



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Don McMorris
Indian Head-Milestone

Peter Prebble
Saskatoon Greystone

Hon. Andrew Thomson
Regina South

Brad Wall
Swift Current

The committee met at 09:33.

Saskatchewan Power Corporation

The Chair: — Good morning, people and assembled officials. It being just past 9:30, we'll get underway, resuming our considerations of the '98, '99, 2000 SaskPower annual reports and related documents.

Yesterday, of course, we'd had the matter of a motion that would be in order to be moved at this time. So, Mr. Wall.

Mr. Wall: — Well, Mr. Chairman, I think you're exactly right. We had at least a brief discussion and even some questions surrounding the legal separation and the mitigation of any exposure to the ratepayers of SaskPower, separating out from it SaskPower International. And I think members of the committee wanted time to look at the Dillon report and I hope everyone has done that today.

I don't know how the procedure works on this, Mr. Chairman, because what I would like to do is withdraw the motion from yesterday, unless we accomplished that yesterday, and I was under the understanding it might have been deferred. It was deferred. I see the Clerk shaking his head or nodding his head.

So what I would do is withdraw my motion of yesterday and propose a new motion that reads as follows:

That this committee call upon the provincial government to take the necessary steps to ensure that all current and future equity investments and out-of-province business activities of SaskPower be conducted by a company legally separated from Saskatchewan Power Corporation so that SaskPower's customers are not exposed to losses incurred by those investments and activities.

And I would also say this, that we would be open to discussing the wording of this as long as the motion could achieve two primary things. We want for the taxpayers to be able to clearly see the activities of SaskPower International. We understand that that happens to a great degree already. They file a separate annual report and although, as the CEO (chief executive officer) pointed out yesterday, it's folded into the larger one, it's separate and it's fully cost-accounted. So we want that to continue. We want taxpayers to be able to clearly see what's happening at SaskPower International. We would like it to be transparent so people can see that.

The Chair: — Just one quick note as to the proper nomenclature.

Mr. Wall: — Sure.

The Chair: — As the committee members will know, this committee operates in an advisory capacity.

Mr. Wall: — Right.

The Chair: — Well then certainly, the opinions of the committee are duly noted by the legislature. But instead of the words "call upon," "recommends" would be the more

appropriate usage.

Mr. Wall: — Sure. Again, that's not a . . . And I'm looking at another one here.

But I just would like to finish the thought in terms of introductory remarks and then others may want to wade in and I see there's potentially another motion here.

So the first point: we simply want people to be able to see what's occurred . . . taxpayers, ratepayers to be able to see transparently what's occurring at SaskPower International. To a large degree they can now; they look at the annual report. Second . . .

The Chair: — I'm sorry, Mr. Wall, but before you launch much further, do you have copies of that other motion for the committee?

Mr. Wall: — Sorry, I do.

The Chair: — So if you could . . . if the Clerk could distribute those and if we could take a couple of seconds just to peruse the motion.

Mr. Wall: — Sure.

The Chair: — Would the change to the words, the word "recommend" instead of "call upon" be a friendly amendment?

Mr. Wall: — Sure.

The Chair: — Everyone's comfortable with the time they've had to peruse this? We'll take another . . . we'll take another minute.

So the motion will be debated. Mr. Wall, as the mover of the motion, will have a chance to expand on his comments on it. I'll start a speakers list, and today I'll be endeavouring to move from opposition to government, and therefore. So I've got Mr. Wall speaking to the motion, then I've got Mr. Prebble, and take it away.

Mr. Wall: — Thank you, Mr. Chairman. We're certainly not hidebound to the wording of this motion here that we presented. But what we want . . . what we are very committed to, though, is two fundamental principles. One, that the SaskPower International activities — and specifically we highlight equity investments — be separated and fully cost-accounted as they are now, so that it's a transparent process; people can see exactly . . . taxpayers, ratepayers can see what's happening with SaskPower International, and know of its activities and whether it's making a profit or loss, etc.

But the second point, and arguably the most important of all, is that taxpayers be protected from any losses incurred by those activities so that our rates — so that their rates, SaskPower rates, aren't threatened by the activities of SaskPower International in any way. That is the most important element for us, and on that one we'll be fairly stubborn, I guess, is perhaps the right word.

We understand, both from yesterday's testimony by the CEO and also by comments in the newspaper, that in terms of profit and loss, there is no guarantee, of course, in and of themselves, these two new structures, or two structures, SaskPower and SaskPower International, there's no guarantee that profits will benefit ratepayers either.

However, as the CEO rightly pointed out, you know, it's clearly a matter of public policy for a government to commit to the fact that the profits of SaskPower's international activities, if there are any in the future, would indeed benefit ratepayers or taxpayers. At the end of the day, it's going to be their profits as well.

So we certainly don't have a problem with that reality. We agree with the reality that was highlighted, but we certainly don't have a problem with it. It is a matter of policy that a government could take the right steps on.

And I am looking at here . . . I'll just finish with this because I know I certainly want to be fair and other members want to speak to this because they've taken the time to prepare an additional motion, which is also appreciated.

However, again just to reiterate and close, the two litmus tests for us as to whether we could support some other wording is, one, that it first of all not be passive, that it be active, the government be encouraged, be recommended to consider separation so that there's a transparency for the taxpayers and the ratepayers; also that the exposure to taxpayers from these international investments be mitigated, be eliminated.

And with that, Mr. Chairman, thank you for that opportunity to make those comments.

The Chair: — I would additionally point out that with each speaker, certainly we've got some people that are very well informed as to the matters that we're dealing here in the motion with, so I would invite the officials from SaskPower and the officials from the auditor's office and indeed the appointed auditor, with the completion of each statement, if the respective officials care to offer any additional commentary or clarification. And as well in terms of the speakers list, also be free to answer any questions that should arise from the speaker.

So, Mr. Wright, if you have anything to add at this time.

Mr. Wright: — Mr. Chair, I look forward to the discussion here and I encourage, of course, a very open and fruitful discussion around both motions. This is a very complex issue and it moves well beyond just SaskPower International's activities, and it moves into the whole world of regulatory regimes in the electrical industry, and it moves into SaskPower's role as a player within the North American marketplace.

We have imported power from as far away as Florida and we have sold as far away as California, and it's a very complex issue that I can provide some insight into it. And the wording is very important as we move forward here. But with that, I think it's important, Mr. Chair, that members of the committee be able to discuss this and if they have specific questions to ask of myself or my officials, well we'd be pleased to respond.

The Chair: — Does the auditor's office have anything to add?

Mr. Montgomery: — Nothing as far as . . . no.

The Chair: — Well with that I've got a speakers list consisting of Mr. Prebble and Mr. Wall, Mr. Yates and . . . we'll see where it goes. So I've got Mr. Prebble, Mr. Wall, Mr. Yates, and we'll see where it goes. Mr. Prebble.

Mr. Prebble: — Yes. Thank you very much, Mr. Chairman.

Mr. Chairman, my questions really are directed to our president of SaskPower with respect to being clear about what the implications of the resolution would be. And I appreciate, Mr. Wall, that you've tried to spell out your . . . the intent of your motion.

So first of all, my first question relates to the matter of a legally separated entity. And my second question relates to the matter of exposure to SaskPower customers with respect to any out-of-province investments.

Maybe I'll deal with the second one first, if I might, and just get some clarity on whether SaskPower customers are at the present time exposed to losses that might be incurred by SaskPower International.

Mr. Wright: — Mr. Chair, if we can remember what SaskPower International is, it is three elements.

One is the fly ash business, which is the sale of fly ash from our coal-fired plants to concrete producers, to the oil field, and to the Department of Highways, for example. That is a very profitable enterprise for SaskPower and approximately half a million dollars net income in both '99 and the year 2000.

We are also involved in the consulting business. And the consulting business is a worldwide business which, as I think I mentioned yesterday, projects from Egypt through to Russia through to other parts of the world. While not a profitable enterprise, it is certainly profitable for our employees of SaskPower to be able to take the opportunity to learn more about electrical utilities elsewhere, the problems, and the trials and tribulations.

The third part of SaskPower International are the equity investments. And I think it's important to think about separating all of those.

With respect to the equity investments, currently SaskPower International has two — one in Cory potash mine with our partner ATCO. That is a long-term, 25-year power purchasing agreement with SaskPower. Is that a risky enterprise? Well for it to be considered a risky enterprise, one would have to consider that SaskPower in and by itself is a risky enterprise because of the nature of the contract and the agreement.

The second one is a \$21 million investment in Muskeg River cogeneration plant again with our partner ATCO, and 25 per cent . . . sorry, Mr. Chair, 50 per cent of the output of that plant is sold to a consortium which includes Shell and Chevron. Not a lot of risk there — guaranteed sale of 50 per cent of the output.

To the extent that these projects take a period of time to come on stream, even though you're making investments today, there is a loss that will be incurred as you move forward until such time as the plants actually come on stream, which in both cases is projected to be November 1, 2002.

That's when cash flow begins to occur, and that's why SaskPower International will return to profitability in 2003. In the early years of any investment, particularly one of this size, there can be losses. But it's a 25-year investment, and there will be profits. And we're forecasting substantial profits from these investments.

Do we have any other projects on the table? No, we do not, Mr. Chair. As I understand the motion by the members of the opposition, they're trying to protect against those losses. But there is the reciprocal or the other side of the equation — what about the profit side of the equation too? And that's why I'm just encouraging everybody to be thoughtful.

So yes, you can protect from losses, if that's the case, but there's also the profitability. And I believe Mr. Wall spoke to that. What we need to do at SaskPower is really take a look at the whole issue because it goes beyond SaskPower International as well. It goes into other activities on the regulated versus unregulated. And if I may just indulge, just a bit more, I'll give one example.

Because we've implemented that open access transmission tariff that I noted yesterday, we can now book transmission rates for electricity in other jurisdictions, utilizing our generating capacity here when we're in a surplus position to sell electricity — for example, through Alberta, through British Columbia, and down into the Seattle area to take advantage of the price differentials and make profits. That would be an out-of-province business because we would be booking transmission in BC.

Similarly, you have to be careful on the wording and the phraseology — and I know I'm going on here — because we do have other currently out-of-province business. Although, interesting point of debate, we sell electricity into Alberta. And that is a customer that's located in another jurisdiction.

Also we sell electricity down in the United States. That's a customer located elsewhere. Is that an out-of-province business? There is a legal separation right now for accounting purposes. It is the subsidiary company. It is fully cost-accounted and it's out there. What I believe the Dillon report on page 35 was speaking to was not so much a legal separation but really a separation for rate regulation purposes. And we need to think through that.

Should it include fly ash? Should it include the consulting services? Just the equity investments? Equity investments in Saskatchewan too or just out-of-province equity investments? And so on from there.

So I think SaskPower, for our side, would like to take a very thoughtful approach to this and a very careful approach, Mr. Chair, and I'm sorry for going on.

The Chair: — Not at all. The more detail you can provide for

the members, the better . . . better deliberations and decisions we can make.

Mr. Prebble: — Well I think we've got a very thorough explanation from Mr. Wright. My second question has been answered, Mr. Chair, so I'm going to pass the matter back to Mr. Wall. I think it's his turn.

