change, the role of SaskPower would change, and I'd want to think through that pretty carefully. But certainly some programs would wrap up.

Mr. Yates: — Thank you, Mr. Chair.

Mr. Brkich: — Thank you, Mr. Chair. Just carrying on with that line of questioning there on subsidization, you say you're going to be bringing everything up to within roughly where you're paying 5 cents on the dollar delivered of power, basically right across the province. So there would probably in the next year or two, there will be no subsidization of anything. So anybody . . . so any company delivering power would deliver a dollar power, you would pay a dollar power on that.

And as for programs, I notice in some of the states, some of the power companies there, they have some very, very good programs where they encourage the farm hookups, because they seem to look at . . . and business hookups. They seem to look at that the more customers they hook up, the more power they will sell now and in the future. Just may seem more comments to the member opposite.

But on some of the comments that the CEO made, how do you feel that this cross-subsidization is going to affect Saskatchewan, if basically within a couple of years everybody will be paying . . . for a dollar use of power, they will be paying . . . if they use a dollar's worth of power, they'll be paying a dollar for it.

The Chair: — All through the Chair, of course.

Mr. Wright: — And, Mr. Chair, in response again, our target is not a dollar for a dollar. Our target is 95 cents to 105 for a dollar. I know I'm splitting the banana here and charging a little bit, but it does make a difference. For example, if a customer class was paying, let us say, 96 cents for a dollar of energy delivered and a competitor could price it at the same that SaskPower does, why would they sell it to that customer for 96 cents? Of course it could be because they may want to sell more power, market share may be a motivating factor, but at the end of the day, you can't stay in business if you're selling something for less than it costs you to produce and sell directly.

And indeed, I did try to make the comment earlier in response to another gentleman's question here that a lot of programs would differ and would change over time. And while I don't know all the programs offered in the US, certainly competitors may want to come in and capture the farm market and may want to subsidize that for good market share reasons or other reasons. But you would see a lot of changes — you would see a lot of changes.

And I think that's what I was trying to articulate. It would not be the same as it is today. How it would change would be very interesting, because competition and the position of SaskPower in that competitive world, we'd all want to think through very carefully.

The Chair: — I've got Mr. Wall, and of course, I'm always open to additions for the speakers list.

Mr. Wall: — Well, thank you, Mr. Chairman. Again, in this same line of questioning, in the 2000 annual report, as I mentioned, there's a brief discussion of OATT (open access transmission tariff). And I wonder if, for the sake of members of the committee who are asking these questions about some future environment that may or may never happen here in Saskatchewan or in other places, if the CEO would outline for the committee the difference between what happened in Alberta, let's start in terms of their market and the regulatory environment there recently; what is to happen in Ontario as recently announced by the Premier; and what the difference of those two, because I think those two are basically the same, and how does that differ from our intention in Saskatchewan or SaskPower's intention to proceed with OATT and . . . that's referenced here and then some of the subsequent decisions that were made and reflected in the legislative . . . in the Bill that came forward during the session.

Mr. Wright: — Again, Mr. Chair, I'll try to take that question at a very high level and if members have detailed questions, Ms. Pat Youzwa, who led the charge on implementing out and did just a tremendous job, as does everybody, I believe, everyday at SaskPower, would be pleased to respond to detailed questions.

OATT is an acronym for the open access transmission tariff, and I think it's important to first ask, well, why did Saskatchewan implement this tariff structure? Because exports were so fundamentally important to SaskPower in terms of profitability, and because from time to time we do import significant amounts of power to ensure the stability of the system, we wanted to ensure that we had secure access both today and into the future for the export markets and for importing purposes.

In the absence of an OATT what can occur is that another jurisdiction may say, no, no, hold on SaskPower, hold the phone — you can't export into Alberta; you don't have an OATT; you are not on the same basis as we are; we don't have reciprocal access to you at the same level.

Alternatively, a company outside of the province, for example Manitoba Hydro could have said, ah, no, no, sorry, SaskPower, we're not going to sell you that hundred megawatts of power because you're not reciprocal and you don't have an OATT.

So we looked very carefully at this — and there's always good discussion at SaskPower around policy issues — and it was our observation and conclusion that in the long-term interests of Saskatchewan residents and our customers, we needed to implement this tariff structure.

What does this tariff structure mean? It means that for wholesale customers — and we have two in this province, the city of Saskatoon and the city of Swift Current — they can purchase their electricity from anywhere in North America they so choose.

