Standing Committee on Crown Corporations

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STANDING COMMITTEE ON CROWN CORPORATIONS
2002

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The committee met at 09:35.

The Chair: — I would like to call the meeting to order. And with us today, as per our agenda, are officials from SaskEnergy. May I propose that we provide Mr. Clark an opportunity to introduce his officials, make a brief opening statement, then go from there to the auditors for SaskEnergy, ask them for any comments and then open it up for questioning.

And I don't see anyone rushing to contradict me so I'll proceed on that basis. And first of all, Mr. Clark, if you can introduce the officials who are here with you, then go on to your opening statement.

Mr. Clark: — Thank you, Mr. Chairman, members of the committee. With me this morning is Mr. Daryl Posehn. Daryl's the vice-president of TransGas which . . . our transmission company; Doug Kelln is the vice-president of the distribution utility, SaskEnergy; Greg Mrazek's the vice-president of finance and admin and the chief financial officer of the corporation; Ken From is the vice-president of gas supply; Mark Guillet is our general counsel and corporate secretary; Robert Haynes is the vice-president of human resources; and Ron Podbielski on my right, is the executive-director of corporate affairs.

Mr. Chairman, members of the committee I'll be very, very brief. I think the members are relatively familiar with our company, so I won't take a long time with the boilerplate but maybe just hit a few of the highlights as a background to perhaps some of the issues that will come up subsequently.

Ron's just going to . . . you have all of these in your book I believe. If not, the hard copies . . . I think have they got . . . hard copies are in your book, Mr. Chairman. So I'll just touch on it very, very quickly.

These circles if you like or these . . . depiction here are the seven variables that we think if we could do and do do well would make us Canada's leading energy company. Every successful company has to have a vision or a mission and this is . . . represents the working elements of our vision of wanting to be and endeavouring to be the best natural gas distribution and transmission utility in Canada; not surprising in terms of the dimensions of excellence that we're trying to pursue. And I'm sure in the course of the discussion this morning some of these will come up.

We believe that while we're not a huge player in this industry, and particularly with all the consolidation that's been going on in Alberta in the last year or two, we have assets of about $1.6 billion.

We still have a lot of intrinsic niche strengths and core competencies that we think serve us very well and serve the people of Saskatchewan very well. And we try to use those competencies and strengths to obviously continue to invest in our province here for the direct benefit of our customers and our owners. And we try to invest in opportunities using our core expertise that will also benefit the people of Saskatchewan, both in the short-term and the long-term, and offer secure and hopefully even more dynamic employment opportunities for the employees we have and for future employees.

In terms of investing in Saskatchewan, in the nearly eight years I've been with the company we've invested over $650 million in infrastructure in the province, both in transmission and distribution. And as you can see in your books, we will invest another $95 million through the 2001-2002 period.

We want to continue to enhance our transmission assets and our transmission throughput — one of the real, quite frankly, little gems in our company is TransGas — and moving gas for producers around the province and obviously moving gas out of Alberta. We have 11 interconnections into Alberta in which we move gas from Alberta to industrial customers in Saskatchewan and residential customers in Saskatchewan as well.

We've had growth in Saskatchewan but as you can appreciate, we're a fairly mature company in terms of our customer penetration. We're at about 92 or 93 per cent of the market. There are no large clusters of residential customers waiting for natural gas. Certainly La Ronge would like to have natural gas and we'd like to get it there. But it's still about 170 kilometres from the Montreal Lake area where we've taken gas thus far up to the La Ronge area. So there are certainly some opportunities but we are in a very mature phase of our distribution development here in the province.

We'd like to continue to leverage our core resources into new opportunities. We've been quite successful. And I'm sure during the course of the morning I'll have Doug Kelln speak about the number of hog barns. We've been able to work with the hog industry and connect hog barns and obviously we'll watch with great interest the evolution of ethanol.

An ethanol plant that burns natural gas is the equivalent of 700 to 1000 homes. So you can see that getting a load like that is pretty attractive to us. So we will continue to try to watch the evolution of that particular industry and other industries that bring more load onto our system.

And we also look for opportunities that we think have reasonable or modest risk for the owners, the people of Saskatchewan, be that next door as we are in Swan Valley, Manitoba, or, in some cases, in other parts of the world.

I mentioned that we've invested — and I'm sure these questions will come up — in two projects outside, some distance outside our borders. We own 30 per cent of a distribution utility in Chile. It's performing very, very well for us on the distribution side. And we have just recently purchased a position in a company that distributes high-pressure natural gas in the transmission mode to industrial customers in Mexico and very excited about the long-term potential of that investment.

You can see when I mentioned on the next graph, Mr. Chairman, members of the committee, when talked about customer growth, you can see that certainly it's taken us over 40 years to develop the robust system that we have. But it's certainly flattening out now, as you can see. Now we're around 320,000 customers.

I think at the risk of this appearing like propaganda, we have done fairly well, I believe, in trying to manage rates for our customers. As you know, there's been enormous volatility in the natural gas commodity business in the last 24-36 months, unprecedented.

I think as . . . If we just put our homeowner hat on or our householder hat on, it's pretty hard to think of anything that's gone up 300 per cent in some cases in less than a year in something that we need. It's not like avocados and you can decide to leave them out of the salad. But having natural gas go from 3 or $4 to 16 or $17 is a pretty shocking kind of impact for customers everywhere. It wasn't just in Saskatchewan. There are just about five million natural gas customers in Canada and every distribution utility took its lumps with customers trying to understand that kind of volatility.

But as you can see from that chart, I think that through the work of Ken From and our efforts to try to hedge and protect our customers against the worst aspects of volatile change in the commodity price, we've done fairly well. I think four of the last five years we've either been the lowest or among the lowest residential rates on the continent so . . . And that's picked up on the top of the next slide, Mr. Chairman.

I think also the question comes well how do you do . . . how do you make out and how do you compare with your internal cost structure? I mean the first obvious and fair-minded question is, well are you controlling costs inside the company? If you're just passing them on to the customers all the time, that's probably not an acceptable benchmark.

Well we've had to go out and explain commodity prices for which we're not either the authors nor the benefactors. And so we get more than our share of publicity — adverse sometimes.

But when it comes to . . . as you know on your bill you have two components — the commodity charge which I mentioned we have no control over. Indeed the province has no control nor does the federal government now with free trade. And the other charge is your delivery charge, which obviously is directly related to our cost structure and our costs and the return that we make for the people of Saskatchewan.

We've had one rate increase in our delivery charge in eight years of — back in 1997, Greg? — of 2.3 per cent. I can say without fear of contradiction that there's no distribution utility in North America that's had one rate increase in eight or nine years of that magnitude. So I think we're doing a relatively good job of trying to manage our costs as well internally. And that's a fair question. Obviously we should keep our own feet to the fire in that respect.

I mentioned earlier, Mr. Chairman, we try to leverage our expertise to grow here in the province or outside if the opportunity presents itself. We think our international investments, which always attract a fair amount of interest and attention, but they're performing to their business plan expectations very well and — either regrettably or happily — I won't be here 20 years from now.

But those two investments are going to return in terms of their terminal value and their dividend flow over the 20 years. And that's the same period that we use for domestic investment analysis. So this isn't some peculiar way of looking at cash flow and return flow on these two investments. But there'll be over $200 million returned to the people of Saskatchewan. And we try to husband and steward those investments very, very carefully.

I think we're a very good corporate citizen, Mr. Chairman. We try to participate in the life of the communities in which we're active. I think last year, Ron, over 400 communities in the province we've provided some level of support or benefit. Our employees are enormous volunteers in the community. I'm sure there's some that we've disappointed with our inability to match and meet every request, but we try to, we try to be a good corporate citizen, Mr. Chairman.

I think I'll stop there. As I say, I think members are quite familiar with our company and I'm sure the question period will produce more.

The Chair: — Thank you, Mr. Clark. Mr. Atkinson, any comments you want to make at this time?

Mr. Atkinson: — Thank you. Thank you, Mr. Chair, members. My name is Brian Atkinson and I'm with the Provincial Auditor's office. And with me this morning is Andrew Martens who you are familiar with, and also Bob Watt with Deloitte & Touche, the appointed auditor for SaskEnergy.

We worked with Deloitte & Touche to complete the audits of SaskEnergy and its subsidiary corporations. When we plan our examinations, we don't just audit the financial statements. We also look at other components that we think are important that we provide opinions on to this Assembly. We look at whether or not the organization has good practices to safeguard and control public money and whether or not it's complied with the significant statutory authorities that affect it.

I'm pleased to say that both Deloitte & Touche and the Provincial Auditor's office formed the same conclusions on these matters. Briefly, the financial statements for SaskEnergy and its subsidiaries are reliable. The corporation and its subsidiaries had adequate practices to safeguard and control public money and the assets under its control. And also, the corporation and its subsidiaries complied with the authorities that govern its activities relating to its financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. Mr. Chair, that concludes my comments.

Mr. Watt: — Yes, Mr. Chairman. As Brian indicated, my name is Bob Watt and I'm with Deloitte & Touche. I was the partner responsible for the audit of SaskEnergy as the appointed auditor.