Mr. Wall: — Thank you. Through you to Mr. Prebble and Mr. Chairman, I appreciate the answer as well. I do sense though that in December the CEO was much more equivocal on the need, and I'm looking at the quote here. I, you know, certainly am not intending this to . . . I don't want to debate the CEO on what he believes. He's spelled out . . . he's given a clear explanation. But he was concerned enough in December to say that he, quote:

. . . (agreed) that it should be separated out so there is no financial exposure to the ratepayers.

And that's all we're looking for. We haven't even put a timeline for the government on this motion should it pass. We've simply . . . recommending that the government do what it needs to do to mitigate that exposure.

And you know, Mr. Chairman, I . . . certainly SaskPower believes, and thankfully so, that it's going to make . . . the return's going to be there for these different cogen projects. Other people look at similar . . . can look at a deal, this deal, or other deals, and come to different conclusions based on their own analysis that perhaps Mr. Wright would disagree with.

I mean the Dillon Consulting report that people would have had a chance to look at came to the conclusion . . . and I just want to quote briefly if I can, from page 34, that . . . I beg your pardon, from page 35. It frames the capital investment SaskPower International is planning. And then it says:

This is a significant capital investment for a subsidiary company. Based on this review (and this is their opinion, granted), it would appear that SPI projected revenues by 2006 would potentially not cover interest charges on capital expenditures (estimated to reach, parenthetically, 28 to 30 million by 2006 per year) . . . This would seem to put Saskatchewan rate payers at risk to cover the potential costs of SPI investments.

That's their opinion. We've heard the considered opinion of the CEO and I don't think we even need to adjudicate about the opinions at this point. As a committee, we simply need to realize that there is a risk — there is a risk. There has to be a risk in these things. And to that extent, why don't we as a committee suggest to the government and not handcuff them as to timelines, but simply suggest to this government that they do whatever they can to take steps to limit the exposure of these risks to the ratepayers, to customers.

It's what the independent consultant said. It's also, to be fair, what the CEO has said, and that's what our motion speaks to. We would, I think, welcome an amendment on the out-of-province business. I take well the comments he's made about how do you define those, although we would even do that cautiously because he highlighted the consulting, Mr.

Chairman, that's going on.

Apparently SaskPower International, over the first years of its life without making any equity investments of any significance to date, or at least in the reporting periods that we're considering and prior, still managed to accumulate a \$3.6 million deficit, that by definition of this corporation and its relation to the parent, exposes the ratepayers to upward pressure on the rates, to a loss. And that's just on the consulting end.

So again, I mean, clearly I guess it's a matter of the decision of the corporation; it's a personal development issue . . . a personnel development issue, it looks like. Fair enough. We would have concerns about that. But having said all of that, I think we would be open to removing that part of our motion out and leaving it at the current and future equity investments.

And yes, to the extent that it involves in SaskPower International, even if it's in province, we believe those equity investments should be captured by that because there'll be a certain risk to those and we simply want to separate the risk from the taxpayers.

I don't know if you want to comment on that.

Mr. Wright: — Just briefly. It's very important that we approach this on a thoughtful basis, and indeed those were my comments as reported in the press and indeed it was a very hurry-up statement from my side. I've had the time to reflect on this, and the more I reflect, the more interesting challenges there are in coming up with an appropriate approach to this.

The Dillon report — we spent a lot of time with Dillon. In fact we offered to have Dillon meet with our external auditors because there appeared to be some confusion about the role. They declined the opportunity to meet with them.

There are other things that SaskPower down the road will be and may be involved in . . . not would be, we may be involved in. And let me give you an example. As my vice-president of planning indicated yesterday, we have an open approach to partnerships and that we're looking at some small-scale hydro projects and others. If we were to partner with perhaps a First Nation to produce wind power in the southwest part of the province and make an equity investment in that, would that be regulated or unregulated? And that's not clear to me. Or, for example, if we partnered with a First Nation group up in the northeast part of the province on a small-scale hydro project and we both put in equity dollars, would that be regulated or unregulated? Even though it's not out of province, it's internal.

And these are the things that we need to reflect upon again very carefully, Mr. Chair. And that is why I would ask — I'm not sure if the motion by the government has been tabled as well . . . (inaudible) . . . Oh, okay. So I really can't speak to it but a thoughtful approach and a careful approach on this, recognizing — and I understand where Mr. Wall is coming from in general terms.

The Chair: — Continuing on in the speakers list, I've got Mr. Yates and I don't have any . . . Then I've got Mr. Wall after Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. My question really has to do with a section of the Dillon report which you may not be aware of or have in front of you. But it draws a conclusion that I really have to ask a question on. It draws a conclusion that by 2006 we will be . . . there'll be a total capital expenditure in the \$483 million range in SPI (SaskPower International). And I just am wondering whether or not that is in fact the intent or direction or if you could give us some explanation how that type of conclusion would have been drawn and is it accurate.

Mr. Wright: — There's several elements to this. Again we work closely with Dillon and I'm not certain that they were all that familiar with . . . (inaudible) . . . operations in general or SaskPower International. The phraseology in here is a little difficult.

There's a couple of points though, Mr. Chair. The first point is called bookmarking. In our forecast and in our outlook, and I'll give you an example, we've included \$150 million for environmental mitigation purposes at our coal-fired plants from Poplar River through to Boundary dam through to Shand. We don't know if we're going to spend it but it's a prudent and cautious approach to forecasting and to budgeting into the future. Hopefully we won't need it.

In the same way we have put in a bookmark each and every year to be prudent and to be cautious with SaskPower International investments. We don't know if we're going to make those investments. There are no earmark projects to those, but it was the proper thing to do. Now the interpretation by Dillon here is that, indeed, we are going to make them and that that would result in equity of 250 million and non-recourse debt of 233 million.

That draws me to my second point which is non-recourse debt and, I'm not sure, I can't speak for Dillon, but they may not understand it.

Non-recourse debt in the electrical industry and how we've employed it with both Cory and Muskeg means that that debt cannot come back on to the shoulders of the parent corporations. If there was a default, the owners of the bonds would have to go to the assets of that particular project. In the case of Cory, they could only go after the assets of the Cory project. They could not bring it back on to the shoulders of the taxpayer or of the ratepayer, the SaskPower ratepayer. And that's very important to note, and I don't think that that's clear in the Dillon Report.

That being said, again in summary, Mr. Chair, two issues. One, bookmarking. We don't have projects for this amount of money, but it was a prudent and cautious thing to do in our belief. Same thing that we did for environmental mitigation efforts at our plants. And the second is the proper treatment of non-recourse debt, can't come back on to the shoulders of the SaskPower ratepayer, an important distinction as well.

The Chair: — Actually, I would ask if the Provincial Auditor has anything to comment on with regards to the propriety of these practices given that the auditor's office had reported that SaskPower hadn't had a chapter this past reporting year, for the auditor's annual reports.

But anyway, would you care to comment on the propriety of this practice as outlined by Mr. Wright?

Mr. Montgomery: — Thank you, Mr. Chair. I think, we would essentially agree with the comments of Mr. Wright.

As I followed the conversation so far along, I think deciding what is included or what is not included in the rate is essentially a policy decision and that's what I'm seeing in this debate. To decide whether you include losses of an international subsidiary, it's a policy decision.

I think, at this point, we would stay away from that.

The Chair: — But there's nothing untoward in terms of proper accounting practice.

Mr. Montgomery: — No. Mr. Wright gave a very good explanation of non-recourse debt and he's correct. Nothing comes back to the parent of the corporation.

The Chair: — Okay. Mr. Yates, if you continue.

Mr. Yates: — Thank you, Mr. Chair. Just the follow-up question. This figure then that is essentially a bookmark, any investment in the future, would it still not have to go through then the normal approval processes? This isn't pre-approved ability to just go spend the money ad hoc without any approval . . . have to go through the normal approval processes that you would have on an investment of that nature, would it not?

Mr. Wright: — Yes, Mr. Chair. There are extensive external investment guidelines and investment guidelines within SaskPower, and I expect and demand my staff to adhere to those.

We have a full risk-management profile. We go from there to our Audit and Finance Committee who are very diligent in their approach to all aspects of SaskPower. A recommendation then would go to the Board of Directors of SaskPower for their detailed scrutiny. From there we have got to go to CIC (Crown Investments Corporation of Saskatchewan) where the individuals there will employ, as necessary, external consultants or handle it on an internal basis. And it flows up the chain from there. So any investment that we would make outside of this province, for whatever reason, there is a full process.

In addition I would mention, because there can be these partnerships — and quite frankly I'm hoping that there will be — equity partnerships with others. And inside the province there is a whole process of — I don't like the phrase due diligence — but there is a whole process of due diligence internally. It's quite extensive.

Mr. Yates: — My final question then, Mr. Chair. So to sum this up, we have a number that's put there for a projection or a bookmark but the number isn't attached to any actual approved expenditures, approved plans, approved anything. So it's a number that there would . . . it's somewhat of a leap of faith or jumping to a conclusion to assume that there would be a debt that really has not been approved in any way yet.

Mr. Wright: — Well, Mr. Chair, not only are there not

approved plans or approved investments, quite frankly there's no projects identified with these dollars at this point in time. But it was a prudent thing for us to do, just as putting in \$150 million for environmental mitigation in the out-years we thought was a prudent thing to do.

Now certainly as we move forward we may, with a regulator, have to adjust our approach and just make sure that it's the dollars that are identified for approved projects on a go-forward basis. But in my wisdom I thought it was the correct thing to do, and my board of directors thought it was the best thing to do. Again, from a prudence viewpoint.

The Chair: — Mr. Wall, or anyone else? Ms. Atkinson.

Ms. Atkinson: — I would like to, I guess, move an amendment to the motion. And there's been discussions between members on both sides of the committee, and I think this will be acceptable to everybody.

That this committee call upon the provincial government to consider the recommendation on page 35 in the Dillon Consulting Ltd. report to the Saskatchewan rate review panel. And that SaskPower undertake a careful and thoughtful analysis of the rapidly changing electrical utility regulatory regimes of other North American jurisdictions, their applicability to SaskPower, its subsidiaries, and its activities in order to minimize risks to SaskPower ratepayers and remove the potential for investment losses by SPI therefore putting upward pressure on the rates of SaskPower customers.

The Chair: — Perhaps the member could provide a copy of that to the Clerk. We can make copies to circulate amongst the members. And if we could just briefly recess to achieve that purpose.

The committee recessed for a period of time.

The Chair: — And with that, folks, we'll reconvene.

Mr. Wall: — Thank you, Mr. Chairman. I guess what I'd like to do at this point is withdraw the motion that I made earlier this morning, which replaced the motion that I withdrew from yesterday. And instead, we would like to indicate that we will be supporting the motion but if I could be allowed just a minute or two for some brief remarks about that.

We do that with some reservation because we, you know . . . we believe in the motion that was put forward by Ms. Atkinson. The call to action on the provincial government to safeguard ratepayers from this exposure is watered down significantly. Arguably you could suggest that this motion is saying, well we hope they do what we think the minister should be doing anyway, considering this report.