In addition, they could purchase it from an independent power producer locating here in Saskatchewan. For example, somebody could set up a cogeneration plant outside of Saskatoon and could sell directly to Saskatoon.

In addition, independent power producers locating in Saskatchewan — again for example, a cogeneration plant — can sell across the wires into export markets. Those are some of the features of it.

Now Alberta is an interesting scenario and situation in deregulation. Not only did they in their own way . . . They don't quite have an OATT. They have a different structure but it's acceptable in the terms of the electrical industry. They've entered into deregulation in a very, very broad-based way and they've gone well beyond an open access transmission tariff.

Again an OATT allows competition at the wholesale level. They've driven it right down to the retail level.

And a lot of things have changed in Alberta. They entered into a situation, one could argue, when they began to say we're going to open up the grid, they didn't establish what the rules were. And this goes back to 1996.

So as a consequence, companies both private and public — I remind you that EPCOR out of Edmonton is owned by the city of Edmonton and ENMAX is like a Crown corporation, owned by the city of Calgary — TransAlta, ATCO and others held back on investments. The argument was, please tell me what the rules were. And the rules weren't really established until about 1998 going into 1999.

By the time the rules had established and because of very strong growth, particularly in the oil patch, the load characteristics had taken off, demand had jumped substantially, and there wasn't the power available within the province. The consequence in a deregulated marketplace is you have to buy the power from somewhere else and we were pleased here, in Saskatchewan, to provide them with the power at premium rates, just as BC Hydro was pleased to provide Alberta power at premium rates — two Crown corporations serving Alberta proudly.

Since that time, Alberta has developed more power plants. Deregulation seems to be settling in a little bit and it's further settled in to the extent that the sharp peaks in prices, to the extent that the Alberta government had to step in with grants and rebates and credits to shield customers, seems to be settling down again largely because of the slowdown in the economy and because of new supply.

So the situation was slowly stabilizing. I'd expect it to stabilize further over the next two to three years. We are, unfortunately here, quite hopeful that it doesn't stabilize because then we can seize the opportunity for the people of this province by selling at premium prices into Alberta.

Ontario is a bit of a different story, Mr. Chairman, and I don't mean to go on so long. But come May 1 of this year, they will be deregulating as well, which is to say that they will be going well beyond the OATT wholesale access down to the retail level. This has been a long and drawn out process in Ontario because there are many camps that say yes, let's deregulate, whereas there are many camps, including many large industrial processors such as again the CEO of Dofasco who reported in *The Globe and Mail* this morning, arguing against it, that it's taken some time and there are many issues.

Unlike Alberta, there is a huge overhang of debt attributable in part to the nuclear power plants that were built back in the '70s and, some would argue, poorly maintained and facilitated back into the 1990s and '80s resulting in about \$21 billion worth of dead-weight debt. That dead-weight debt has to be serviced. It will be serviced through, what I will call and term, a surcharge on everybody's power bill in the future. Come May 1, they'll open up.

The difference is that it would appear that Ontario is adequately supplied by the marketplace. However, the marketplace there is dominated by one generator called OPG or Ontario power generators, thank you, which used to be and still is, I should say, a Crown corporation. They have approximately 80 per cent of the marketplace at this time. I think that may be a little bit high, but around there. And they're looking to sell off assets over time to ensure that they don't have market influence.

The interesting thing that'll happen — and then I'll be quiet, Mr. Chair — the interesting thing that may happen on May 1 is, because right now Ontario's structure is that they have a lot of hydro, an interesting mix of nuclear that the debt has all been written off so it's relatively cheap, interesting coal plants throughout the province, that the prices there are significantly less than in neighbouring jurisdictions down in the US.

What tends to happen in a deregulated marketplace is prices will approach an equilibrium in the regional market. So if Ontario's prices are lower than the regional marketplace, deregulation may bring higher prices and that's the fear of many people. Again, I believe the quote was 20, 30, 40 per cent increases in power prices over the next few years.

After a period of time it will and should stabilize though. It's going to be very interesting to watch in Ontario.

And in closing, Mr. Chair, just on this, that's one of the benefits of watching this from Saskatchewan Power's perspective is we've seen market failures in California; we've seen, to be honest with you, market failures in Alberta, and we're going to be witnessing a very interesting phenomenon come May 1 in Ontario. I hope that answered the question.