And our report on the financial statements is on page 66 of the annual report. And certainly if there are any questions, I would be pleased to be part of the discussion during the question period. Thank you, Mr. Chair.

The Chair: — Thank you. Are there any questions for Mr. Clark or for the . . . Mr. Huyghebaert and then Mr. Wall.

Mr. Huyghebaert: — Thank you, Mr. Chair. Mr. Clark, just to close the file on the travel that we have discussed at some length. I had asked as a written question about travel expenses covered by subsidiaries of SaskEnergy and the reply that I got talks about travel paid for by SaskEnergy International.

And my question is, is this over and above the reported amount of the 100,000 travel expenses or is this part of the 100,000 travel expenses?

Mr. Clark: — It is . . . Now just a minute. Help me here. I want to make sure I get it right. I think it's part of, isn't it? Just give me a hand. Go ahead.

Mr. Podbielski: — To clarify the question there, it is above the amount.

But I would also note we did not report the credits in the amount as well that was reported to the legislature. So effectively, those credits would have reduced the amount of international travel . . . or the amount of out-of-province travel that was reported.

Mr. Huyghebaert: — Okay. A subsequent question then is can you explain to me what the travel credits really are?

Mr. Clark: — As partial owner and members of the board of directors of guests who are, we get, I think it's up to $4,200 credited from the parent company for our travel to board meetings.

Mr. Huyghebaert: — So that's over and above the amount that's reported?

Mr. Clark: — Yes, it's reflected in the written question, Mr. Huyghebaert, a $26,912.77 is the credits.

Mr. Podbielski: — If I can clarify that too as well. The original amount of 26,912.77 was reported. We did not report the credit that was accrued to Mr. Clark of 9,296.51. We also did not report the credit of an additional 27,196.45 in any of the filings for any of SaskEnergy executives. So essentially we could have used those credits to reduce the total travel expenses. We did not report that accordingly.

Mr. Huyghebaert: — I guess what I was looking at is the gross amount or the . . . of travel costs. Some are paid for out of this pot and some out of this pot, but what was the global amount of costs?

Mr. Clark: — What we would do, Mr. Member, is take the 99,000 that you . . . the 99,915.95, which I think was reported initially. If you would add 16,683.82 and then if we are going to be totally consistent with our bookkeeping then you would subtract 27,196.45.

Mr. Podbielski: — And an additional 9,296.51

Mr. Clark: — Those are all credits that we never subtracted. All I can say I think, without . . . we weren't certainly trying to have too many balls in the air. I think we just . . . quite frankly, I forgot about these offsetting credits.

Mr. Huyghebaert: — And my last question to the CEO (chief executive officer) is I noticed that in my written answer, that vice-presidents have made a number of trips. Is this common practice for the CEO and the vice-president to travel at the same time to meetings?

Mr. Clark: — Yes. In the case of gas/sewer, I only go twice a year at the request of the board around the business plan approval and budgets. Normally it's handled by, exclusively by Mr. Easton, the vice-president of International. And when we are engaged, for example, in opportunities outside of the province, then I would take someone who is an absolute expert say on distribution or transmission. So it's not highly unusual for us to travel together.

I might say just parenthetically, Mr. Chairman, there's no great pleasure in being number one on the travel hit parade at all. I have no hesitation in saying that I believe in my heart that we're trying to grow this company. I think everybody wants to see our assets and our province grow. And I believe the proof will be in the pudding. I may not be here to see those returns, but I think the province will be the benefactor of our investments and our men and women.

I think what's so important is not whether I travel or a vice-president travels. On a lot of occasions we have technical people on the ground, people who come back and are very proud of the fact that they built in this province a tremendous infrastructure and a tremendous quality infrastructure that other people in the world not only envy, but will pay for.

So there's no pleasure in this for me to have this issue sort of kind of singled out as some vicarious enjoyment I get. This is business and I think it's good business.

Mr. Huyghebaert: — Thank you, Mr. Clark, no more from myself.

The Chair: — So we're on the issue of travel. Mr. Wall, on this issue? No. Mr. Forbes? Anyone else on this particular issue? Then I have Mr. Wall.

Mr. Prebble: — Well I have a question . . .

The Chair: — Okay, Mr. Prebble.

Mr. Prebble: — I just wanted to ask about when we take the, you know, the total travel costs that our president of SaskEnergy has incurred on behalf of serving the public and then we take the total credits, what is the net figure just so that we have that on the public record, Mr. Chair. Can we get the net figure, because the net figure is clearly well below 100,000?

Mr. Clark: — We'll do the sums, Mr. Chairman, and maybe subsequently I can . . . when I have it, with all these high-priced accountants I have here, I'm sure we can get the sums in a few minutes. Okay.

Mr. Prebble: — That would be great. I take it it's somewhere in the range of about 80,000, but I think we should get the exact figure on the record, because clearly it's not 100,000.

The Chair: — And I would go now to Mr. Wall. And you can provide the answer to that at a later time. Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman. And thank you to Mr. Clark for the presentation and for the officials for joining us this morning. We received an update — in addition to travel costs and salaries and whatnot. Of course, we do receive a report from the legislature, all the MLAs (Member of the Legislative Assembly) on this committee do, detailing the expenditures the Crowns have made, and this specific Crown obviously has made to consultants and various third parties. There's a couple of them that I think jump out a little bit that we'd like to ask about.

The holding corporation for SaskEnergy reported here first to this committee and indicated that of the $250,000 worth of work that Points West did for Crown Investments Corporation, something under, just under $200,000 of it was for one large project that involved some sort survey or polling perhaps — I'm not just sure, and if you, you know, welcome you to comment further on it — for the major Crowns, for the four major Crowns, I think.

However, in SaskEnergy's own detailing of their expenditures, it appears that Points West has also been . . . was retained in 2001 for $50,000 or thereabouts worth of work. And so I wonder if you could explain exactly what SaskEnergy got . . . The first part of the question, Mr. Chairman, is what did SaskEnergy get as their part of this $190,000 project that Points West did for all the major Crowns? Or so I believe anyway. And if I'm wrong, please correct me.

And secondly what did SaskEnergy get for $50,000 that they reported?

Mr. Podbielski: — Thank you for the question. I'll elaborate on the breakdown of the expenditures for the member.

The majority of the expenditures was related to business consulting for TransGas Limited, which amounted to about $39,000.

I would note for the record that Points West has developed a very good reputation within the energy industry, has among its clients, Enbridge, Canadian Energy Pipeline Association, Nexen, and Alliance Pipeline. Therefore a portion of that work was devoted to seeing if we could use those contacts to continue to grow our business in Alberta.

Mr. Aldridge also offered us corporate communications consulting, relative value of about $6,500, and for some miscellaneous work that he did on strategic planning and other issues, around $3,600. So that would bring the total to what was reflected, which is $49,958.

Mr. Wall: — Thank you, Mr. Chairman. And SaskEnergy's part of this other large project done under the auspices of CIC (Crown Investments Corporation)?

Mr. Podbielski: — Okay we did not, we did not pay for that directly. This represents our total expenditure with Mr. Aldridge.

Mr. Wall: — Right. I understand that, Mr. Chairman. And I know that this is SaskEnergy appearing before the committee and they should only be responsible for SaskEnergy questions. But the question though is, what work, then, what benefit, what project was resulting from this large, larger project that CIC indicated to us, this committee, that they did on behalf of or with the four . . . or with some of the major Crowns?

Mr. Podbielski: — Well, Mr. Chairman, we, as I say, we didn't contribute to that work financially but we certainly benefited in terms of seeing some of the results. There was a lot of questions about customer service, expectations of the public around gas prices and commodity prices. And so it was just good information, whether it's Wal-Mart or Home Depot would like to have, about issues related to their customers. So we were happy to see it but we didn't, we didn't pay for it.

Mr. Wall: — Did you ask for it?

Mr. Podbielski: — In other years, I think you will be familiar that it's not unusual for the corporation to do its own market research to try and determine customer indicators.

What Mr. Aldridge's research allowed us to do was rather than us paying directly for that research . . . And if you were to go into years past you would have found that we would have paid directly to do surveys of some time or another. What Mr. Aldridge's research allowed us to do was allowed us to glean some of that information without having to contract those resources ourself.

Mr. Wall: — A couple of . . . A two-part question. One, would we . . . would members of the committee be able to receive a copy of that . . . of the results of that report? And two, did SaskEnergy ask Crown Investments Corporation to do this work on its behalf?

Mr. Clark: — Well I think, Mr. Chairman, with respect to the first question, I'd have to defer to the Chair and the committee. We're not the client. So I don't know. I mean it's not our report to release. So I think I'd have to . . . I guess I'd have to ask you to ask CIC, I guess. They're the client.

And were we asked? I think as Mr. Podbielski indicated we, on any given year to try to get baseline data, do this ourselves. This was an opportunity that was being done in an omnibus way. So we are . . .we didn't do it. We didn't spend any money. And we are quite happy that somebody was doing it and that we were getting some of the insights that we would have wanted to get if we had to do it on our own. So we weren't dismayed that it was done and we didn't contribute to it.