Having said that, it does again direct the government's attention and the minister's attention, no doubt, to this important issue. And to the extent that we could accomplish that as a group, unanimously, that's certainly a worthwhile effort and we wouldn't want to at least lose that impetus. So therefore, Mr. Chairman, we will be . . . no I . . . we'll be supporting this motion.

Ms. Atkinson: — Thank you, Mr. Chair. I think it's fair to say that the government recognizes that there is concern that investments could have an impact upon individual Crown corporation rates and that concern has been generated, I think, by Mr. Wall and his continuing concerns about various Crown corporations and their investments. We think we've put forward a logical argument about why certain investments are taking place. We have Crown corporations that are now acting within an international or global environment and we have basically two choices: we can try and grow these individual Crowns or we can be sort of overtaken by the globalization that has taken place.

So we have a strategy that we think has been fairly successful and will be successful into the future, in order that Saskatchewan can maintain some ownership and head office jobs — and jobs — in this province by having what we consider to be important utilities remain here. And if you look at what's happened in other jurisdictions where Crowns have been privatized, that has meant a loss of good-paying head office jobs and so on.

But in order to . . . We recognize that there is a concern. We think that this is a complex issue. Certainly the officials from SaskPower have indicated that this is a complex issue and in order to minimize risks to ratepayers or taxpayers, we think that SaskPower should undertake a careful analysis of what it is doing, and no doubt they will report that activity, that analysis, to us.

So that's why we have put forward this recommendation . . . recommended resolution in order to take those concerns into consideration. But also in the end, we're going to have a report from SaskPower on what they have determined.

The Chair: — Any further discussion on the resolution at this . . . or the motion at this time?

Seeing none, all in favour of the motion? Those opposed? The motion is carried unanimously.

At the moment, the Clerk is going to . . . (inaudible interjection) . . . Waving to me? And hello to you too, Mr. Wall. Okay.

At the moment, SaskPower had undertaken to provide further information pursuant to some questions that were made yesterday. And at this point in time, the Clerk is going to provide copies of the related information to members of the committee.

With that, I'll resume consideration of a speakers list focusing more properly on the annual reports of the Crowns, and perhaps we'll just briefly cool our jets while the information is distributed by the Clerk. But please indicate if you're interested in being on the speakers list.

On the speakers list thus far I've got Mr. Huyghebaert. Mr. Wall, are you going to wave at me again? Okay.

Mr. Huyghebaert: — Thank you, Mr. Chair. Yesterday we touched on the nuclear aspect of power generation and I don't have the *Hansard* there to get the exact quote, but I'd just like to revisit the nuclear generation concept in light of what was

discussed yesterday. And a couple of questions that I would ask relates back to the reporting years.

Did SaskPower officials talk to the Atomic Energy Commission at all during the reporting years vis-à-vis power generation, nuclear power generation in Saskatchewan?

Mr. Wright: — Not from my recollection, Mr. Chair, no.

Mr. Huyghebaert: — So I would gather that SaskPower did not look at the costing of nuclear generation?

Mr. Wright: — No, Mr. Chair, I was just answering the direct question. For the years under review, we did not, to the best of my knowledge. However, as my colleague indicated yesterday, we are considering all forms of generation again, from wind to solar to biomass to low-scale hydro, large hydro, and even the nuclear option.

If I can just go on for two minutes and perhaps give a little overview and then turn it over to my vice-president who is . . . (inaudible) . . . that, Rick nuke'em Patrick, and he can speak more to the nuclear option. In any choice of new generation, there's a variety of issues that have to be considered. There's, can you move the energy? Transmission — do you have the wires?

There is, where are you going to put the energy? Is there a load or demand out there for it? How much does it cost to construct it? What's the time to construction and completion? Is it baseload, meaning does it run 24 hours a day, 7 days a week, 360 days out of the year? Or can you turn it on and turn it off?

What's the cost of fuel? Is the fuel available, not only in the short term but also in the long term? How does it fit into a balanced portfolio of generation? Because we believe in that very much. Are there partners out there that would want to deal with this? What's the life cycle of this sort of operation? Will there be new technologies that will come along that will throw it off balance? And importantly, what are the environmental issues associated with any new form of generation?

So those are just the characteristics that we look at. But if I may, Mr. Chair, turn it over to Rick to speak more to that nuke'em option . . . or nuclear option, sorry.

Mr. Patrick: — Thank you. Mr. Chair, during the period of question here, the three years, we didn't have any particular direct contact with AECL that I'm aware of. I wasn't in the planning role in those days but I'm not aware of any being undertaken.

However it is our job to be aware of what the options are available to us. And there's lots of information in the public record about nuclear reactors and the cost and the issues and all that. So our people make a point of being, through just normal trade publications and through the media and other places, they're being aware of what's going on. And we're aware of that.

Nuclear, historically, was not that much interest to us because it's generally too big and too expensive. The thing that has changed . . . Two things really have changed probably in the

last couple of years for both the nuclear industry in Canada and also for our utility.

One is that from SaskPower's point of view we're not only now having to deal with the normal load growth issue which historically was our primary driver for new equipment selection, the load would grow over time . . . And if I can just digress for 10 seconds.

The way we normally managed load growth historically is as the load would grow from year to year we would actually contract through our tie-lines to the interconnections to primarily Manitoba and the United States — contract for power from others to serve that growing need until such time as we were able to convince ourselves that that new load was real and firmly embedded in our load profile; that it wasn't some one-year aberration because of an unusually cold winter, for instance.

And once you've got to the point where you believe that it's a sustainable load that has to be met on an ongoing basis, we would make a decision from an existing portfolio of selections. We had, you know, coal, or hydro, or gas, whatever it happened to be. And depending on whether you needed baseload or peaking — all those things we talked about yesterday — a choice would be made, a project would be developed and would come on-line. And as soon as it came on-line, we'd basically unload the tie-lines; do away with those import contracts.

And so you get over time what we call a sawtooth — you ramp up the tie-lines, drop them off, ramp them up, drop them off. And that's been the model for years and years and years in our business — and again, primarily dealing with equipment selection to meet load growth.

The thing that's different for SaskPower sort of now and more into the future is, because our fleet of equipment is getting old, we're looking at an increasing number of units that are destined for decommissioning or at least a serious review as to whether they can, in our business we call them life extended or life managed beyond their normal design life.

Thermal plants are generally designed for 35 or 40 years. We have some thermal plants that are now or will be 50 years old before they're decommissioned. Hydro is typically designed for maybe 50 years. We have hydro facilities that are over 70 years old and probably will be 100 years old before they're decommissioned. We try and get as much out of them as we can. And as the technologies that support maintenance develop, you're able to do more for longer with old stuff.

But we do have units that are scheduled for decommissioning and they have to be replaced with something eventually. So you've got load growth, decommissioning, which is almost like load growth because when units come off-line, you have to replace them with something. It's part of our problem to be solved.

And then the third thing we talked about yesterday at some length was this whole business of environmental mitigation. One of the things that we may have to do to mitigate, if the feds come down with all of the prescriptions that they're talking about on various kinds of emissions, including greenhouse

gases and other things, we may actually be forced to take existing plant off-line prematurely; not for maintenance reasons, but simply because it becomes environmentally obsolete. It becomes no longer sustainable, no longer acceptable.

A premature decommissioning of plant or, in some cases, even if we're able to mitigate the environmental emissions, generally speaking the apparatus that you add to a power plant to clean it up detracts from its ability to produce electricity. So a power plant that arguably makes 300 megawatts like, for instance, our new Shand power station nominal rating, if we added the technology we know of today to scrub CO₂ out of its stack, that would probably reduce the capacity of the unit to less than 200 megawatts. So you take a big hit on the output because it takes a lot of internal power to run this cleanup apparatus.

All those things being said, the size of the load change we're having to manage over time is getting bigger. It's not just load growth. It's decommissioning. It's environmental stuff. It's a whole bunch of things. That means we're trying to look for solutions to much larger blocks of energy.

In that context, nuclear is not as unconscionable as it once was. Nuclear has lots of issues, there's no question. It has waste management, is probably the biggest issue which generates a huge public relations issue, both real and perceived. Historically, it's been very expensive relative to other forms of generation, which has not made it very attractive to us.

But Atomic Energy of Canada, on their side, have been working like crazy for the last 10 years to find a way to build nuclear plants that are essentially cost competitive with gas-fired power plants. I mean, that's a huge change for them because, historically, nuclear cost what nuclear cost. It was very expensive.

Now they're saying they have a price point and that price point is combined-cycle gas turbine technology. And they've worked like crazy for the last 10 years and they are coming up with a new design, a new generation CANDU system which is still fairly large; it's 600 megawatts, which is big for SaskPower but nonetheless we maybe have big load issues to manage. And they're talking about significantly driving the cost down from what they used to be. They're talking about nuclear plants theoretically that are going to be cost competitive with the normal things that we would have considered from our point of view.

So our job is to have options available for not only this company but for the people of Saskatchewan. So to simply say nuclear is in and out is too simplistic. We simply have it on the list. It has its good points; it has its bad points — but so does everything else. And at the end of the day when we have to make choices, if the nuclear option has enough positive attributes, it would be on our list. If it doesn't, it won't be.

The Chair: — Anything further, Mr. Huyghebaert?

Mr. Huyghebaert: — Well, yes. Thank you, Mr. Chair. And I thank you for the answer because I am aware of the new technologies coming out from AEC (Atomic Energy of Canada Ltd.) and where it's going to be competitive. And I guess it was

a thought going through my mind yesterday when we were talking about the Kyoto agreement. And I believe I heard a figure it would cost us billions in this province to comply with Kyoto, and looking at the capital investment of a nuclear facility would probably be less expensive than complying with Kyoto. And also with a plant, we discussed yesterday importing and exporting and we all went on and on on that aspect of it.

Well I think this would provide an opportunity for more export but I'm not in the power business so I don't know. But it just seems to me that the need for power is very evident especially in the southwest part of the United States.

And my question would be, would a nuclear generating facility comply with the Kyoto Agreement?

A Member: — Yes.

A Member: — I can talk nuke'em.

The Chair: — Whichever alias you care to employ at this time.

Mr. Patrick: — I'm flexible.

Mr. Wright: — I apologize to my colleague for inserting Kyoto and nuke'em in his name.

Mr. Patrick: — The Kyoto Accord is written around the concept of control of greenhouse gases, and there's several different gases — primarily carbon dioxide — that contribute to that problem. A nuclear power plant essentially has no carbon dioxide emissions, so in that sense it does not add to our problem.

It doesn't get rid of the problem of our existing emissions unless you were to add such facilities that were of such a size that you could actually take our currently emitting plants off-line.

But by the Kyoto implementation period we're going to be, just to put it into context, about 7 million tonnes of carbon dioxide per year over our theoretical limit. Like, our bottom line is sort of 10 million tonnes is our target and we're probably going to make between 16 and 17 million tonnes of carbon dioxide in our electrical power producing plants in Saskatchewan during the Kyoto period per year and that's a huge issue to be managed.