Mr. Wall: — Yes, it did, and it was very . . . the answer's very much appreciated. And we had, to a much lesser degree I think, the chance to have a bit of this discussion when the Bill was

introduced in the legislature. But, Mr. Chairman, I think many in the . . . when that Bill was tabled, we had this general discussion of deregulation and many in the province are grateful, and not without cause I would say, for the approach that we . . . that was taken on this OATT and how we've taken this whole question of deregulation.

However that notwithstanding, to those who would say that it's the thin edge of the wedge, what would . . . to something that's more akin to what's happening in Alberta or what's happening in Ontario or it's sort of step one, do you have a comment on that at all? I beg your pardon, did the official have any comment on that at all?

Mr. Wright: — We didn't approach it at SaskPower, Mr. Chair, with the intention of a step two or a step three or a step four. Where we've approached the marketplace, not only on competition but as Mr. Patrick was mentioning on supply options and other issues, is a very flexible approach.

We implemented the open access transmission tariff for very specific reasons, which is to ensure safe, reliable, cost-effective power through the import and export markets, and it was not our intention to move further. However that being said, the hon. gentleman is correct that it would facilitate a next move.

Prior to the year 2000 or late 1999 . . . And if I may, when I just joined the company in March of 1999, there were some industrial producers in the province that were very interested in moving to what we'll call the next step. Since that point in time I must admit I have not heard from any of them. And that it's always fun to poke at SaskPower, and that's fair and that's reasonable, but at the end of the day I'd like to think that this province is served safely again, reliably again, and on a cost-effective basis.

So right at the moment I don't see any huge push to move to that next step. But if we were to do it, Mr. Chair, because of the will of the legislature or others — ultimately it has to be the legislature — we would certainly want to do this in a very, very thoughtful manner, learning from the mistakes of all of those around us.

Mr. Wall: — Mr. Chairman, just a follow-up to your answer to my first question. Mr. Wright indicated that in the case in Ontario, and perhaps we're asking him to put his economist's hat on as opposed to his CEO hat on, but I think it seems to me and maybe to other members, strange that if after deregulation Ontario was indeed the price leader in terms of its ability to produce power and that those markets around it had utilities that weren't as competitive that prices should come down to the price leader's level, not rise to those who are obviously least competitive in the area. And I defer to your opinion in that regard, but would be interested in it as well.

Mr. Wright: — Well in the movie, I believe it was *Jurassic Park*, they said life will always find a way. As an economist, a price equilibrium will always find a way. Which is to say in a jurisdiction where, be it electricity or coconuts or butter, where in one jurisdiction the price is low relative to another jurisdiction, what will happen in a full competitive marketplace is you will have the lower price jurisdiction prices rise whereas the higher price jurisdiction, they'll fall. And that's just a price

equilibrium that occurs over time.

That's what's expected by some, if not many, in the Ontario marketplace. The prices will rise in Ontario but will drop in neighbouring jurisdiction. Why? Very simply because Ontario, OPG, Ontario power generators, will be selling more at premium prices into the northeastern seaboard which will in part bring down prices there but in part will bring up prices in Ontario. It's an equilibrium situation that will occur over time. I hope for the sake of Ontario residents, that's not the scenario.

Mr. Yates: — Thank you, Mr. Chair. Just following up on a couple of questions around the open access transmission tariff and its, perhaps, implications for the province, and the concept of a second step. At no time has in SaskPower or the government looked at moving to a second step. Could you . . .

Mr. Wright: — No.

Mr. Yates: — Thank you. And today, if we didn't have the open access transmission tariff, we'd be at a competitive disadvantage . . . advantage to other companies that operate in the marketplace, would we not? Just from a point of view of being able to sell an excess capacity if the weather is adversely nice or so on.

Mr. Wright: — It would make me very nervous again from two perspectives. One, that we could be beholden to companies in other provinces that could say no, we're not going to sell you the power, or force us into situations where the price would be totally unreasonable.

Secondly, we would not be able to seize, potentially seize those premium export prices. Would that have been the case today? I don't know, because it would not be in our control or in our fate; it would be in the control and fate of those around us in the neighbouring jurisdictions as to how they would want to have treated SaskPower.

Mr. Yates: — And my final question is: do you have any ballpark figure as to the increased profit that having such an arrangement has generated for SaskPower both in perhaps buying lower cost electricity and selling premium cost electricity to other jurisdictions when they are in a shortfall situation — what the Saskatchewan taxpayers would have benefited by this offer?