Mr. Wall: — But your portion of the work that is . . . that you, that you . . . the information that you have received, your . . . would you have any problem sharing that information if it was the parent's . . . if you had CIC's agreement that they didn't mind having this information released?

Mr. Podbielski: — Again, I reiterate it's not my decision to make. I believe some of the information is confidential, related to competitive information, particularly in the case of some of the commercial Crowns — SaskTel. Some of the research may be commercially sensitive for those reasons. But again, it's not our decision to make.

Mr. Wall: — What will happen this year for the Crown with respect to this sort of information you've indicated is so important to the corporation?

Mr. Clark: — Well I think if there's no effort by the holding company to undertake this kind of information then we'll have to sit down and decide. It's very important to us, very important to our board of directors. They'd like to know what the marketplace is doing and what people in the marketplace are saying about our service, our costs.

So if it's not being done by the shareholder in a overarching way, then I think we'd have to look at whether we'd probably have to do something on our own.

Mr. Wall: — And would the corporation then be tendering or at least doing a request for proposal from all, you know, able firms, competent firms that would be able to do that sort of work if it's SaskEnergy doing it on its own?

Mr. Podbielski: — Yes, I believe the legislature or the member is probably aware that there is a tender procurement policy with regard to the procurement of market research firms through Executive Council, where there is a listing of a number of companies that — in a database — do market research.

Typically, we approach Executive Council indicating that we would like to do market research. We are given three or four companies that then that that is tendered out to and we would proceed on that basis. And when we have done our own research in the past for SaskEnergy, we have proceeded in that method.

Mr. Wall: — And do you have any idea if the particular omnibus piece that you're dealing with now, if it followed that . . . perhaps I shouldn't . . . I mean, we understand. I shouldn't ask that kind of a question; it's, it's leading. We understand from Crown corporation officials that there was no tender, there was no RFP (request for proposal) for this larger omnibus piece.

So what you're saying though is if SaskEnergy is doing this sort of work on its own without the help . . . unsolicited help of the parent, you would go ahead and go to an RFP process or some sort of competitive process you'd have where eligible firms on the government's list were eligible to do the work.

Mr. Podbielski: — That's correct.

Mr. Wall: — Thank you. And did that . . . was that the case with respect to the $49,000 worth of work that Points West completed on behalf of SaskEnergy in 2001?

Mr. Clark: — No, Mr. Chairman. We used Points West exclusively because of the opportunity to work and make a number of contacts in Alberta. It proved to be very, very useful for us. We added about 70 million incremental a day, which over the course of the year is about $2 million. How much additional revenue did we get incremental? A couple of million dollars? I think a couple of million dollars of incremental revenue.

So we certainly in this instance, Mr. Wall, use Points West exclusively because of the nature of the business opportunities in Alberta, and I can only tell the members that it was very successful.

Mr. Wall: — And that Alberta project constitutes the 30 — I didn't catch the number quick enough — but 30-plus thousand dollars, is that right?

Mr. Clark: — Yes.

Mr. Wall: — So then the lion's share of it . . .

Mr. Clark: — Yes, it is the lion's share.

Mr. Wall: — And this miscellaneous amount for $6,500, what would that have been? What kind of work would that have been?

Mr. Podbielski: — It's general work in terms of he provides strategic communications advice when we're doing major announcements, assists us with reviewing communications plans, parts of our business plan. And so we found that to be helpful in terms of helping to execute, from the communications side, some of our projects.

Mr. Wall: — Do other communications companies in Regina or the province have a chance to compete for that work?

Mr. Podbielski: — In this specific case we went to Mr. Aldridge because of his familiarity with some of the issues that we were looking at communicating. Again, I think we could get into a wider discussion of how communications are procured. As I think the member is aware, there is a formal process for certainly the awarding of the major contracts which is advertising contracts, market research.

Certainly for some smaller amounts there is some discretion given to the corporation in terms of procuring the individuals that they may feel may be most adept at doing the job.

Mr. Wall: — I'm sorry, what was the last piece then? We're at 6,500 and then 30-some thousand, and then there was one other, I think there was a third bit of work that they did.

Mr. Clark: — The 6,500 was the corporate communications and then there's 3,600 of miscellaneous.

Mr. Wall: — Yes. What would the miscellaneous be? Could you expand on that?

Mr. Podbielski: — I would like to go back and review exactly what that would be. But usually things that are more maybe generally related to, you know, if he took a look at something we were doing in our business plan, we would maybe align it to that direction. But I would endeavour that we would go back and take a look at that.

Mr. Wall: — How is SaskEnergy then aware of the services that Points West provides? You know you obviously have a lot of confidence in this company because, you know, for smaller pieces of work, and for larger pieces of work we've discovered through this committee, they face no open process to compete for work in the Crown sector.

So you know how does the corporation feel about that in light of the fact that you've indicated when you do market research which would employ the same kinds of firms, you would adhere to a strict policy of the Government of Saskatchewan. And yet for these kinds of things there seems to be just sort of a direct relationship, and pick up the phone and get the services from someone who is the former premier's chief of staff and another former cabinet minister, the major principals in this company. And I wonder if you could comment on how you became aware of those services and why there is this relationship that you have?

Mr. Clark: — Sure, a fair question, Mr. Chairman. I just again parenthetically, I want to say that we do use other people. I don't want to . . . I wouldn't like there to be an inference that somehow there is some kind of exclusive arrangement.

We certainly use Paul Martin. Paul Martin is known in this province as a communicator, and a business analyst, and a reporter on business issues, has assisted us in the past with some of our strategic business cases.

I mentioned before, I certainly . . . I know Mr. Aldridge. I don't have any hesitation in indicating that we're aware of his work. I think his work is quite excellent. It has, again I don't want to . . . I personally don't want to range into the area of perceived patronage. Mr. Aldridge, I think, is very qualified and very competent with respect to the contract in Alberta, was a very good — a very, very good interface for us and very successful.

And I just want to say in fairness, Mr. Wall — I think just speaking to the issue of people's backgrounds or perceived backgrounds — I think you know that one of our really quite outstanding employees is a woman named Kathy Peter. Kathy does outstanding work for us. I think Kathy used to be the chief of staff for Bill Boyd.

So we use people who we think are very, very good at what they do and in the case of that particular contract in Alberta, Points West was very helpful.

Mr. Wall: — Mr. Chairman. Thank you to the President of SaskEnergy for those remarks. We're not talking about employees of the corporation, you know, that I would assume get their job through a process of competing for a job. In fact that is exactly what might be the problem here.

And when you're dealing with Crown corporations, irrespective of who the government of the day is, one of the problems you have, and there's a number of advantages I think that a president would agree to being a Crown — the cost of borrowing . . . . I mean there's a lot of disadvantages too. And part of the disadvantages is the fact that you operate in the political sphere as well as the business sphere.

And so there's this issue of perception regardless of who's in government and that is the basis for these questions. And the questions will continue because I think SaskEnergy has a good track record of following, what I believe, are much improved — this government has improved them by the way — but much improved procurement guidelines for communications.

But what we've seen in the first two presentations to this committee this session is that for a large piece of work, there's some . . . it's a large piece of work, some . . . One company is getting a lot of work without going through the competition process that the corporation itself has indicated they use . . . that it uses to procure marketing and research services. And that seems to be, frankly, a bit of a . . . that seems to conflict for us, why that would be.

And I would ask you that pointedly: why does SaskEnergy use one principle in terms of allowing competition with respect to the procurement of marketing services and consulting services and not afford that same sort of process to this particular company or work this company does?

Mr. Clark: — Mr. Chairman, I just reiterate that — and I accept the member's perspective on this — that this was not just some generic work for which any number of firms may or may not be able to undertake a communication strategy or some other issue.

This was related to some very, very large clients that this company has in Alberta, which was very much aligned with what we were trying to do in terms of moving more gas. Certainly, I'm not unfamiliar with them myself either from my position in the energy pipeline business or the Canadian Gas Association. But there was some real opportunities. And I don't want to say categorically that no one else had some of these contacts perhaps. I'm not aware that they do. And so, we used Mr. Aldridge.

I think I can fairly say in another circumstance where there was a generic requirement for expertise that wasn't as particularly focused and specific as this, of course we'd use the open competitive tendering process.

Mr. Wall: — The omnibus piece of work that Crown Investments Corporation did was of considerable use to SaskEnergy, that was what we heard this . . . what we heard earlier this morning. However, SaskEnergy also then went ahead and it looked like it did some of its own research, $23,700 worth, with Pulse Research. And my understanding of the principles of that company is that they may be similar to . . . may or may not be similar to Phoenix Advertising, which also did $1 million worth of business with the corporation. But I'm assuming that would have taken place under the guise of the government's procurement policy.

So I guess I'd ask you to comment. We have Pulse Research in for 23,700, I think, if I'm reading it across the line right, which I would guess would be a survey, a polling or that sort of work that they do.

Mr. Podbielski: — Yes. I can speak to that. I think the member will be familiar that obviously there was some definite issues in and around higher gas prices. And the corporation endeavoured to get some research in and around conservation programming that would be most effective with consumers.