Mr. Wright: — If I could just add a couple of other points to this. The new technology by AECL (Atomic Energy of Canada Ltd.) will not come on stream until 2005. It's at a minimum a four-year construction when you've signed the contract. There's probably two to three years of environmental review under it. The cost of a 600-megawatt plant is approximately, give or take, \$1.8 billion in Canadian funds today. And you have to be again — I hate to use that word — thoughtful about all of this but we do keep the options open. And that's fundamentally important, making sure that we're abreast of all the technologies . . . again the new technologies, wind and solar through to the nuclear option.

The Chair: — Anything further on the string, Mr. Huyghebaert?

Mr. Huyghebaert: — Just in closing, I'm very happy to see that SaskPower is keeping the options open. And I very much appreciate the timeline and that's why I think it's important to discuss it right now because if we have to conform to Kyoto at some point, and then all of a sudden we're hurting . . . we're in real bad shape and we're hurting, so now is the time to be thinking of it and addressing it, I believe, and I'm glad to see that you're keeping that option open.

Mr. Wall: — Thank you, Mr. Chairman. I would like to talk, if I can, for a little bit or ask some questions and have a little discussion on the OM&A (operating, maintenance, and administration) over the reporting years. And as a reference point again there was some discussion of it in the Dillon report that covers the years under review and no doubt the officials will want to comment on those, because not only the consultant but the rate review panel themselves felt that there was some productivity gains that could be had at SaskPower, that there were some perhaps OM&A costs that could be saved in SaskPower, and as a result they made their decision to not grant the increase to the extent that SaskPower wanted — not even going a third as far as the consultant said potentially they could have gone in terms of mitigating increase.

However, specifically so there's a point of reference, the consultant indicates . . . and by the way, in their analysis they go back to 1996 in terms of their actuals, so I think the questions are in order for the years under review because they certainly include those. But they make a general statement that I'm very interested in the CEO's response to that statement.

SaskPower's operating, maintenance, and administration costs represent 25 to 40 per cent of total operating costs. On a unit cost basis, these costs have increased from 1.3 cents per kilowatt hour in '96 to 1.55 cents per kilowatt hour in 2001, a 20 per cent increase over the six years — I'm not sure how much of a percentage increase it was over the years under review — compared to the inflation rate that they peg at 10 per cent. Then they just quickly point out that in other jurisdictions, Manitoba Hydro, another Crown, highlighted OM&A costs accounted for 20 to 25 per cent of total operating costs and expenses. And there they indicated that theirs increased over that same period 5 per cent, compared to the 20 per cent at SaskPower.

I would just ask the officials if they would comment on that, please.

Mr. Wright: — I would be very pleased to respond to this. The commentary can be found on page 32 of the Dillon report. And if I can just make one or two corrections because there are some mathematical issues around there. Just for the edification of the members of the panel, where it says 1.55 cents per kilowatt hour in 2001 — no, it should read 2000. And even if it was 2000, that's not a six-year increase, that's a five-year increase but it's only measured to 2000, so it's a four-year increase. So there are some technical problems with this.

But let me speak to the point, and the point is an interesting one that Dillon raises — just setting aside the mathematical errors here.

In 1994 it was 1.62 cents, is the comparative figure. In 1995, it

was 1.64 cents. Then it falls down — and Dillon's correct — down to 1.3, climbing to 1.5 cents in the year 2000. However, we have unaudited financial statements . . . We're going . . . working through with our external auditor and, of course, the Provincial Auditor and I expect to see significant productivity improvement dropping down below that 1.55 cents.

So there are some issues here. It's interesting that Dillon bothered to pick — as I illustrated in our diagrams yesterday — both on the number of employees, the amount spent, the lowest year for capital, and a variety of other things being 1996. And again, a more useful, in my world, analysis would have gone back over a 10-year period and analyzed the trends as opposed to picking the bottom year, which I'm sure they just did straightforward.

The second part of Mr. Wall's question focuses in on the comparison of SaskPower and our productivity to that of Manitoba Hydro.

This is an apple and an orange issue. Manitoba Hydro is exactly that: hydro; water. It's . . . and they're comparing a water or a hydro generator to that of a thermal generator, coal-fired, gas-fired, with some water. Again, very much an apples and oranges comparison.

It's not fair; it's not right, in my opinion. And had we have had the opportunity to consult with Dillon or see this report beforehand, we would have probably asked, would you please compare Manitoba Hydro to our hydroelectric stations. Let's get an apple to apple comparison.

I think nevertheless, though, that the information is useful. I just, on the first part, wish they had taken a broader viewpoint. And I assure this group here, subject to review by our auditors and the provincial auditors, that you will see productivity improvements in the year 2001.

And secondly, I always like apples to apples, not apples to bananas.

Mr. Wall: — Thank you, Mr. Chairman.

Well we'll just move on to an apple situation where there's no comparison except against itself. And it's their reference — and you alluded to it very briefly in that response or, I beg your pardon, the official did. And so I'd like to ask a question about their measure, Dillon's measure of staff resource efficiencies again involving years under review in terms of our work here today.

So I'll . . . again, I'll just read a quote for the . . . and members can find this comment on page 33, the next page:

. . . SaskPower has generated between 6 and 8 . . . (gigawatts per hour I'm assuming, is that gigawatts, right) for each equivalent full-time employee since 1995. In 1995, SaskPower generated 6.7 . . . (per) employee. This productivity rose to 7.50 . . . per employee in 1998 (rose) and has since declined to 5.6 . . . in 2001.

Not sure if they again they made a mistake about 2001 versus 2000 or not.

They indicate that:

Ideally, most utilities strive to achieve a steady increase in productivity. SaskPower is budgeting for an additional 99 full-time equivalent positions in 2002. The resulting increase in employee growth seems excessive in comparison to the load growth. Based on this review, it would seem SaskPower was more efficient in prior years in terms of . . . (gigawatts per hour) generated per employee.

Mr. Wright: — Mr. Chair, again I'm delighted to respond to this. Let us remember that it's a comparison. One comparison. Gigawatt hours — interesting. It doesn't speak to the profitability of these individuals. It just speaks to a comparison relative to gigawatt hours.

When you go through and you benchmark how you're doing, both relative to other utilities or on a time series basis, you can't just use one indicator. But fair enough, it's here.

Let me speak to the 99 full-time equivalents. Traditionally SaskPower has not gotten into and measured itself in full-time equivalents. The diagram that I provided you yesterday in your handout dealt with permanent employees. Just starting last year, we started to grind up and see what we could do about getting a full-time equivalent time series basis. And quite frankly, we've made some errors.

The 99 positions are quite interesting. Indeed we are adding positions in the year 2000 . . . in 2002 — 27 new apprenticeship positions. We're building to the future. Twelve of those are lineman positions, 15 deal with power production, because we have a number of individuals that . . . hopefully they won't, but they're planning on retiring in the upcoming years.

It takes you four years to become a journeyman . . . a journeyman lineman and another year before you're any good. So we have a steady increase and we have since 1998, 1999 in the number of apprenticeships. Prior to that, in 1996, our apprenticeship program was basically terminated and through the good work of the senior staff and others in SaskPower, we're rebuilding.

In fact now we have and will have a little over 60 journeyman lineman . . . or it's not journeyman — apprentice lineman positions, and we have in excess of 30 apprenticeship positions in power production. In power production, for example, in 1998, we had four. We need to build to the future. So 27 new positions for apprenticeships, building to the future.

We goofed as well, to be honest with you, in the data that we provided. Thirty of those positions relate to adjustments that we had to make because the data stream isn't correct. Twenty of those positions are . . . Because I believe very strongly in accountability and responsibility, we've moved away from consulting in the information and technology area to permanent positions. Why? To be honest with you, it's nice to have people come in from Calgary and Toronto and visit with you, but I'd rather have homegrown people here. I'd rather have them accountable and responsible to me as a permanent position.

That's 20 of them . . . I'm sorry, that's 12 of them. Twenty of them are because of the overtime. And I'll go back through

these numbers so that the opposition has them in detail. Twenty of these positions relate to our overtime at the power plants. Again we didn't have the data streams correctly.

Why do we incur overtime at the power plants? Simply because there's planned maintenance and there's unplanned maintenance and we have a number of projects underway in the year 2002 and we're trying to make adjustments there.

The final is 10 new positions, and they're spread throughout the corporation. When you add positions it's . . . what we look for is the productivity. Will they add to the revenue stream? Will they help defer costs such as additional fuel costs by a proper planning and maintenance down at Poplar River, for example, by adding one or two people? That may keep that plant on for an extra several hours or days or weeks than would otherwise be the case. So there's a natural trade-off as well with the number of people that you have working in the power plants, maintaining and operating the plants, compared to fuel costs. And there is that natural trade-off.

Again in summary, Mr. Chair, 27 of those positions related to apprenticeships; 30 of those positions related to errors in the data stream that we had for the prior year because it is new to us; 20 of those positions related to overtime in the power plants, again because we didn't have the data streams adequate; 12 of those positions related to, not dealing with consultants any more, but hiring — and at a cheaper cost — hiring permanent employees in our information and technology area, and indeed 10 new positions throughout the corporation.

Mr. Wall: — Thank you, Mr. Chairman. If the officials could provide us with — and if not, if they don't have it with them today, then at some future date — the number of the total increase in staff in the reporting years at SaskPower, '98-99, as well as a breakdown, if officials could, in terms of out-of-scope management, middle management, out-of-scope versus in-scope, and I would ask though for some comment. If the exact numbers aren't available, that's understandable. But I would ask for some comment from officials as to whether out-of-scope positions in general increased in number over the period vis-à-vis unionized positions.

Mr. Wright: — Mr. Chair, I'm pleased to respond to it right here and today, and I can provide the hon. gentleman with a copy of the positions. What I would be providing to members of the committee is both our permanent, temporary, and part-time numbers.

The important one is permanent, in my belief, in terms if you're into the body count — what I'll call game — permanent employees are important. And I'll just read off, if I may, and I'll start in 1994: 2,305 permanent employees; 1995, 2,303; '96, 2,075, the downsize year; again another downsize year in '97, 1,988; beginning to climb here in '98, 2,004; '99, 2,076; the year 2000, 2,149; and as at June 30, 2001, 2,257.

I would point out that the 2,257 number in this last year is in fact lower than the number of people in 1995 and in fact lower than the number of people in 1994. And indeed, management is approximately the same; IBEW (International Brotherhood of Electrical Workers) is approximately the same. However CEP (Communications, Energy & Paperworkers Union of Canada)

numbers are down slightly. But I'd be pleased to provide this to Mr. Wall.

Mr. Wall: — Thank you, I'd appreciate that. Mr. Chairman, we have a few more questions I think for officials, and I'm going to jump around here a bit so I apologize for that in advance. This one would seem like a housekeeping matter but I'll put it forward anyway.

During the reporting years currently and for apparently about six decades prior to the reporting years, there's been an occurrence not just with SaskPower I would presume, but with other Crowns in their tendering. I think this was the subject of an open-line show, a famous open-line show, yesterday in the province . . . it looks like officials are ready to ask . . . apparently that with a recent SaskPower tender document there was the fair wages clause cited, as it is in these sorts of tenders, which is an order in council that dates back to March 23, 1944 apparently, and the language . . . I heard the order in council read over the radio and the language was a little shocking, frankly.