Mr. Wright: — Mr. Chair, when we were looking at whether or not we should establish this open access transmission tariff, we did a fair bit of analysis on this. What are the benefits, what are the potential exposures, and so on. Again, it's a very volatile situation out there; the prices change rapidly, day to day. But the figure \$10 million at a minimum per year on the financial side seems to ring a bell with me. I'd have to check my notes.

But more importantly, if somebody could say no, we're not going to sell you the electricity for whatever reasons and we couldn't import, money doesn't matter. It's people's lives at that point, especially on a cold winter day when the lights are out. Or if your house is heated with electricity, people can freeze and people can die. Money doesn't matter. It's all about security of supply, and you can't put a premium on that.

The Chair: — . . . Mr. Yates.

Mr. Yates: — No, thank you, Mr. Chair.

Mr. Wall: — I do have some more questions. Thank you, Mr. Chairman. How would SaskPower's debt to equity ratio compare with the — and if you've answered this earlier on or if an official did I apologize — but how would it . . . I'm looking for a comparison with other electrical utilities in Canada for example.

Mr. Wright: — Mr. Chair, we have some financial benchmarking information that Mr. Jones has put together and he'd be delighted, again, to answer that question.

Mr. Jones: — Thank you, Chair. Mr. Wall, thank you for your question. In general, let me start by saying that across Canada there are generally two types of electrical utilities, those owned by the Crown and those that are investor owned. If you break it down that way, I think it will be helpful.

Generally investor owned utilities have a much higher . . . or lower I should say, a lower debt/equity ratio and the marketplace demands that, investors demand that if they are going to put their money into those entities.

And of course, the reverse, the Crown owned utilities generally tend to be . . . have higher debt/equity ratios. And in a sense, that stems from a part that they are backed up by a government and therefore they have a strong last resort, if you like, when approaching financial markets for capital because investors — those who lend money to those types of utilities — will look through the utility to the government as the ultimate credit.

In general, the debt/equity ratios of government owned or Crown owned utilities range from highs of, for example, Manitoba Hydro in the 85 per cent range — and these are round numbers — very high proportion of debt in their capital structure; BC Hydro approximately 80 per cent; and I believe Hydro Québec is in the low 70s.

There are a few, and in particular mention EPCOR, EPCOR is owned by the city of Edmonton. And in that case they have a somewhat different governance structure where they're so-called corporatized. In other words the government has said there are certain rules we will deal with you in terms of dividends and in terms of issues that we think you decide this, and we'll decide that, type of thing. And investors tend to see that differently. They have a much lower debt/equity ratio. They're in around the 50 to 60 per cent range. Compare that to some of the investor-owned utilities: ATCO, around 50 to 55 per cent; TransAlta, same sort of range; and others, some are in the low 30s and so forth. Some go up . . . edge up to 55 to 60 per cent. But that's sort of the ballpark.

Where does SaskPower fit into that? As I indicated earlier, our debt/equity ratio at the end of this reporting year — which is a significant year, it's a turning point for us, it's sort of . . . our debt is stabilizing or, if you like even, bottoming out — our debt/equity ratio approached our target of about 55 per cent. It's roughly in 56, 57 per cent, but that's sort of a ballpark. And you can see that SaskPower fares very well compared to some of the Crown-owned utilities but has a higher debt/equity ratio than

many of the investor-owned utilities.

Mr. Wall: — Thank you, Mr. Chairman; and thank you, Mr. Jones.

Does Mr. Jones also have the . . . I missed OPG in there if they . . . do you have offhand, or . . .

Mr. Jones: — Yes. Yes I do, Chair. And, Mr. Wall, again, thank you. The number I have in here at this point for OPG is 38 per cent — that's a rough range.

But if I can, just to provide some context for that number. OPG, as the president indicated, came out of a restructuring of Ontario Hydro where a large chunk of the debt of that original corporation was moved to a . . . another corporation, a financing corporation. So it was taken off of the books. So part of the debt of Ontario Hydro, the original corporation, went to OPG; part of it went to Hydro One. There was a large chunk of it moved off of those two entities into a separate corporation.

Mr. Wall: — Thank you. Thank you, Mr. Chairman . . . (inaudible interjection) . . . A couple of questions — notwithstanding the interruptions of my colleagues — on the Kyoto Agreement if I can. I don't — to be honest — I don't recall seeing it through the annual reports. But certainly some sort of agreement which eventually became known as the Kyoto Agreement, you know, was sort of part of the rumour mill and I'm sure part of the planning for all electrical utilities, especially those who utilize fossil fuels which I guess would probably be virtually all of them, in terms of electricity.