And so Pulse Research was chosen to do some research work in regards to asking questions around conservation, alternative energy forms, other types of things that we thought might be useful in helping educate the public in terms of some of the things that might be helpful in reducing energy costs.

Mr. Wall: — Was that an open . . . was there an open competition for that work?

Mr. Podbielski: — I would have to go back and take a look at it, but I would endeavour to get back to you on that.

Mr. Wall: — Thank you. And then what about the work that Doug Fast & Associates did for 13.5 in that same year, that you know I would guess would also be polling and research and, or something . . .

Mr. Podbielski: — That was focus groups. I believe that was through the tender process.

Mr. Wall: — And what would those have been . . . the focus group testing on, do you recall? I understand if you, you know, can get back to us, it's fine.

Mr. Podbielski: — I believe, and I would like to go back and check the records, but I believe there was some research due to some marketing initiatives we were undertaking at that time, and I would certainly be happy to provide the member with the details of that.

Mr. Wall: — It just seems like we're doing a lot of polling last year; a lot of surveys and research through — not the corporation directly but when you take the CIC piece with Points West and that 190 grand project they did and then . . . or is this kind of a normal year for the corporation?

Mr. Podbielski: — If I can speak to that. I have worked in the provincial government since 1985 in communications capacities. Certainly the amount of market research is very consistent over time with what I've seen in terms of what companies try to do is they try to usually adopt a couple of wider polls a year together with focus groups on selected topics.

And I don't think that's quite unusual. Probably if you were to go to some of the Crowns that are even more in the commercial sector, like SaskTel, they would invest considerably more resources in terms of market research.

But I don't think that this is . . . there's a sudden spike. I think one of the things that we certainly tried to do last year is we put a lot more effort into promoting a conservation message. And part of that is you want to make sure that the message is effective so we would try to look and see in terms of what we could do that would be most effective in that manner.

Mr. Wall: — Thank you. Thank you. Mr. Chairman, let me . . . I was just trying to get a handle on this work that you never . . . this unsolicited work, the work that you're grateful for, but the unsolicited work that CIC did for you through Points West.

What would you have budgeted in 2001, or would you have gone ahead with that piece of work if they had not asked — I beg your pardon, if they hadn't gone ahead and done it for you? And what would it, what would that have cost? Would you have done it, and what would it have cost the corporation?

Mr. Podbielski: — It's normal that we would have normally two flights of research a year. So we might have, you know, budgeted in and around . . . An omnibus poll can cost 20, $25,000, in there. So we might have budgeted around $50,000.

As you can see, that . . . we only did in terms of other polling, other omnibus type of polling, only the one larger poll and . . . that was related, to . . . to conservation. And the reason why we didn't proceed with some of the other polling was the fact that there was some of this information available through CIC.

Mr. Clark: — I just want to pick up, Mr. Wall, that . . . I think that when you're, you know, a one and a half billion dollar company and you're going to launch a new program . . . As you know we did launch what has turned out to be a very successful prime rate loan program of . . . to assist people to retrofit their energy conservation equipment in their homes. And that was a direct result of some of the focus group and polling information, that people wanted that as opposed to insulation or windows and doors.

We're not in the windows and doors business. We're in the energy conservation equipment business. And having that and having it tailored and what . . . If you look at the program in Manitoba for example, it's got an interest rate of 10 per cent. And what consumers were saying is, if you really want me to conserve energy then you better induce me a little bit and help me.

And we think that was worth . . . I mean if you want to get, I suppose, paradoxical about it, we're in the business of selling more energy but responsible companies have to help people save energy too. And so we made an investment in people, people saving energy for the long term. When you go from a 90 per cent efficient furnace down to about — 62, Doug? — 60 per cent, that's a significant long-term savings for people in terms of energy costs. So things like that are useful to us.

The Chair: — I have a number of people. I just want to ask a couple of questions related to these consulting fees. The first group that's listed is the Phoenix advertising group and I assume they handled your advertising needs for the fiscal year.

Mr. Podbielski: — That's correct.

The Chair: — Could you tell us how it is that you happened to use the Phoenix advertising group for this work?

Mr. Podbielski: — Yes. There is a procurement process with regards to advertising agencies that the commercial Crown corporations and, I believe, government line departments are expected to participate in.

The contract is such that it is awarded for a two-year period, renewable by a two-year period. And Phoenix was subject to that process in terms of . . . it was an open tender. Firms are invited to participate, put their names in, they do a presentation and then there is a selection committee that is made up — not just of representatives of the corporation — there's representatives of the corporation, representatives of Executive Council, and a public member as well that are involved. And we all fill out templates scoring the various companies in terms of how well their presentation was, how well we think they can deliver the services.

And so Phoenix participated in that process and were the successful award tender winner. And as such they are our current advertising supplier.

The Chair: — I just want to follow up on that and just ask, you've stated that you've worked with the government, I assume corporations, one capacity or another since the mid '80s.

Mr. Podbielski: — Correct.

The Chair: — At what point did this procurement policy begin?

Mr. Podbielski: — I believe — and certainly would not pretend to be the expert in this — but I believe that around 1991 or '92 the government undertook an initiative to ensure that the supplier community as a whole had a broader opportunity to participate in the awarding of communications contracts and advertising contracts and so as a result, there was a procedure put in place whereby firms would formally bid for that work. And again, I'm just not . . . I wouldn't want to speak to all the details of that because I'm not an expert. I kind of get to see it from the other side but that is my understanding of how it occurred.

The Chair: — Now I have Mr. Forbes, Mr. Prebble, Ms. Atkinson. On this issue, Mr. Forbes? No. Mr. Prebble, on this issue?

Mr. Prebble: — Yes, I have a question on this issue, Mr. Chair.

The Chair: — Okay.

Mr. Prebble: — I want to return to the Points West contract as it relates to dealing with large Alberta clients and just clarify because I heard a reference to a $2 million figure. But I want this to clearly be on the public record.

Exactly what was expended . . . My question through you, Mr. Chair, to our president is: what was exactly expended on the contract with Points West to deal with your large Alberta clients? And what revenue was generated for the corporation and the people of Saskatchewan from that contract? Can we just get that clearly on the record again?

Mr. Clark: — Mr. Chairman, the first part of the question, what was expended, was $39, 715 and I think with the indulgence of the Chair, and the member, I would like to report back to the committee the specific amount of incremental gas that we believe we benefited from and the revenue that would flow to our bottom line. So I will endeavour to get that for you for the record.

Mr. Prebble: — I would like it for the record. You were mentioning a $2 million figure, is that right?

Mr. Clark: — Well I think when we take the incremental gas for the year and look at how that flows through our system on a tolling basis and what that's net incremental to our bottom line, I believe it's substantial and it may be even a bit more than that. But I would like not to be in a position to have misled the member, if that's acceptable?

Mr. Prebble: — That would be most acceptable, Mr. Chair. Thank you very much. I'll look forward to seeing that.

Mr. Clark: — It was safe to say it was a very good investment.

Mr. Prebble: — Thank you.

Mr. Clark: — I have, Mr. Chairman, the number that the member wanted earlier. Is this an appropriate time to provide that?

The Chair: — Sure, yes.

Mr. Clark: — As you'll know, it was reported that the original travel was $99,915.95. The trip to Mexico to meet with President Fox was $16,683.82. There are credits of $9,296.51 and credits of $27,196.45 for a net travel expenditure of $80,106 — sorry, getting old — and 81 cents.

The Chair: — Thank you. I have Ms. Atkinson on this issue.

Ms. Atkinson: — Yes.

The Chair: — Consulting fees.

Ms. Atkinson: — We're obviously talking about consulting over $10,000. And SaskEnergy has indicated to us what was paid between January 1, 2001 and December 31, 2001. I'm wondering if you can provide the committee through the Chair, what is your policy when it comes to tendering — over a certain amount, under a certain amount — tendering when we're dealing with consultants.

Mr. Clark: — I think, madam . . . Mr. Chairman, sorry, and to the member. We would endeavour to give you in . . . all members in detail, precisely what we do on the various thresholds. Would that be acceptable?

Ms. Atkinson: — That would be helpful. I'm looking at for instance Global television, $10,000. There are other television stations that are in the province. Is there a particular reason why Global and not CTV (Canadian Television Network Limited) or CBC (Canadian Broadcasting Corporation)?

Another example: I see that there is Doug Fast & Associates, Pulse Research, obviously Points West. You know, what was tendered, what wasn't tendered, what is your policy?

I see Partners in Motion. I presume those are television ads. I'm not quite sure what Partners in Motion is — I think it's a video company. Was that tendered? So if you can give us an explanation.

I see that Bennett Jones, which is also a . . . there, and they received $22,164. They tend to do a specific kind of work. Was that tendered? Could you give us a context — SaskTel Yellow Pages? I think that would be helpful for the committee.

Mr. Clark: — Yes, ma'am. Yes, Mr. Chairman, we'll undertake to provide that for all members, through you.

Ms. Atkinson: — I also notice there are law firms — MacPherson Leslie & Tyerman, 134,000. Was that tendered?