The language is very dated. It spoke of exclusively workmen, and him and her, and it highlighted the fact that it set the rules for horse-drawn carriages and horse-drawn equipment sort of thing for this sort of tender. And so I wonder why we would have, why SaskPower would include a fair wages clause that's so clearly out of date, 60 years old and why that would still be in place and not updated.

Mr. Wright: — Mr. Chair, it even goes on in the order in council to name a fair wage officer who I'm not sure is still alive. We're obligated at SaskPower to comply with the laws of the province, pure and simple. And to our knowledge there is no court order declaring this order in council from 1944 to be void.

In fact this has been part of our tendering policies since 1944 and is provided in the record on an ongoing basis with all of our tender documents. It's nothing new, it's just . . . it's an interesting reference. Not only does SaskPower utilize this OC (order in council) in its tendering, which speaks to posting wages for the job, proper records to be kept, contractors shall employ skilled apprentices, but we also understand it's applicable to SaskEnergy.

So it's a matter of the law. We are here to comply with the law, and we include it in all our tender documents and always have for, I guess, that's 57 years.

Mr. Wall: — Mr. Chairman, would it be in order . . . I don't have one prepared, frankly, but given the answer that we've just received — and I thank him for that — would it be in order for the committee to consider a motion that this committee recommend to the government that they visit this issue as soon as possible and simply update it appropriately as they see fit.

The Chair: — It certainly would be in order.

Mr. Wall: — I would make that motion.

The Chair: — Perhaps we could wait until the Clerk returns.

Mr. Wall: — Well, I have just a few other questions on an

unrelated matter, and you can return to that . . .

The Chair: — If you could deal with your other questions and then, if you desire to move a motion at the end of your questioning pertaining to the fair wages clause, then . . .

Mr. Wall: — Just a question. There was in the December 1 *Leader-Post* there was some detail, and again, this is not dealing with the reporting periods, although I guess I could frame it in such a way that it does. During the years under review did SaskPower for its natural gas needs have any dealing whatsoever with Enron, and does it have any exposure there at all with that corporate disaster that's occurred in the United States?

Mr. Wright: — Mr. Jones will be pleased to respond to the inquiries on Enron.

Mr. Jones: — Mr. Chair, Mr. Wall, thank you for the question. I don't have any specific information for the years under review and so forth, but currently as the situation sits right now, we have no exposure to the Enron situation.

Mr. Wall: — Thank you, Mr. Chair. That's the . . . obviously the most important part of this. No doubt many, many gas purchasing utilities had dealings with Enron over the years in review, but it would be the more recent ones that I think would be of most concern to people.

So, can we . . . I'd like to move a motion at this time, Mr. Chairman, if I could:

That this committee recommend to the provincial government that it update their fair wages clause that is required in various tenders as a result of order in council no. 301/44, March 23, 1944.

It's just . . . I think we'll leave it at that, that it update that fair wage clause from that particular order in council, so that all Crown tendering has an updated equivalent of the fair wages clause.

The Chair: — Okay. We'll just take a moment to get this down in writing and to provide copies of it.

Folks, we will resume the meeting. Mr. Wall has moved the following motion:

That this committee recommend to the provincial government that it update their fair wages clause included in Crown corporation tenders per order in council 301/44, March 23, 1944.

Do I have any speakers to the motion?

Mr. Yates: — Yes, Mr. Chair, I would just like to put on the public record that we agree with Mr. Wall's motion and that we will be supporting it.

The Chair: — So we'll move straight . . . We'll move rapidly to the afterglow, I'm sure.

Okay. All those in favour of the motion? Those opposed?

Motion is carried unanimously.

Resuming the speakers list, I've got Mr. Wall, Ms. Atkinson, and Mr. Brkich.

Mr. Wall: — I'd like to spend a bit of time on the issue of — or at least one or two questions, maybe two — on the issue of community rinks, rinks in general, and their power bills. And I think the member for Arm River raised it indirectly yesterday when he compared the . . . some of the sort of charitable undertakings or corporate sponsorship undertakings of the corporation versus the very real concern on the part of a number of communities that they're going to lose their rinks because of the gas bill and the light bill.

And so some specific questions, I guess, other than just to have the general question. I think back in April 2000 Mr. Elhard asked some questions about it, and you responded. And I have the responses here and certainly SaskPower understands the problem. Many would argue and lots of us would agree that it's sort of a public policy issue — if the government wants to do something, it might want to consider doing it through some line department instead of the Crown.

And having said all of that, if for example some sort of communiplex or arena somewhere decides, or some community group decided to try to find a way to generate their own electricity, for example, and potentially sell back the . . . or try to sell back any excess power onto the grid, what kind of a view of that would SaskPower take?

Mr. Wright: — Well certainly, Mr. Chair, we have a very open approach. As I mentioned yesterday, we do have two policies in place whereby if you're less than 100 kilowatts in terms of your production, we will provide you with a . . . we will pay for the power at 2.67 cents per kilowatt hour. In . . . above that, please come in and talk with us — up to 10 megawatts — and we'll see what we can do.

That being said, it . . . I'm not sure about the economics of a curling or a skating rink or a municipality trying to purchase a micro-turbine, running natural gas through. In fact, what I strongly suspect is that they would find that their power costs would go through the ceiling, because generally that form of production is much, much more expensive than, for example, when we have water, hydro, or much more expensive than coal-fired, and much more expensive than other forms of generation.

So we welcome the opportunity if somebody wanted to do this. However, they should come and talk with us first.

The Chair: — I've got Ms. Atkinson, then Mr. Brkich.

Ms. Atkinson: — I want to thank the officials for the detailed information they provided the committee on capital projects since 1991.

I'm wondering if the officials can provide the following information. In terms of capital expenditures throughout the 10-year period, what portion of the capital expenditures would have been put in place in order to support new activities that are occurring in the province from an economic development point

of view?

Mr. Wright: — Off the top of my head, Mr. Chair, we'll do the best we can, but I think that's extremely problematic in some circumstances, and I'll try to give you an example. We've had very positive and explosive growth in the overall economy for the last several years, resulting in increasing electrical load, of course, particularly on the west side of the province in the oil patch.

We've had some substations or transformers out in the field that haven't been able to carry the load, and we had to put in new transformers. Isolating the costs of some of these, because they're smaller in the data, would be very difficult for us to do it on an adequate basis, and also do you consider just the costs of the new transformer or do you subtract the existing cost of the transformer that was there?

We can take a look at it and we can try to report back, Mr. Chair, but I have a strong feeling it's a lot of work and you're not going to get the satisfactory results that you may require or that you're hoping for.

Ms. Atkinson: — Okay. In terms of the increasing electrical generation load, can you give us a breakdown of what's occurred in the last 10 years, and apportion that to economic development activity? Is that possible?

Mr. Wright: — Certainly the first part we can supply. In fact, I believe in the Dillon report they did provide us with the numbers, or we did provide Dillon with the numbers and they are recorded in terms of energy sales on page 26. That unfortunately also includes export, but you can see the rather rapid growth in electrical demand as a consequence of a growing economy.

But electrical demand also grows not only because of new economic development out there, be it in the oil patch or natural gas or new manufacturing plants, it also occurs and has occurred because of the development of things like the computer in everybody's house — and please turn the computer off at night but a lot of people don't — new electrical gadgets that are out there and a variety of other items.

We can see what we can do, but again I don't think you're going to get a fully satisfactory result from it. It's very difficult to come up with that sort of data. We can do our best though, Mr. Chair.

Ms. Atkinson: — I guess the point that I'm trying to make is that if you look at the increasing demands for electrical generation, I suspect that most of that demand has come from a growing economy, particularly in the oil and gas sector or the manufacturing sector and so on. And I just wanted to . . . there was a reason why I asked for the capital project information and the reason was because — and I think it's borne out in certainly some of the detail that's contained in the documentation — and that has been the growth in the oil and gas sector and the pressure that has put on SaskPower to generate more electricity obviously, but also to ensure that there are capital expenditures put in place in order to support that economic development activity. And I wanted to make that point.

Mr. Wright: — We can, Mr. Chair, provide the committee with our annual load by customer class that goes back to 1997.

We break it down by what do we call our key accounts: oilfields; commercial; residential; farm; reseller; corporate use, which is internal use to drive our pumps and our electrical generators; total sales; and what we call line losses because there is energy that dissipates into the atmosphere.

And just in terms of oil field — I'm just adding this up — for the period growth 1997 to the year 2000, in terms of the oil field, it's a 10, 20, 35 per cent growth in consumption by just our oil field customers. So we'd be delighted to provide that if that's helpful.

Ms. Atkinson: — Yes, that is helpful. I think I'll look at the information and then I'll have further questions, if that's okay.

The Chair: — Well, perhaps at this point we could move to Mr. Brkich and then return to yourself if the need should be, then Mr. Wall, of course.

Mr. Brkich: — Thank you, Mr. Chairman. As an MLA (Member of the Legislative Assembly), I'm trying to figure out the far-reaching implications of the Kyoto Agreement, how it could affect Saskatchewan.

I guess my question through you to SaskPower officials . . . I would assume you've studied and read the agreement. Have you did a cost analysis, if this agreement is signed by the federal government, of what it could cost SaskPower and ultimately ratepayers of Saskatchewan if certain power plants have to be decommissioned earlier, the cost to upgrade them, and also backup plans, if some of these plants are decommissioned, where you will get the backup, the power for them?

Mr. Wright: — Certainly, Mr. Chair. Again, I'd like to introduce Rick Kyoto Patrick and he'd be pleased to speak to it.

Mr. Patrick: — It's certainly a work-in-progress for us. We'd been spending increasing amounts of time probably for about the last three years.

We did a bit of a scenario analysis about two years ago on this and we looked at over approximately a 15-year time horizon, three scenarios, if you like. The first one was so-called business as usual. That was sort of the cost to run the corporation if we sort of just could run it in the future the way we've kind of run it in the past, just operated and maintained sort of the normal facilities without having any sort of significant external pressure against us. And that kind of formed a baseline, if you like.

We then looked at mitigating the Kyoto implications in accordance with what we think the rules are. And even though they're not firm, we've taken the position that they will be as stated by the feds and implemented over the . . . in the first phase — 2008, 2012. And we looked at a couple of different models. One was buying economic instruments in the marketplace — credits, if you like, and offsets — and having to speculate to some degree on what the cost of those would be.

We also did another analysis which was essentially a conversion of some of our facilities to natural gas. And we did a couple of different models there. And I don't have the numbers in front of me but in both cases . . . or in all cases the numbers rapidly exceed a billion dollars plus.

The numbers are essentially already obsolete because we have sort of new information now and in fact some of the folks that work with me, we're just in the process of sort of redoing this stuff. And over the next, I'd suggest, several months and probably by the spring we're going to come up with sort of a better and newer set of numbers because the imposition of this is becoming a little bit more clear. Some of the numbers are firming up.