So I guess the question that I have, Mr. Chair, is, throughout that period, even throughout the years under review, what sort of input, what sort of planning was occurring or awareness at the corporation of what might be coming? And then what sort of input flowed back, what recommendations flowed back to government then, about the risks and the opportunities associated with any such agreement that we now know as Kyoto.

Mr. Wright: — Again, Mr. Chair, Rick Kyoto Patrick would like to respond to that.

Mr. Patrick: — The member is quite correct. There is hardly an issue for SaskPower that's bigger than the greenhouse gas management issue over time. And certainly when this was first becoming discussed in the mid-'90s, and later as the Kyoto Accord started to solidify, we were very aware of our exposure because in very general terms we are about 40 per cent over our target levels for the first implementation period. The first implementation period is 2008-2012.

The federal government, through the period in question, was very unclear about what it was exactly going to do to implement the Canadian portion of the Kyoto Accord. We've taken the position that we have to assume in the worst case that they will implement it exactly as it's stated. If they do anything less than that it just sort of makes our job easier, but if they implement it to the full effect that it might be we have a very large problem.

What we were doing in that period and continue to do was to first off try and understand what the rules were going to be and

to start participating in a number of activities which will allow us again to have tools in our kit bag to deal with it. And in no particular order those things are: we joined an association with some other utilities, a thing called GEMCO (Greenhouse Emissions Management Consortium), which is the greenhouse gas and emission management consortium, which is a group of interested folks — utilities and others — who have been experimenting with market mechanisms for carbon offsets.

And we've spent a little bit of money, not a lot, learning if you like to create a marketplace where none previously existed. This is new stuff. There is no such thing as a carbon credit marketplace so we've been dabbling with others trying to figure out, how does this thing work, how do we do it.

So we've bought into a number of small demonstration projects. And really what we've essentially bought are futures options for carbon credits and implementation period. But mostly what we've been learning is how to structure the contract for delivery of these carbon credits when and if they will be allowed.

What has happened over the years is the feds have moved from being rather cold to the concept of credits and offsets to being more receptive and, I think, in my own personal view, the marketplace will have a place to play but it would be perhaps more transitional because the credits will be utilized over time — used up — and you'll have to do physical things to solve the carbon management issue; you can't just buy your way out of it by buying credits from somewhere. But there will be a transitional period where the marketplace will develop and will utilize whatever credits may be. And we're still dabbling in that and learning how to do it.

A second thing we participated in . . . and the Canadian Electrical Association and a lot of other industries in Canada who are carbon emitters set up a series of round tables with the federal government through the late '90 . . . through 1990s, where the feds were soliciting input from the various affected sectors as to, like what could you do about it, how big is the impact. There was a bunch of technical and economic modelling done and we were involved in all of that stuff.

At the end of the day simply stated what has happened is federally the position taken by Canada is that carbon can be managed in Canada with a relatively small impact to the Canadian GDP (gross domestic product), something in the order of a few per cent. The problem we've had with that all along is that if you take the problem and move it into Saskatchewan and solve the carbon problem as it's seen from the Saskatchewan perspective, it's not a 2 per cent GDP problem for Saskatchewan. It's a huge problem. It's a multi-billion dollar problem in a relatively small province. So we have a huge concern about the sort of economic disparity issue within the country. Viewed from a hundred thousand feet federally, it's not a big deal. Viewed locally, it's an enormous problem.

We have been working through a number of committees through the Canadian Electrical Association of which we are a member and they kind of represent a clearinghouse for utility positions back to the federal government and federal agencies. And we, and myself personally, participated in a number of working groups to really try and talk about the specific mechanisms for implementation: how much would be physical;

how much could be marketplace; what are the rules going to look like; what implementation time periods? It's basically how are we going to do this.

It's essentially a fairly technical issue. And you need to know what the rules are so you can make your planning decisions because in Saskatchewan, from a supply development point of view, we really manage at any particular point now three issues simultaneously. Load growth, which is historically the sort of easy one, you try and outguess the load graph and build plants at an appropriate time so you're not oversupplied or undersupplied.

We have coming up in the next 10 or 15 years a number of units, which are basically at the end of their life, and they're due for retirement and so there's the question about do we replace them or continue to run them, given that their emissions continue to contribute to our problems. And then even for those units that are not at the end of their life, the mitigation strategies physically that we could apply to them to in fact modify them so that they can be made compliant and to that end we've been doing a whole bunch of things.