Do we tender law work . . . or legal work? How does that work? They're not exactly a noted sympathizer of the government. I'm not sure Bennett Jones is. If I recall, I think it's closely associated with the Liberals.

So if you could give us some information, I think that would be quite helpful. Thanks.

Mr. Clark: — We will do that, Mr. Chairman.

The Chair: — Next on my list then, on the standby list is Mr. Forbes.

Mr. Forbes: — Thank you very much, Mr. Chair. I just wanted to ask some questions about SaskEnergy rates and the . . . Mr. Clark talked a little bit about Manitoba. And I was curious about rural rates. You know on this rate comparison chart we talk about Saskatchewan. And you have Winnipeg. What are the rural rates? What's the experience in rural Manitoba and . . .

Mr. Clark: — Just to clarify. First of all, we have one Saskatchewan-wide postage rate. So whether you're in downtown Regina or in Spiritwood, Saskatchewan, the rate is the same.

In Manitoba, as you may know, there's very little natural gas distribution outside of the large metropolitan area of Winnipeg and Brandon. There is some but not nearly as extensive as ours. And, Ken, do you want to expand on any of that? Or Doug?

Mr. From: — If I could just expand on that a little bit, Manitoba does not have the rural saturation that we do here. Mr. Clark is correct in stating that virtually in North America, outside of Alberta, we are alone in serving the small communities and certainly the farms that we see gas service being run to.

In Manitoba there are some communities, very small ones, and some larger farms, that have been served by what they call co-operatives. A bunch of people will get together to form a co-op, and then go out and get the line built, and go to the regulator and get all that approved. Interestingly enough, we are the commodity supplier for some of the co-ops in Manitoba.

Mr. Forbes: — Thank you. As a follow-up to that, because we've been talking a lot in this session about ACRE (Action Committee on the Rural Economy) and the rural economy and its revitalization. And I notice you talk about investing for growth and you alluded a bit to hog barns and that type of thing. Can you talk a little bit about how you're supporting rural Saskatchewan and how this might be different or unique to our province.

Mr. Kelln: — Certainly. We've been very interested in investing in Saskatchewan and we've seen, in terms of the economic development projects, we've served 70 grain terminals with natural gas drying. Over the last several years we've seen about 19 very large agricultural projects go on in 2001 — the hog industry, poultry, as well as the grain terminals.

The other sector we've seen some activities that we're very interested in helping is the oil patch, if we can provide them a lower cost fuel that allows them to be more effective, produce more . . . have more production, and thus drill more wells and create more economic development activity.

So we're very active throughout the province — that's above and beyond the rural — continuing to serve communities. We brought gas to a number of residential customers. Approximately 10 communities received a lot of additional services to residential customers. We are faced with . . . We're in a very mature market and the saturation is high but we're still very interested in serving customers that remain.

Mr. Clark: — Just one other generic comment, Mr. Chairman, and to members — I think to all members — is in I think it's this issue of *Saskatchewan Business*, I think there's an insert we have what we talk about trying to work with REDAs, regional economic development authorities, across the province to try and assist them. We think we do have a competitive advantage and a competitive edge. And so, you know, when you've got the kind of saturation we have, you've got to turn over every stone you can to try to be part of the solution.

Mr. Forbes: — Okay. Thank you.

The Chair: — I have Mr. Wall and Mr. Brkich. I guess the area in question is service to rural Saskatchewan. Mr. Wall, on this? No.

Mr. Brkich: — Thank you, Mr. Chairman. My question is, I have several . . . I have quite a few constituents that don't have natural gas. What's it cost per mile if they were just to bring in a residential line?

Mr. Clark: — Well I think I'll let Mr. Kelln speak to that. Again not to try to be elusive but, Mr. Brkich, I think a lot of things depend on whether . . . you know, on a lot of circumstances. But I know Doug can give you some specifics.

Mr. Kelln: — Again it's dependent if, do you cross a creek or do you have to go across a road; is it over farm land, cultivated land; is there railways — those type of things.

The process we follow which we consistently apply around the province is we establish how much gas, natural gas, they're going to use — an individual customer's going to use. Some may want to have their shop supplied or some other pieces as well as their house. Once we have that load established, we decide how large a pipe we need and the shortest route from existing pipeline network to that location. We establish that total cost. We subtract off a SaskEnergy investment, which is based on a 30-year term for residential customers and a 20-year . . . up to a 20-year term for commercial customers. And if there's costs remaining we ask the customer to provide that.

We have introduced financing as another option for that customer, because there still is a very large band of what the cost of natural gas is for using versus, say, propane, that we offer them financing as well to handle that cost that remains.

Mr. Brkich: — Okay. We'll talk on a full mile of no creeks, no railroad crossings, just through straight cultivated land doing a house and a shop, which I think I've . . . if I remember right I've seen the quote, but I think it was just on quarter-inch pipe coming in that basically will handle a small residential farm, you know a three or four section farm.

Mr. Kelln: — I don't have the exact cost with me but I can certainly provide that.

Mr. Clark: — We've had this question in the past and we'd be very happy to take two or three examples, make an illustration, and provide all members. I think it's very insightful; I think it's a very good question, Mr. Chairman.

Mr. Brkich: — Roughly I would say it's in the 10 to $20,000 range to bring it in — to the cost to the farmer.

Mr. Clark: — In some cases, it's significant.

Mr. Brkich: — Any of the quotes I've . . .

Mr. Clark: — It's significant. I don't deny that, Mr. Brkich, in some cases where people are off the . . . are, you know, some distance from one of our transmission . . . our larger supply lines.

We do invest; we have a very good investment policy in terms of trying to assist. But you're absolutely correct, in some instances the shortfall contribution by the individual owner is not insignificant, I agree.

Mr. Brkich: — Thank you. Just a follow-up comment with the member there. I would like to see more natural gas to my constituents, also businesses.

I've had a business that's setting up a . . . wants to set up a feed cleaning plant. The cost of SaskTel coming in was 17,000. The cost of natural gas, I believe, was 30,000 and the cost of power, three phase, was in the $20,000 range.

They just had to basically forget about it. Just the initial costs to bring in them three utilities was up over 50,000. And they weren't much further than a mile from any of the three transition lines that were coming in.

So that's probably why there is a big deterrent of businesses starting out in rural Saskatchewan, is the initial cost of bringing in the three utilities.

Mr. Clark: —I only say . . . I'm sure there are examples, Mr. Chairman, where those kinds of results do occur. I want to say that our business practices — I think there's an occasion where there's an inference that somehow the Crowns do business differently or perhaps not as efficiently, or without the zest that the private sector does — I want to say that our business policies and practices are exactly the same. I would say that some of those circumstances that you describe would be treated no differently by ATCO in Alberta or Union Gas in Ontario or BC Gas in BC (British Columbia).

They're difficult. I mean when you take the hog barns, for example, it's not a coincidence that they're not located right next door to the built-up area of Lanigan or Shellbrook, or wherever, and they're often out in the — if I can put it that way — out in the boondocks. And it makes some of the challenges for us and some of the other utilities of getting them there. That's why we introduced . . . we try to be as customer-friendly as we can.

I mean five years ago we did not have financing and our customers got back to us and said, God, we're just starting up, you've got to help us. We can't eat all that upfront cost. We have no cash flow yet. And so we've introduced financing, spread it over . . . was it 5 years or 10? And we're looking even at more ways to try to support business development, be it urban or certainly rural. Because we've got all that rural infrastructure. I mean we serve 27,000 farms. Outside of ourselves and Alberta, it's unheard of to service 27,000 farms.

I do want to say, again in defence of the men and women over the last 40 years — and I'm just the head cheerleader, and I'm quite happy to be the head cheerleader — but there's nothing about the economics of 64,000 kilometres of pipe. The largest . . . one of the largest distribution networks in North America, and 321,000 customers over a service area six times the size of Nova Scotia for example, to put it in perspective, and still have . . . operate with all the business parameters that the private sector operates with. And for the last five years have among the lowest residential rates in Canada.

It's a credit to the men and women who go the extra mile. I know that's a cliché. Good use of technology, and it's a good asset — it belongs to the people of Saskatchewan. Maybe some day it'll have a different configuration, that's not for me to decide. But it's a good asset. It's a good asset for the people of Saskatchewan.

I wish we could . . . (inaudible) . . . I wish we could do better in some cases. But I mean we'd be the same ones that . . . I mean we make about nine and a half per cent return, given a normal winter and normal weather. That's about what . . . if you go and check any regulated return for a utility in Canada, US (United States) — in fact US is a little higher.

So we, you know, we'd like to do better. We'd like to have 100 per cent. We really would. Why not?

Mr. Brkich: — Naturally, what company wouldn't. No that . . . just another, just one more comment and then I'll pass it over . . . Just there's always that, from the members opposite, there's always that . . . they're always infer that you're subsidizing the cost of the pipelines going to the farms, and actually you know when I've talked to your people, you're laying it at what . . . at cost. I mean, you . . . I'm paying it . . . if I was laying pipeline to my farm I would pay the cost whether it would be through ATCO or . . . the actual cost of it.