The basic problem around this is that very . . . there are not very many commercialized technologies available today you could simply add to an existing plant. And we spent a lot of time, effort, and money supporting development of these things. And the effectiveness and the cost issue is simply becoming more clear over time. Quite frankly, we are looking at probably being two or three years away from really knowing what apparatus you could buy and hook on to an existing power plant.

In the meantime we continue to dabble with market instruments. Recently we've had an interesting discussion with Sask Ag and Food around the use of agricultural soils for carbon sinks in this province. I think the committee may already know that we have a deal with Sask Environment over some reforestation issues, buying carbon that's secured in forestry. We're doing lots of things.

And the pricing around that is all over the place. Like the range of cost estimates is enormously variable. But in all cases it's a very, very large number. And I realize it's not perhaps as specific an answer as you might like, but it very much is a work-in-progress. And in our strategic planning we are working on all kinds of mitigation strategies, from replacement of equipment to adaptation of equipment to finding other sources of regeneration to everything we can think of that we could bring to the table.

And it was suggested earlier by one of the members, the time is about now that we have to start making these plans because the physical implementation of hardware change to our system takes a number of years. You can't just flip a switch and make this happen overnight. It takes a number of years to build new infrastructure.

And we're really caught in a conundrum as every other coal-fired utility in Canada is, that our lead time to Kyoto is shrinking, and the things that we actually will have to do are very uncertain to us because we don't know what the rules are. And we're, by this summer, by the summer of the year 2002 the feds are saying that they will probably ratify. If they do that, then those real impositions will become a lot more real and our response will become a lot more real at that point too.

Mr. Brkich: — Thank you; thank you for the answer.

Considering that I've heard this from other people — yes, that a lot of people don't know what the implications are with the rules and the regulations that could be on it — my question, I

guess, through the Chair to officials: have you corresponded with this provincial government in any way to send them your concerns that if the federal government signs this that it could have far-reaching implications for SaskPower and its ratepayers?

Mr. Patrick: — The short answer is yes.

We have an ongoing dialogue with both Sask Environment and SaskEnergy . . . or pardon me, Energy and Mines — around this. And they have people that participate on national forums with the feds and others, as we do as well. They deal with it sort of at a political level; we deal with it kind of more at a technical level through our representation . . . (inaudible) . . . Canadian Electrical Association.

But the answer is we have ongoing dialogue — and I might add ongoing angst — collectively over this.

Mr. Brkich: — Thank you for the answer. I guess just one more short question, a follow-up. I know that you've did cost analysis with the other Crowns. But my question was, have you sent correspondence to the provincial government as itself, to the cabinet, with your concerns?

Mr. Wright: — Generally that's not the process. The process is to deal with officials on a one-on-one basis. I meet on an ongoing basis with the deputy minister of Energy and Mines who heads up the file. Rick has a very, very close contact ongoing with Environment and Resource Management. We, as officials, go to the other officials and that's proper process.

I do believe though on the issue of mercury, we did send a letter to the deputy minister which had a carbon copy to the minister on that particular issue.

But official to official is the appropriate way to go.

The Chair: — So I've got Mr. Wall for a couple more and I've got Ms. Atkinson with some follow-up.

Mr. Wall: — I just have a question on the Cory cogen.

I think though, just to finish up here on Mr. Brkich's line of questioning, it's very interesting and you can see how over the last couple of days we've had a number of questions about it.

There is, I think, a lack of awareness around our province and across Western Canada about the huge and sweeping implications of all of this, and it's not the question for this forum but I think where we're coming from is: why does it seem that nobody is raising any Cain about this thing and its impact. I think that's the point.

But it's not a question necessarily for officials; that's one that the politicians will have to sort out, I'm sure. And it might happen a little later on this very day.

So my question on Cory would be as follows: during the reporting period I believe is when recent documents that have come to light were prepared and concerns that were raised by valued SaskPower employees who . . . and staff and other resources who had some concerns about the project. And they

were many and varied — or at least varied.

And so just without getting into the detail of that — because I recall the CEO holding a press conference on the issue himself and dealing in some detail with the questions over at the SaskPower building — so without getting into the detail of their objections, I do think it's valuable to have on the record, and to have before this committee, some comment from officials about the sincere objections to the project for various reasons by officials of SaskPower.

Mr. Wright: — Mr. Chair, as I indicated I guess it was last year when this . . . a report was leaked, no member of the Saskatchewan . . . SaskPower, I should say, Board of Directors, no member of the Audit and Finance Committee, no member of the executive of SaskPower, and many of the managers involved in this project — none of them had ever seen that draft. I'm led to believe, after an investigation into this, that it was a very first draft and did not form the basis for any decision making.

Mr. Wall: — As a follow-up, Mr. Chairman, I would just ask the official, or CEO, to comment then whether or not the entire draft . . . that no part . . . to confirm that no part of the draft or the rationale that went into it was a part of the final decision making.

Mr. Wright: — Mr. Chairman, we never received — even though we asked several times from the CBC (Canadian Broadcasting Corporation) for copies of the document — at no time did we ever receive the document.

What we were in receipt of, thanks to the CBC, was what they posted on their Web site. And what they posted on their Web site was one or two pages. We have no knowledge if they have extensive other documentation, what have you. But upon the review of that, and where we think and associate a first draft, I can answer the committee and say no on the basis of what the . . . documents that we were presented with, that never formed any basis for any of the decisions made. But we were not in receipt of anything else from the CBC.

Mr. Wall: — Mr. Chairman, and through you to the official, the concerns that then the story reputed to attribute to staff, would the CEO share with the committee whether or not the senior staff at SaskPower had, and if he wants to, still have serious concerns about the project?

Mr. Wright: — No. Would we share? Yes. And the answer is no. This is a very exciting project. We're extremely pleased with this. I am excited about this project. At the time there were difficult decisions — do we build Queen Elizabeth station; do we do the Cory project; do we do them both?

Thank goodness we're doing them both because we need the energy in this province, they're environmentally friendly relative to others, and the correct decision was made. These are fantastic projects, both of them — Queen Elizabeth repowering and the Cory. I'm confident — and more than confident — that every member of the executive supports these projects fully.

Mr. Wall: — Thank you Mr. Chairman.

The Chair: — I've got Ms. Atkinson, then Mr. Prebble.

Ms. Atkinson: — I guess my questions are follow-up to Mr. Wall's questions in the context of the capital expenditures and what's happening in terms of customer classes.

And if you look at the documentation it appears as though electrical consumption is growing in the oil industry, the commercial sector, growing somewhat in residential. It's down in the farm sector. It's growing in the reseller sector; it's up in the corporate sector. So electrical consumption is growing and therefore we need to be in a position where we can handle growing consumption, at the same time recognizing that we have some Kyoto . . . we may have some Kyoto commitments.

Can you explain why it is that the farm sector consumption dropped from 1997 to 1998? Did we have a wet . . . I can't remember if we had a wet year but I'm wondering if anyone can explain that?

Mr. Wright: — The farm sector is often a bit of a source of amazement to us. I should indicate that when we say farm, it's not just what we traditionally think of the family farm or a corporate farm. It also involves hog barns; it involves other value-added activities. So it's a much broader definition of farm.

Why it declined the way it did in 1998, we just aren't certain. It has shown growth particularly in this last year, 6 per cent overall growth in the farm sector. Again that's not just focusing in on the family farm, that's focusing in on value-added as well, activities.

Some of it can be quite significantly influenced by weather conditions and you have to remember that. A cool summer means the air conditioners don't come on. A warm winter — certainly like we had in December — means this last year, consumption will be down as well.

But the farm is always one that we watch with great interest, but we are pleased to see very strong growth in the year 2001.

Ms. Atkinson: — The second question in terms of Kyoto. My sense certainly when we experienced the warm December and the warm January, particularly when we had temperatures of 11 degrees above, where I went people were worried about the effects of global warming because they had never had this experience before.

Which leads me to this observation: we've had a significant increase in the oil and gas sector, we've had a significant increase in economic development activity in the province, and if you look at . . . if we have to follow the federal government commitments that were developed some years ago, we are in a position where our greenhouse gas emissions have grown as a result of economic development activity in the province. And if we have to reduce our emissions, which I believe we will have to, then we need to have a plan.

And my sense from certainly the press releases that I've seen from SaskPower is that SaskPower is trying to deal with what probably will be a federal government signature to Kyoto. And I'm wondering if you can describe all of the activities because

there have been activities that SaskPower has engaged in, in order to reduce SaskPower's greenhouse emissions?

Mr. Wright: — Mr. Patrick?

Mr. Patrick: — Some of this will be similar to what I spoke of yesterday. We're operating on so many fronts here it's almost hard for me to describe them all. You know obviously in sort of following up to some of the questions this morning, we continue to be aware of the technologies for replacement or addition to our existing fleet of generation — nuclear or whatever.

So that . . . and we have to understand how those things might help or at least less contribute to our greenhouse gas issues. So we're certainly aware of the fact that modern gas turbine plants produce less, you know, greenhouse gas per unit of electricity; nuclear, virtually none. We're researching hydro, other renewables, we're doing significant ramping up our effort around wind to try and get it, try and scale up to the point where it actually could make a difference in this province.

The small projects to date are interesting but they don't really solve any problems. I have a saying that my boss and I sometimes talk about, sort of, go big or go home. Like, if we're going to do this we've got to find a way to make it really work for the province. We are dealing with and trying to encourage people to accept the concept of marketplace instruments so that the province has a choice to, if you like, buy offsets or credits in a marketplace.

And the feds within the last six months have really changed their tune a lot because for a long time they were kind of cool on that. I think because they are starting to realize the physical solution to the problem is going to be difficult, costly and longer term perhaps than the near-term implementation period. They've become much more receptive to allowing the concept of buying credits in the near term. And we're, through our GEMCO (Greenhouse Emissions Management Consortium) association and others, learning how these marketplaces will operate and contribute to that. We are working with a number of agricultural and forestry institutions both in Saskatchewan and elsewhere to understand and, if you like, accelerate the acceptance and the mechanisms for the creation of organic sinks for carbon, soils in Saskatchewan.

I just met with senior ag officials about two weeks ago to discuss really how we and the province, really in many ways, can get on the forefront relative to any other jurisdiction to create essentially a marketplace for agricultural soil sequestration starting in Saskatchewan. We view it as sort of serendipitous. I mean we've got lots of land and a potential in this province that doesn't actually exist elsewhere.

We've only really been able to accelerate our efforts in those areas recently, because up until the last Kyoto international discussions about six months ago, our federal government had been unsuccessful in getting other national governments, international governments, to agree that soil sinks would be an acceptable part of the mix. Other jurisdictions have now accepted the premise that this could be an okay thing and people are trying to figure out how to do it.

But we're right in there, I suggest, on the forefront. We're working like crazy with all kinds of research institutes — and I won't rattle them off again, the same people I talked about yesterday — trying to find ways to either eliminate or minimize CO₂ production either by what we call pre-combustion technologies, i.e. things like gasifying our coal. We're a big proponent of gasifying Saskatchewan coal, which allows us to environmentally clean it up before it's actually combusted in a power producing apparatus.