We've been working with the federal government, there's a combustion research laboratory in Ottawa that's operated by NRCAN, by Natural Resources Canada, and we fund some ongoing studies on hybrid combustion technologies that we could retrofit to our power plants, that would facilitate, amongst other things eventually, the capture of carbon dioxide from our flue gas streams.

We are, through the university in Regina here, have been co-funding and are hosting a demonstration at our Boundary dam site of a pilot plant which actually captures the CO₂ by chemical process from the flue gas from one of our stacks down there. And the purpose of that experiment is to try and commercialize that technology, get it to the point where it's cost effective. It's not new technology. It's actually technology well known in the oil patch for basically cleaning the CO₂ out of natural gas streams, but it's not economic on the huge scale that a power plant operates at. So we're trying to get that economical.

We're working through the Petroleum Research Institute out at the university here, PTRC (Petroleum Technology Research Centre) on the monitoring of the geological formations near Weyburn, where PanCanadian is pumping CO₂ into the ground. They're buying in the States, pipelining it into the province, and enhancing the oil recovery by the injection of carbon dioxide.

The big question there is does the carbon dioxide stay in the ground. And so there's a geotechnical investigation going on, the results of which will be known here in a couple years, which would tell us whether or not that sink, if you like, is available to us as a repository — on the theory that you can collect the CO₂ and put it in the ground, could you keep it there.

Because for us, there's really only two or three things we can do. We can either avoid making carbon dioxide, period, by either not using carbon at all or by using less carbon-intensive technologies like gas turbines, as an example, or other things. Or if you have to produce carbon dioxide in the quantities we're currently making in our existing plants and you want to keep

them running because they are very cheap, cost-effective power plants, is there some way to pull it out of the flue gas and then do something with it. You've got to find a place to park this stuff after you've got it.

We're also funding, starting a couple years ago, a project that we're working with a number of utilities and the Los Alamos research laboratory in New Mexico, a thing called the ZECA project which is called a Zero Emission Coal Alliance. The purpose of that project is to actually to demonstrate a hybrid hydrogen cycle technology that we could apply to our plants eventually. And hydrogen is the ultimate pure fuel because its waste stream is water vapour.

We've got lots of things. We're in the process right now also of participating with a group of like-minded utilities in Canada called the Canadian Clean Power Coalition, CCPC, which is a group of utilities and one coal digger, Luscar Coal, who have just recently started funding a number of research — well I'm calling them research projects — engineering studies to ferret out all the available technologies that we could apply to coal-fired power plants to clean them up with the intention of having a retrofit project in place by 2007 on some coal-fired unit in Canada. And SaskPower is going to be making a bid for that project, and the intention of a brand new power plant — I guess we'll call it Greenfield study or Greenfield project — by 2010, which would be a from-scratch built plant for clean power from coal.

We're all actively engaged in all of those things. We either Chair or Co-Chair or are significant participants in the management tech committees of all these things we've been talking about.

We are in the process of working with the University of North Dakota. They have a very long-time established research institute in Grand Forks where they study lignite combustion because the northern US utilities burn lignite as we do. And we are co-funding some projects with them and our federal government to look at, actually, the capture of mercury from our flue gas streams.

This is a huge problem in Canada. It's very hard to capture mercury. If you want to talk about it at some length, I'd be glad to talk to you about it. But it's a big problem in the sense that it's an emittent that's hard to get a hold of and we're having to do some work to figure out how to capture this stuff.

That's being done because the federal government has announced its intention to implement a reduction target, which could be as high as 90 per cent reduction by the year 2010. And by the year 2005, in accordance with a process called the Canada-wide standard, which is a mechanism by which the feds implement new standards for emissions in Canada, we basically are obligated by the year 2005 to demonstrate the technologies that we'll be able to bring to bear on our existing plants for that clean-up progress. So we're working like crazy to find ways to do that so we can tell them what we're going to do.

The carbon thing is enormous. CO₂ is just a big deal. We've run some macroeconomic models and we're talking about spending in excess of literally billions of dollars above business as usual to manage our carbon emissions over the implementation

period. This is not a small problem. This is an enormous problem.

Mr. Wall: — Thank you, Mr. Chairman. I understand that some members of the committee may want to wrap it up, so if it pleases you, Mr. Chair, in addition to thanking the officials for today and encouraging their return tomorrow, I would move adjournment.

The Chair: — So moved. All those in favour? Those opposed?

The committee adjourned at 15:50.