The majority of the pipeline that was probably laid out to farms and residential areas came through the '80s with the program that was brought through there to bring natural gas to a lot of the rural customers and that's why there is natural gas out in the rural areas and to the businesses that were brought in through the programs that were installed through the '80s.

Mr. Clark: — Mr. Chairman, I don't question that at all. The member is correct. But we need to know that, I think, if it's the will of the . . . of any government to support economic development, they did it inside the utility. We have $200 million of dead-weight debt that's not financed by the customers because of that program.

And I'm not quarrelling with the public policy decision because if you're going to do it, let's admit that it was a subsidy. It was done that way. And that's a conscious decision that any owner can make. But in our case those lines that were put in did not even come close to paying for themselves. I think that's all. I say I'm not quarrelling with that, I just want to make it clear that it didn't happen then on a business case basis. Why can't it happen now on a business case basis?

Mr. Brkich: — Just one other comment. But you're probably starting to pay for it by now. By the late '90s or 2000 . . . (inaudible) . . . show where you're starting to show a little bit of, finally, profit from them programs that were initiated in the '80s.

Mr. Clark: — No, I'd like to, I'd like to . . . I'm not trying to be provocative but they can literally burn gas till hell freezes over and it won't pay for itself.

The Chair: — Okay. Mr. Yates on this?

Mr. Yates: — Yes. Thank you, Mr. Chair. I have a number of questions I'd like to ask in this vein and this area of questioning.

The Chair: — Whether we need to do this now or whether we might be able to take a five-minute break and then . . .

Mr. Yates: — Sure.

The Chair: — Yes?

Mr. Yates: — More than willing to take a five-minute break whenever you're ready.

The Chair: — That agreeable to the committee we take a five-minute break? Okay, five-minute break.

The committee recessed for a period of time.

Mr. Yates: — Thank you, Mr. Chair. Just continuing on the line of questioning regarding service in rural Saskatchewan, I'd like to fully understand the delivery of that service in Saskatchewan in comparison to, say, our counterparts in Manitoba and Alberta and just have a little discussion and so that I understand what the impact is.

Now we charge today the full cost of putting the original service in to a new . . . whether it be a commercial outlet or an individual farmer. But we provide financing and all that to be financed over long periods of time.

Could you tell me what, first off, the companies and regulators in, say, both Manitoba and Alberta would do with a similar issue for putting a service in to a farm. We help assist with the financing. What would the regulator in Alberta and Manitoba do? Would the company assist in financing? Would it be for a longer or shorter period of time because you can only finance an asset over such, you know, a period of time?

I just wanted to know what the environment in which we're developing our service in rural Saskatchewan is compared to competitors in the two provinces around us, and what it means for rural people in Saskatchewan.

Mr. Clark: — Well I'll let Doug Kelln elaborate more generally, but we certainly have seen the differences. We obviously appear before the regulator in Manitoba with our Swan Valley Gas Corporation, the Manitoba utilities board. And if you want to see the very hard evidence of the difference, when we talk about making investment in Saskatchewan, we take 20 and 30 years to allow the net present value to materialize into a part . . . our investment.

And so we're, you know, we're taking a higher risk profile. But that's the way we endeavour to try to play a role.

In Manitoba, the regulator sets it at five years. And so you will see less and less rural projects in Manitoba, because we can't make as large an investment because it will only allow us to accrue the net present value of five years as part of our investment. And quite frankly, that's usually not . . . If we have difficulty with 20, as the member was pointing out that some of the residuals are still pretty high for the customer, you can imagine what it is when you can only got five years of investment to be utilized as part of our assistance to the owner.

So, Doug . . . I mean, that's just one specific case but . . .

Mr. Kelln: — Maybe another specific example. And certainly we could provide to the committee, this is the insert that's going to . . . Ron referred to earlier that's been working with REDAs on and it's located within the upcoming magazine. In it has a table that shows that for a $50,000 commercial project, a customer in Saskatchewan would be asked to provide 17,000, a customer in Manitoba would be asked to provide 24,000, and a customer in Alberta would be asked to provide 29,000.

So again, clearly, our longer investment horizon means that the customer has to pay less to connect up to natural gas. And we feel that's very important from an overall competitive point of view. You're going to have . . . From our company point of view, you're will have a greater number of people using the lowest cost energy that they can get.

The second thing is competitively, we know that, say, a hog project is comparing setting up shop in Saskatchewan, Manitoba, or Alberta and is looking for the best deal. And we think that this investment, which is highlighted in here, really shows that.

The brochure also highlights our financing that we provide which is relatively unique for utilities across Canada. So we feel we are going that extra mile.

Mr. Yates: — It gives us a competitive advantage to diversify and add more customers in rural Saskatchewan.

All right. My next question has to do with the rates of the actual product, natural gas, delivered at the various business or homes. We have a single rate for residential consumers in Saskatchewan. Could you explain to me whether residential consumers in Alberta would get the — and Manitoba — would get the same rates in a rural community or at an individual farm as . . . Or are they different rates? In Saskatchewan, they're all one rate, I believe, correct?

Mr. From: — Yes, Mr. Chairman, in Saskatchewan we have one rate for all . . . for the class of customer throughout the province no matter where they reside.

In Alberta, Mr. Chairman, there are three different utilities who provide service to customers in various areas of Alberta. There's ATCO South and ATCO North and also AltaGas, which has some customers in the Red Deer-Edmonton area.

In addition to that, a lot of the rural development in Alberta has been done through what they call co-operatives where a group of people will get together and form a non-profit organization to run the gas lines. The reason for that is because the utility will not do it. The utility cannot make any money doing that so these groups who desire the gas will get together and form these co-operatives.

Their rates would be, I guess, specific to their co-operative. They have agencies that will help them purchase the commodity itself and then they will roll that into the delivery costs that either NOVA or ATCO or AltaGas may have in some of their distribution lines and then their own co-operative costs that they would have in taking it right to the final doorstep.

That's also similar to what happens in Manitoba, in the rural area, where the utility does not wish or cannot by regulatory intervention economically serve those customers. These co-operatives would be set up to take gas to those people and then really what they're paying is they're paying additional costs over what a residential customer would be paying in an area that is served by the utility.

Mr. Yates: — Do you have any estimate what that additional cost would be for a rural resident, say in Alberta or a rural resident in . . .

Mr. From: — Actually, I do not. We're not that familiar with some of those details, you know, with the specifics. You just know generally how that works. So I don't have any specifics that I could tell you on that right now.

Mr. Yates: — Okay, thank you. My final question goes to in Saskatchewan private companies could provide natural gas to consumers as well. Is that correct?

Mr. From: — The commodity portion of our bill was deregulated for large customers right back in 1987, and most recently, to every level of customer in November 1998. So today every customer, every consumer of natural gas, has the ability to source their commodity from a supplier other than a utility.

Mr. Yates: — So we have an open marketplace for the commodity itself. And have we lost any market share? Have we had any competitor come in and deliver significantly cheaper gas or to take the market . . . is there any competition moved in from Alta or other companies trying to . . . We have a vast network, distribution network — has anybody tried to take over the actual commodity sales? And if not, why?

Mr. From: — Mr. Chairman, with respect to the commodity sales, as I mentioned it's been a deregulated market in Saskatchewan for large customers effectively since 1987. Since that time there have been the largest industrial customers who have decided that they want to buy their own gas and they have been doing so since roughly 1987 or perhaps a bit later.

So certainly that sector of the customers has been taken over by the private suppliers.

In addition to that, there's been one supplier who's been fairly active in what I call the commercial and institutional area, which is CEG Energy Options out of Saskatoon. Their parent company is PG&E out of San Francisco. They've been quite active over the years.

When we do our budgets, we try and look at, okay, these class of customers — where might they go, might they stay with us, might they go to CEG. And over the past 10 years, there's been a line of customers and there's been pluses and minuses to what CEG has been able to attract or give up from year to year.

CEG has a very good relationship with its customers and, in fact, some years has told them, stick with the utility, that's your best business decision. Other times, they will have a portion of their supply that they can lock in for somebody at a decent rate. And if that person wishes to take that market risk, that prices will remain at a certain level for a longer period of time, they take that risk. Sometimes they do well; sometimes they don't do so well. It's really a competitive market once you get into that commercial and institutional area.

Has our load changed significantly over the last five years? No.

Mr. Yates: — And our customers have continued to increase — the number of customers SaskEnergy's had?

Mr. From: — As you saw from the graph in the opening material, the number of customers are continuing to grow. We're seeing, luckily, more and more commercial customers in the province as well because they added a significant load for us.

Mr. Wall: — Thank you, Mr. Chairman. I was going to go to a new issue but on this issue here in particular, I think it's true that in an answer to a question that we asked in the legislature, a written question, SaskEnergy confirmed that they had lost over 2,100 customers to CEG in about the last year or so.

And I certainly have seen, in Swift Current, I've certainly seen the promotional material that CEG was using and the packages that they were offering to people, notwithstanding their proviso that if things changed substantively in the gas market, I think it was in June or July, with just a few months left in the gas year, they were . . . you know, that the deals may be off.