Those technologies are now nicely coming on stream and they're very exciting to us, because they not only deal with greenhouse gases but, quite frankly, we have to manage this in the portfolio of greenhouse gases, particulates, mercury, NO_x (nitrous oxide) emissions, SO_x (sulphur dioxide) . . . nitrous oxides, sulphur dioxides, and other things.

So for us it's not just a matter of trying to clean one thing out of our flue gas. You've got to manage all of these because they're chemically interdependent. In some cases, to manage one, you have to manage a bunch of other ones which may not be prerequisite by law, but you have to from a technical point clean them up before you can get to the point where you can get this other thing out of the flue gas stream.

We're very engaged with all kinds of research. We probably got half a dozen at least major research projects that we're supporting one way or another. We're working with the Canadian Clean Power Coalition to, if you like, design retrofit projects and new projects and Saskatchewan will be essentially bidding on these projects. The retrofit project 2007 timeline: Greenfield project, new power plant, clean coal, 2010.

We're modelling it economically, I think, which is another big issue. And as I suggested earlier this morning, we've looked at a number of macroeconomic models of SaskPower sort of with and without these problems layered upon us. And they're big numbers and they're scary. Because at the end of the day you're talking about a small province with a limited number of customers, essentially at some point perhaps, having to spend incrementally hundreds of millions of dollars per year sort of ad infinitum to solve this problem. You know, where does the money come from?

And if I can digress slightly, this may be a reason why we should encourage extra-provincial investment. Because it'd be nice to bring somebody else's money home to Saskatchewan to pay for some of the problems we've got to solve here.

Because in Canada one of the problems we're having with the federal government is they're being not very equitable from my perspective — I'm just speaking as individual here — in terms of layering the responsibility in different jurisdictions. Saskatchewan happens to be a largely thermal province in terms of energy, as is Alberta and some of the other provinces. Every province that has a significant thermal component is being asked to sort of shoulder that burden all by themselves, even though the Kyoto Accord is being signed on behalf of the entire country. Manitoba doesn't really have a greenhouse gas management issue; largely, nor does Quebec because they're hydro production; nor does British Columbia. So some people in some ways are going to get kind of a free ride on Kyoto and the rest of us are going to wind up fixing stuff.

The other problem that we may face in this province is that the federal government has been really keen on chasing the electrical producers to solve almost all emission problems — not only greenhouse gas but other things — because there's not very many power plants compared to the number of cars that are on the road or the number of oil wells. We spoke of the oil industry.

The number . . . the amount of CO₂ going up in flare stacks is a lot, but to control each one individually is difficult or to put apparatus on your car to clean it up. You've got millions of cars and the people who drive cars tend to vote. Power plants tend not to vote. And so from a public policy point of view there's an issue of whether Saskatchewan is being sort of unreasonably burdened with the fix on behalf of all of the people of this country.

So, you know, in SaskPower we really can't deal with public policy directly except through our association with the officials that we deal with. And we have a very good and active relationship with them. They fully understand our problem. I think they're quite sensitized to the magnitude of the problem.

We've just recently started a, in fact, a new dialogue with both SERM (Saskatchewan Environment and Resource Management) and SEM (Saskatchewan Energy and Mines) in this province. It's really a strategic planning model where we see it as kind of a three-legged stool where we've got provincial energy policy over the long haul and what aspirations does Saskatchewan have; environmental policy and what environmental aspirations does Saskatchewan have. And then people like SaskPower or SaskEnergy — who are essentially operatives of that policy — and what are the expectations placed on us?

So we come forward and say these are the problems we face; these are some of the things we can do — how do you feel about that? And they, on our behalf I guess, sort of fight the political battle. I don't know whether that really answers your question very well, Mr. Chairman.

Ms. Atkinson: — I think it's an important question. Because on the one hand we are producers of natural gas and oil; we have thermal electricity which contributes to, quote, global warming. On the other hand, we are still a hugely productive agricultural economy. And when the environment starts to change, that has an impact upon our economy one way or the other, whether it's the oil and gas sector, the electrical sector, the manufacturing sector, or the agricultural sector.

So how do we square this round hole? I think that that's what's going to be the challenge in the . . . has been the challenge and the challenge in the future.

My final question has to do with PCBs (polychlorinated biphenyls). And I don't know who's going to answer this question. In the late 1980s, early 1990s we had a situation in the province where there were PCB capacitors that were stored in various parts of Saskatchewan. In fact, I had a storage site in my own constituency.

The minister of the day, Mr. Berntson, made a public policy decision to move those capacitors to Boundary dam. I

understand that those capacitors were stored there. I'm wondering if that has ever been addressed — the capacitors that are stored at Boundary.

Mr. Wright: — Rick is the former vice-president of power production, so over to Rick.

Mr. Patrick: — What we have done over the years is we have shipped PCB-contaminated material to a facility in Alberta where they clean it up and dispose of it. So we basically got rid of that inventory of stuff. And there is a slow re-accumulation.

As a utility, we've largely gotten rid of the bulk of the big PCB stuff. There is a steady stream of lesser-contaminated smaller items which continues to flow through our system, and on an occasional basis we package it up and ship it off to Alberta and they dispose of it at their facility at Swan Hills.

Ms. Atkinson: — Fundamentally at Swan Hills. So fundamentally, we don't have any storage at Boundary dam at present? Or do we have some and we're just continuing to send it off?

Mr. Patrick: — I believe it's empty right now. It's gathered up more regionally within the . . . like most of the stuff comes out of the distribution and transmission part of our system. There's some limits as to how much you can keep locally and then it has to be disposed of, and we basically operate on that basis. There's very little accumulation on an ongoing basis any more.

Ms. Atkinson: — So then we don't have storage sites in various parts of the province? Because we used to. And . . .

Mr. Patrick: — They still exist. Within the transmission regions, there are places where it's allowed to accumulate in a secure area to a point and then it's gathered up and moved off for ultimate disposal.

A Member: — It's like a collection procedure.

Mr. Patrick: — Yes.

Ms. Atkinson: — Okay. Thank you.

The Chair: — Mr. Prebble.

Mr. Prebble: — Mr. Chair, do we want to go back to the opposition. I'm always conscious of the . . .

The Chair: — Gentlemanly of you but earlier . . . (inaudible interjection) . . . They're reserving the right. But go ahead.

Mr. Prebble: — I do just want to make a comment on Kyoto in response to some of the concerns that Mr. Brkich and Mr. Wall raised. Because I do support the view expressed by Mr. Patrick that the approach that the federal government's using on Kyoto is not particularly fair to provinces that have a large thermal capacity and in effect are expected to shoulder all the obligations around meeting Kyoto, largely alone.

But on the other hand I think we need to think, as legislators, about the urgency of acting on Kyoto and not take the view that we simply can't stomach the tough medicine. The reason I say

that is because the implications for this province and for the globe are just staggering if we don't move forward on this file.

Melting glaciers, that means reduced river flows for this province. We're already seeing it happen. Dramatically increased drought, we may be seeing that happen as well given what we experienced last summer. Melting Arctic ice caps, changing tundra in the North with release of more and more greenhouse gases from that. Rising sea levels with flooding of coastal cities around the world. Increased forest fires across North America, and I think we've been witnessing this for — not the last summer — but an escalating trend in terms of fires in our northern forests.

These are very, very high costs for the public in this province and for the global population to experience. So it's my personal view that we can't walk away from Kyoto. And I hope that we'll be ultimately able to agree on that as legislators in this Assembly because that's fairly fundamental in terms of moving forward.

My questions relate to, on the Kyoto front, whether any scenarios have been done that examine what a large-scale — and by that I mean a billion dollars — what a large-scale investment in energy conservation might do for us in terms of making us more competitive as an economy and reducing our greenhouse gas emissions as an alternative to coal or . . . to clean coal or an investment in nuclear power. That's my first question.

Mr. Patrick: — I'll deal with it if the mike comes on.

It's a very good question because — I believe I alluded to it yesterday — that, I mean, it may very well be that in our business, electric business, that the cheapest next generation might be the stuff we don't have to install at all. And it's becoming increasingly of concern to us that that might be the way to go.

One of the difficulties we have in Saskatchewan is that we have a terrific natural gas infrastructure, which means unlike some jurisdictions who — and I think it was referred to yesterday by one of the members — where in the northeast of the United States they've done some things. In some cases what they're doing is the electric utility is being able to reduce its requirement because the customers are converting from electric use to basically gas use. And electric water heating is a big deal in the States. It never really was here.

Because we have such good utilization of natural gas, most of the conservation initiatives that are generally around tend to pay off more on the natural gas side than they do on the electric side. I mean there certainly are things you can do electrically like, you know, turn your lights out or buy the compact light bulbs, the fluorescents, and buy, you know, higher-efficiency appliances. I am not aware — and it's a question we need to answer — is if you did everything you possibly could in Saskatchewan on the electric side, how much could you bring the load down? And we don't have the answer to that question.

And it's a discussion that we've actually been having internally a little bit about what's the magnitude. We've been studying the Greenprint document with some interest, trying to figure out if

it . . . if you could make it work the best it could work, how much difference does it really make. And on the electric side the answer is, we don't know the answer to that. But I'm suspecting not nearly so much as it makes on the gas side of the business because when people have better houses and higher-efficiency furnaces that's essentially a gas thing. It doesn't affect the electric nearly so much. There's way more leverage.

And when people talk about solar, as an example — and we're fans of solar. It's just not in the use of electric production. It's hopelessly expensive to make electricity using photovoltaics. On the other hand, if you can build passive solar into buildings and houses and whatnot, you have a tremendous ability even in a northern climate to cut down your heating bills. And that's a gas saving, primarily, more so than an electric saving.

So I think on the conservation side the leverage is probably significantly towards gas. But at the end of the day, the total consumption natural gas problem is part of Saskatchewan's obligation under Kyoto. So whether it's being acted on through SaskPower or through some other agency it's still part of our overall problem.

Like each sector is . . . has been measured and is being asked to cut back theoretically to 6 per cent less than. Except what the feds are doing is, in my observation, they're targeting industries that are easier to get at.

It's hard to make every homeowner to reduce their carbon dioxide emissions on a household basis to 1990 level because how do you get at each homeowner? On the other hand, you can get at our nine coal-fired coal generating units relatively easily, so that's where they're targeting their efforts.

Mr. Prebble: — I just want to thank Mr. Patrick for that answer and just ask one more question, and that is on the solar side where I agree the prospects for, on the solar electricity side of things like photovoltaics, are not high. But we had the demonstration project this summer at the Science Centre for photovoltaics. And maybe we could just get a little update on how that's going and whether there are any other projects with respect to photovoltaics, whether photovoltaics is being used in any other capacity around the province.

Mr. Patrick: — We're not expecting to do any other demonstration projects. The demonstration at the Science Centre was really to demonstrate, you know, sort of applicability of electrical generation. And the results that have come out to date I think support what we already knew, was that it's doable but it's very expensive. There's no real good reason to do it on a large scale.