And then we asked a subsequent question and SaskEnergy, I think, indicated that of their non-residential customer base, they had lost about 6 per cent of their customers. I think it was 5.8 per cent. We had specifically asked what percentage does this represent of your non-residential.

And maybe we didn't even ask the right question because I know that . . . I don't think CEG — which is really the only other player, other than the largers going on their own — I don't think . . . I think the number of customers or the customer category that CEG goes after, it's certainly smaller or maybe it isn't. Is it smaller than just to say non-residential?

And I guess the specific question would be, the ones that you're really head-to-head with in CEG, you know, some of the institutions and the school boards — and now I know they are trying to going after the more commercial market — is that 5.8 per cent number applicable to all . . . to the people that CEG customer base that CEG would be going after or is it actually, would it be a much smaller group of people that CEG would be directly competing with your . . . with the Crown?

Mr. From: — Mr. Chairman, in response to a question — I think I understand — the sector that CEG is actually trying to get at is a . . . it's a commercial sector. They do their advertising through associations because of course they cannot effectively market to small customers which is why a lot of people do not wish to get into certain jurisdictions. So they market through chamber of commerces, through associations of real estate, builders associations, school boards, hospitals, various things like that and that's how they get those types of customers.

This year they are expanding that to try and attract more and more customers. I believe the number that was reported in terms of customers lost and percentages would apply only to that sector that they are involved at. We did not include the 240,000 residential customers which they are really not targeting.

Mr. Wall: — And would you characterize at all the . . . what's happened recently in terms of the customer loss to this . . . to that particular sector? Is it a concern at all? Is it, you know, part of the reason behind, you know, this . . . (inaudible) . . . or it is just been part of the normal ebb and flow of business and has price point basically been the reason as far as you can tell that your customers have switched to CEG?

Mr. From: — Really the customer switching that has occurred is really part of the ebb and flow of the industry and how things work. And people have told me that they have switched directly because of the price point.

The thing that I want to raise is that CEG is out there making a price offer when we are not in front of a regulator. And our ability to respond to his prices is difficult for us because we have a regulatory process to go through. He has no process to go through other than to make an offering to people.

Quite often, as we saw last year, some people that took the CEG offer and they took it for a few pennies, found out that once we had our regulatory rate in there, that they were on the other side of it, that it was not to their advantage to have taken the CEG's rate. But at the time they had certainty over his price, and at the time they did not have the same certainty of our price because we have this regulatory process to go through.

So the past year the customers that moved, I would say it was a wash on whether they did the right thing or did the wrong thing. It's just that at certain points in time businesses have to commit and they did so.

Mr. Clark: — I think it's a very good issue that's been raised, Mr. Chairman, because what we are seeing through the Canadian Gas Association where all of us come together and hear from other utilities is that with all this volatility in the last few years it certainly used to be price point. But there are institutions — large hospitals, nursing homes — who want some price certainty and some price stability, so longer term contracts too and, you know, sometimes better the devil that you know than the one that you're not sure of. And so that we do not offer three and five year contracts.

We're not convinced that . . . We're certainly convinced that our crystal ball isn't that good that we could convince somebody to lock in for five years because we know where gas is going to be. But we obviously . . . Our competition, to state the obvious, is as healthy. We love . . . would love more competition at the residential level because nothing promotes transparency like competition.

CEG does, as Ken's pointed out, an excellent job with their customers. They're a good player in the province. And we're going to . . . yes, we're going to look at whether there's occasions for some of those players like municipalities who might want a, say a two-year contract. And I think, Ken, you're pursuing that now to see if in the marketplace we're a good, responsive company in providing customers with options that they might want.

The customer is always right, so we're trying to provide more choices.

Mr. Wall: — On the subject of rates, Mr. Chairman, I've noticed in the annual report that the corporation is reporting about a $10 million — not surplus — but a $10 million balance, if you will, in the gas cost variance account. And there's an indication in there that CIC, the parent, will be directing . . . or I'm not sure how the wording is. But an indication that, you know, that money is going to be coming back to Saskatchewan people in some way as per the . . . how they . . . I guess that's the GCVA (gas cost variance account), that's how it's to work.

What's the current balance? That was December 31, 2001. What is the current balance? What is the reason for the balance? I mean, I know that's an obvious question but I think it's healthy to get it on the record. The reason for the balance and did SaskEnergy have any indication at all when the ratepayers would be receiving that back by an application to the rate review panel or something, whatever the . . . however you might be proceeding in that regard?

Mr. From: — Okay. Mr. Chairman, the GCVA amount of roughly $10 million as in the annual report, that amount was actually included in our rate application to the regulator for the rate that's currently in effect right now. So that money is being refunded as we speak, if you will.

The rate application also had in there the fact that if our gas cost variance account grows to a number of $20 million, the regulator said that when it gets to $20 million, that's the time at which we are supposed to go back to them and seek for either a rate increase or a rate reduction, depending upon which way that gas cost variance account sits. And that's the policies and procedures that we would adhere to this coming year as well.

Mr. Wall: — Thank you. And what would be the balance of the account right now?

Mr. From: — Right now the account, to the best of my . . . (inaudible interjection) . . . At the end of our quarterly statements, which is March 31, the gas cost variance account was sitting at $3 million that the customer would actually owe us.

Mr. Wall: — And the rates? Why would the . . . So in other words, in the last few months, SaskEnergy is off 7, about $7 million, if I heard you right. It's gone from 10 to 3. And in light of the fact that, you know, just for example, CEG is offering the prices they're currently offering, even over five years, whether or not long-term things are something SaskEnergy wants to get into, that's the offer that they've made, I think, is somewhat less over five years than the gigajoule price that SaskEnergy is currently charging just on a current basis.

And that certainly, that's occurring in some of our other competing jurisdictions. So what's happened then here in the . . . what's happened with SaskEnergy that we would be a little bit more in the ditch in that GCVA than we were a couple months ago?

Mr. From: — Mr. Chairman, there is no question that at this point in time, SaskEnergy's commodity rate is higher than some jurisdictions. Some jurisdictions also have a higher commodity rate than ours. And it relates around the philosophy and concepts around price setting, rate setting. In Alberta, if you will, they have really the policy that you get the monthly price. And if it goes to $3, you benefit; if it goes to $17, well I guess that's just the way it is.

Our philosophy has been to — and our board action has been to — have a more stable rate. So what we did is we locked in the portion of our portfolio. And with hindsight, you can see that that price is now higher than what the current market price is. And there's absolutely no denying that. Our stuff gets reported into three decimal places down to the gigajoule. So it's very accurate in hindsight.

We had a portion of the portfolio that was floating. If you'll recall, we said that we were going to leave about 20 per cent that was going to be subject to market prices. That 20 per cent had to be priced, however, for the rate application. You can't just have it at no value, so we had to pick a target number.

Well with the run up in prices that occurred in the latter part of the winter here, once winter hit, I think was which, March 1, prices ran up a little bit and that has caused us to pay more for the gas than what we had in our application. Because the part that was floating is turning out to be higher than what we had in our rate application. Not significantly, but with the volumes that we have, the pennies do add up into millions. One penny, just for your information, one penny is worth about you know $650,000, so it does not take very many pennies to impact our gas costs.

Mr. Wall: — In light of what's happened here in the last 18 months with respect to your position, which I don't think anybody, any of us envy by the way, your position or the position of your colleagues in this industry trying to, you know, effectively make . . . guess the market and to do the right thing by your corporation and by your customers. But SaskEnergy seems to have, as I've tried to follow this, seems to have had an approach that's been relatively consistent in terms of the balance between, you know, what floats and what doesn't float — what they set through different options that you have, market options.

In light of how volatile the last 18 months have been, and in light of the fact that, you know, it seems that that volatility might continue in the wake of what happened last fall and here lately now we've seen — you know the prices seem to ramp up again a little bit, is there any kind of a . . . because things are different, is there any desire or do you think there would be any sense for SaskEnergy to take a look at what it has done for years in terms of its purchasing, and find out if that ratio between what floats and what's set is right, or are you re-looking at all of that or is it just going to be sort of everything that we've done we're going to continue to do because you know up until 18 months ago it was working pretty good?

Mr. From: — Right. Mr. Chairman, obviously the commodity price issue and the volatility of the last two to three years is something that all gas utilities have wrestled with. Hedging programs, whether they have one or not, come into question, various things of that nature.

We have within our company really looked at this issue very, very hard. What do we want to do as we go forward? Where do we see the industry? How do we see the volatility cycles changing the things that we want to do?

We took an item to our board some time ago and we discussed this at length. It gets back to what customers want from us. And customers, by their decisions that they're making with other suppliers, and by what we find out in our focus groups and various things like that, and information from other utilities, suggest that people want some stable prices. They do want a one-year rate, and they are willing to say to us that, okay if your one-year rate actually turns out to be slightly higher than what the market was, that's okay. If it's really offside then they're going to say that's not okay.