SaskPower has an existing policy we've had for a number of years which, if there's a reason why a remote customer needs electricity and we can't really get a line to them economically, we have an incentive plan for them to use local photovoltaic systems to provide things like for stock watering and such, whatnot. And that's a good policy but, you know, again it's a relatively limited application. I mean, how many people need stock watering in Saskatchewan? I mean, the answer is some but not enough to make a big difference to the Saskatchewan problem. So it's a niche technology — use it where you can and

otherwise it really doesn't help us an awful lot in this province.

Mr. Wright: — I'd just add, Mr. Chair, that we do have the Quill Lakes demonstration project that's been around for a number of years, and that's been successful from an environmental perspective, keeping the cattle out of the lake and pooping in the lake, so that's been good.

Mr. McMorris: — I'm perhaps the last questioner. I've been sitting so quietly it's been driving me nuts, so I thought I had better get in before the clock struck 12. Just a couple of questions.

Again we're kind of keying around the Kyoto Agreement but I'd be very interested . . . And I've got a pretty good grasp on how we're doing in the province or where we're at in the province and some of the challenges, and also you spoke of some of the other provinces, whether it's Manitoba, British Columbia, and Quebec that mainly use hydro to generate power. I would be very interested to know — and it's not in the reporting years and it's maybe out of the provincial spectrum — but how other provinces, the other remaining provinces generate most of their power, as well as the Americans and how the Kyoto Agreement, in your opinion, would affect some of their generation of power.

Mr. Patrick: — Well suffice it to say that anybody that burns a fossil fuel has a problem.

I think that in the United States the American government has taken the position that they are not going to sign on to any accord that essentially jeopardizes the American economy. On the other hand, as a utility, we're well aware of all kinds of work going on in the US (United States) for them to manage their carbon emissions.

And I believe what the Americans will do is they will unleash their own version of Kyoto at a time that's convenient for them that sort of optimizes the economic benefit to themselves. They will find, in their own good way, a way to manage their carbon emissions.

And they're doing all kinds of . . . I mean, a lot of the research technology that we work with has some of its genesis in the United States, because they spend literally billions of dollars trying to figure out how to solve these problems. And in some cases we participate with them in co-funded projects.

I believe that what may be an issue for Canada and Saskatchewan is that, as we're an exporter of electricity under NAFTA (North American Free Trade Agreement), when our good friends to the south decide to announce how they're going to manage carbon emissions — and the way they tend to do things is, not only is it a good idea but essentially becomes a free trade issue — and at some point, if you want to sell product into their backyard, you have to play by their rules and all of a sudden we wind up complying with their version of Kyoto, whatever that happens to be.

So I don't think the fact that they've not signed on really gives us much respite. I think it's only a matter of time till they sort of announce what they think the rules are and we'll sort of be dragged along with them, as we quite often are.

All the other utilities in Canada that burn coal or natural gas or oil have the same problem we do. And they're all, each in their own way, trying to deal with it in their own technical and economic way.

The committees that I serve on, folks are fairly like-minded, and we all have the same difficulties with the federal situation. It's not so much . . . It's what the feds are doing. I don't want to sort of bad-mouth them. It's just that it would sure be nice to know what the rules really are, because then you could get on with life.

Like, our problem right now as a utility is, if we go out and spend a huge amount of money — we can't just do that unilaterally — but if we just literally went out and said, we kind of know what to do and we have solutions to this, many things that we could do, I mean, do we want to get out so far ahead of the pack that we basically fundamentally disadvantage Saskatchewan's economy when nobody else is doing anything?

So what we're trying to do is stay apace, be prepared to react, meld the environmental issue into our normal decision making that goes along with dealing with load growth and the normal retirements, all that sort of routine utility stuff, so that we do the right thing and keep as many doors open as possible.

And if I can just cite an example in Alberta. I was at a meeting the other day with some folks there and one of the fellows who was there, a very senior person from EPCOR — the city of Edmonton's utility — who recently got permission from the Alberta Electric Utilities Board to go ahead with adding a new unit to their Genesse plant, almost a 500-megawatt unit, somewhat spiffed up, but essentially a conventional coal-fired unit.

And they're really sweating bullets, having made that decision to go ahead, because they have not built into that design a very easy ability to manage carbon dioxide emissions. They're hoping like heck they somehow are grandfathered and don't have to do this.

And I'm looking at them thinking, I think that's a scary route. I mean, they had to do something. They've got a growing load; they've got to do something. But they've gone down a pathway that I'm a little bit personally concerned about, because although it's a better unit than the ones we've got in terms of its emissions, it essentially is not technically positioned to manage carbon dioxide emissions. And they're hoping they can buy credits to offset that plant. And we happen to know the credit deal that we're working on fell through.

So I don't know what they're going to do. And I think they don't know what they're going to do either, except they're kind of caught up in this needing to get on with life and not knowing what the rules are and doing the best they can.

And we're only a little bit fortunate in that we're not under quite the same pressure as they are to get another unit on-line, and that's why I spoke yesterday about trying to do a bunch of little stuff. We've got a few small hydro projects and maybe some wind and a couple of other things and maybe a bit more gas, so we can avoid making the big decision on coal or nuke or whatever until we understand (a) the rules, and (b) basically

how workable the technology is.

Because right now there's a complete lack of synchronization between remediation technologies and the problem to be solved in the time frame that's been stated.

Mr. McMorris: — One last question then. Saskatchewan is a well-known exporter and I just . . . I know we import and export some power. And some of the things that you just said at the end of your comments there I guess maybe will go to answering this question.

But, you know, when you look into the future and you hear of all the problems that so many provinces are going to have and who knows where the Americans are going on this but it's definitely going to be a problem. How they address it is going to be in their, I guess, ballpark.

But, you know, and one of the concerns with nuclear power is that we don't need that much power. What are the real problems — I guess there may be many; I don't know; that's why I'm asking the question — what are the real problems with becoming a major exporter of power?

Mr. Wright: — If I may, Mr. Chair, and Rick will pick up later, I'm sure.

The biggest problem is transmission. The biggest problem are the size of the pipes. We can only ship so much power into Alberta, and that's 150 megawatts. Your smallest nuke right at the moment is 600 megawatts. So only so much can go to the west of us, and quite frankly, only about 150 megawatts can go to the south of us as well.

The transmission system here and North America-wide was not built to move massive amounts of energy. It was built to serve the local community or province or state, as the case may be. And while people talk about the potential not only for nukes but other large facilities, you've got to be able to move the electricity along.

It's hundreds of millions of dollars potentially to upgrade a lot of the transmission facilities to be able to move that much energy in this province alone. But I'll give you an example, a hypothetical. Let's say we put up a nuke in Poplar River, Coronach, 600 megawatts. Well not only would we have to build transmission down to the US, there's the whole issue in the US as well of the transmission and the wires there.

And you may recall that I alluded to something called RTOs or regional transmission organizations. And we're looking in a serious way of should we separate transmission out in a subsidiary so it can operate with Manitoba Hydro, Alberta, wire business, and down south so that we can collectively come together to form a proper decision making for the region.

We don't have walls around this province. We're part of the regional marketplace whether we like it or not. That's the biggest problem — where do you put it.

The Chair: — Anything further, Mr. McMorris?

Mr. McMorris: — No.

The Chair: — Okay. At this time I'll provide an opportunity for the officials to provide any concluding comments or wrap-up. As well, the same opportunity will be extended to the auditor's office, the appointed auditor, and then any members of the committee that . . .

Mr. Wright: — Very briefly, Mr. Chair. First off, I want to introduce Mr. Mike Marsh who's over in the corner. I was negligent. Mike is our manager of business and financial planning for the corporation, does an excellent job. And he's also one of our succession planning leadership candidates within the corporation.

I certainly do want to thank our external auditors for being here, for their words of wisdom and, as well, the Provincial Auditor and staff from the Provincial Auditor's shop. We look forward to working with both our external and Provincial Auditor on issues like SAP (systems applications and products) and benefit capture; and maintaining what I'll consider now an excellent relationship on a go-forward basis.

I, of course, want to thank all the staff of SPC (Saskatchewan Power Corporation), those who aren't here today, including the executive team. I've had the privilege of serving the people of this province in many capacities over 25 years, but this is the most powerful team that I've seen.

And finally, Mr. Chair, having met and served on the committee here in various capacities, Crown Corps but also Public Accounts, I do want to thank all of the members for what I'll call a very interesting discussion and the quality of the questions — in 25 years this is the best I've ever seen. So thank you very much.

Mr. Martens: — Thank you, Mr. Chair. We have no further comments to make at this time.

Mr. Wall: — I'd just like to thank the officials again for their testimony here over the last couple of days or day and a half I guess, and for their answers. And yes, we'll look forward to discussing the 2001 annual report in the not-too-distant future.

Mr. Prebble: — Mr. Chair, I'd, on behalf of the government members, also like to thank our officials who I think have done a very thorough, competent job of answering our questions and being very forthcoming with information. So, our appreciation to them.

The Chair: — Okay. And as the Chair I'd like to say that, you know, I haven't been around perhaps as long as Mr. Wright has but certainly in my participation in the Crown Corporations Committee this has been one of the most intelligent and engaging, I think, presentations that I've had witness to, and I'd thank the officials for that.

At this time I would entertain a motion to conclude the review of the '98, '99, 2000 SaskPower annual reports.

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

That the Standing Committee on Crown Corporations conclude it's review of the annual reports and financial statements of Saskatchewan Power Corporation and it's

subsidiaries for the years ending December 31, 1998, December 31, 1999, and December 31, 2000.

The Chair: — Any discussion on the motion? The question has been called. All those in favour of the motion? Those opposed? Carried unanimously.

One more item of business for the committee members, not for the officials so you can make your preparations. The meeting with SOCO (Saskatchewan Opportunities Corporation) that had been tentatively scheduled for next week is cancelled . . . or is not cancelled, is postponed until a further date that the steering committee will determine in consultation with the members of the committee.

Mr. Wall has indicated that the opposition side would also be interested in taking a day to look at the '98, '99, 2000 SGGF (Saskatchewan Government Growth Fund Ltd.) annual reports as well. So the meeting for STC (Saskatchewan Transportation Company) stands Wednesday, January 30, 9:30 to 12; 1:30 to 4. And that will be consideration of '98, '99 and 2000 annual reports for STC.

So the SOCO meeting will have to be rescheduled and a meeting for SGGF will be scheduled as well. And again the steering committee will have . . . I, as your Chair, will work with the steering committee in consultation with the members to provide a date for you at the next meeting next Wednesday.

And with that . . .

Mr. Wall: — Mr. Chairman, can I just confirm then if once we get that, the SGGF and the SOCO, done on that particular day, I guess that basically all we have left then is to await the 2001 annual reports; effectively we'll be caught up. And I know there's, you know, we could choose to do more, but effectively we'll be caught up and we'll be awaiting only 2001. Is that correct?

The Chair: — That is in fact correct. And I would certainly thank and compliment the committee members for the fairly substantial workload that we've had throughout this month and the diligence we've shown in getting caught up in the workload. And it certainly will be a good feeling to be caught up.

If there's no further comments, I'll entertain a motion to adjourn . . . (inaudible interjection) . . . Thanks very much.

The committee adjourned at 11:52.