So our philosophy is still going to be to have as stable rate as we can to probably lock in prices the way we are. The one thing that the volatility has shown us is that we have to protect against the upside because that is where it really hurts people — when they might get a surprise bill when the gas price goes to 8 to $10 or even higher. So we still want to do our responsibility to take care of that. At the same time, work out programs that can lower it and keep us as comparative as possible.

What that means for us this year? I can tell you right now we have nothing locked in as we go forward into next year. The reason for that is our market view at this time. Storage throughout North American — for those that aren't aware — is at basically record high levels. The economy has not recovered to the extent that people had thought, not withstanding any more, shall we say, tensions in the Middle East and the rise of oil and the price of gas with respect to the price of oil, I think we're well positioned to have a very competitive rate this fall.

A Member: — I have another issue but if there's others that want to . . .

The Chair: — . . . Mr. Yates, and I have a question as well. I just want to follow up on something.

Do I understand you correctly then that CEG, which is a competitor in the commercial/institutional market, is not subject to any regulatory approval for pricing or pricing approval, whereas SaskEnergy is subject to that approval in that same market area?

Mr. From: — Yes, Mr. Chairman, you're correct.

The Chair: — Interesting. Okay, Mr. Yates, on this topic.

Mr. Yates: — Thank you, Mr. Chair. My question is along the same lines as you were leading. I would like a little further understanding of what that does for CEG, perhaps being in a competitive advantage over SaskEnergy in the commercial market or small institutional market and commercial market, not being regulated. Could you expand on that so we clearly understand that?

Mr. From: — Yes, sure. Mr. Chairman, the difference between regulated and not regulated would just simply, in my view, speak to the speed at which an entity might respond to a customer's wishes. And at times that speed may be advantageous and sometimes it could be disadvantageous.

Mr. Clark: — I think it's important that when we were speaking of the offers that CEG has out and has been doing quite a bit of advertising over the last six or eight weeks, if you look at the contracts, Mr. Chairman . . . And let us say they offer a price of $4.90 for the upcoming gas year, they also have to . . . and they're in a very advantageous position because if they can't go out and get $4.90 gas, they just tell . . . it says on the contract that you now are turned back to the utility.

So we have nobody to turn them over to. So if we promise 4.90 gas, we've got to go to the regulator and we've got to deliver it.

So if you sign a contract — and I'm not being critical — if you sign a contract with CEG and you say, gee, I like that 4.90 gas, and by July 1 he comes back to you and says, I can't get 4.90 gas so you'll just have to go with whatever the rates set by the utility now. It's a kind of a nice position to be in, and to their credit they've done a good job exploiting that opportunity and so be it, you know.

I think the other thing that I think we started to make some inroads because, you know, it's . . . most importantly with our customers, is because we're out there trying to explain these volatile price changes on the commodity and you know what happens to messengers usually when they've got bad news is that I think there's a belief that somehow when gas goes to $5 or $6 or $8, that the utility makes a bunch of money.

Well, we don't make any money. I mean we're revenue indifferent in terms of the price. But, you know, there's a sense that somehow, boy, we're just lining our pockets now because the commodity price is going up.

You know, we're one of those few businesses where you say you're in the natural gas business but we're not really in the natural gas business. We're in the moving of natural gas business in that we get a return on our infrastructure. We make . . . There's no regulated utility in North America that makes any money on the commodity; you're not allowed to.

So, you know we . . . it's been . . . The last 24 months have been a very different ball game for all utilities. I think the bottom line is that our customers are telling us we can't take $12 gas or $10, we just can't take it. And, you know, it's nice if you have enough money in the treasury to help customers. As you'll know in our annual report, there was an almost $76 million assistance to customers last winter because it was hurtful.

We had a lot of people come to the regulator and say our church can't afford it or whatever, whatever, whatever. And ours was a 44 per cent rate increase. I mean in Alberta it was 111. And you should know that they applied, ATCO applied on Thursday for a 111 per cent rate increase and it was granted on Tuesday. So it's been a tough, it's been a tough . . . it's been tough for everybody.

But, you know, we've tried to find a price and protect our customers. We're certainly not indifferent and I can tell you we're not sitting back saying, well we got it right for the last three or four years, we'll get it right again. We do a lot of work on this. This is a tough file. And I appreciate Mr. Wall's comments that I think that Ken is one of the best in Canada and best in our industry, and we're very lucky to have him in Saskatchewan.

Mr. Prebble: — Yes, my question actually has now been partly answered by Mr. Clark's last comments, Mr. Chair. But I . . . because one of my questions was whether we had a final figure on exactly how much the 1991 winter subsidy was. And I take it from your comments, Mr. Clark, that it worked out at 76 million.

Mr. Clark: — I think you meant 2001.

Mr. Prebble: — Did I say 1991?

Mr. Clark: — You said 1991.

Mr. Prebble: — I was focusing on the one and not on the . . .

Mr. Clark: — Right. So I wasn't trying to correct you, I was . . .

Mr. Prebble: — Thank you very much . . .

Mr. Clark: — It was $75.9 million which was the amount in the gas variance account which effectively . . . I mean there's certainly different ways to assist your customers. We know that the federal government mailed out a lot of cheques and the Auditor General I think trashed the federal government pretty well on where some of those cheques ended up.

Once the decision was taken to assist the customers, and you had the unique situation where the government owns the utility, rather than mail out and spend a lot of money to mail out

$240,000 . . . 240,000 cheques rather, why not only just send out half the bill instead of sending out . . .

Even though the regulator did approve everything, the regulator approved our 44 per cent rate application . . . It was right but it was hurtful. And so it was the owner's decision to assist the people by saying, send out a . . . you know, eat that almost $76 million and send out only half the bill.

And I mean if you want to talk about the ultimate hedge, I mean it's . . . and I'm certainly not . . . I'm not being disparaging to the province of Alberta, but it's pretty nice for my colleagues at ATCO to talk about . . . and the regulator to say that you just go with the daily . . . I mean it's a spot price every day. But there's a piece of legislation in Alberta that says when gas goes to five fifty, the subsidies kick in from the provincial government.

Well it's pretty nice when you got a treasury I guess of that magnitude that you got a piece of legislation . . . So if I'm the CEO in Alberta, boy I don't need to worry about anything. I just . . . The gas goes where it wants and if it gets past five fifty, you know, the ultimate hedge kicks in via ratepayers getting some assistance. I mean there's a lot of people in Alberta who didn't like the volatility, but when gas went to $16 they didn't even know it because they weren't paying $16. They were getting substantial assistance from the government.

And you know if that's . . . that's a public policy choice, and good on them. But not a lot of people have that kind of money. I mean Ontario doesn't even have that kind of money, and they've got 40 per cent of Canada's GNP (gross national product). So nice if you had that kind of hedge for your customers. But we have to try and do the best we can and, on balance, I think we've done pretty well.

Mr. Prebble: — A couple more questions, Mr. Chair. One is, with respect to that $75.9 million in terms of, in effect, a rate writedown, how much of that would have been for the residential sector?

Mr. Clark: — Ken thinks that of the 76 million, about 50 million went directly to the residential sector.

About $200 of . . . it was about $200 a family.

Mr. Prebble: — And one other question, Mr. Chair, and that is with respect to your assessment of the upcoming price for natural gas in the months and the year ahead, which is a difficult thing to do, obviously. But at this point, where does SaskEnergy see gas . . . natural gas prices going?

Mr. From: **—** Mr. Chairman, at the present time our review of the natural gas market is for prices to remain rather soft.

We have an interesting paradox right now. The spot price — compared to the futures price which is what we can hedge at — there's a big gap there. And we're a bit reluctant at this point to want to enter into that future price hedge because present prices do not necessarily justify that. So we're kind of in a game . . . in a position where time might suit us well. We can't obviously wait too long because certain events can happen that are unforeseen, which is why you do want to enter into a hedging program.

So right now we're continuing to watch the market, and until we see signs that the market's going to turn against us, we're just leaving our position open.

Mr. Prebble: — Thank you, Mr. Chair.

Mr. Wall: — Thank you, Mr. Chairman. On the . . . back to the consulting over $10,000, what is, or who are MICA Management Resources, and what services did they perform for the Crown?

Mr. Haynes: — MICA Management Resources is a leadership development organization which has offices all across the continent. Most of . . . their head office, I think, is in Toronto and Vancouver.

We use them primarily for our leadership development program. We have an internal leadership development program which to date we have trained approximately 80 of our people in our organization. As opposed to sending them off to off-site, or out of provinces, we actually train them in-province.

And so we tendered that work some years ago, companies or organizations — University of Saskatchewan, University of Regina, Niagara, Banff School — all tendered on the work.

And so we chose to create and develop and implement a world-class, we believe, leadership development program, which in fact has been benchmarked very favourably against Linkage, which benchmarks leadership development programs across North America.

And we have been recognized for our program.

Mr. Wall: — So what . . . If you can, just bear with us. For the $147,000, what is the corporation getting? What are the 80 candidates, what are they getting? Is that the cost of the curriculum or is that the . . .

Mr. Haynes — It's actually that we have two major programs. One program is we call a leadership development program which is an 18-month program. And what they do is, they're broken down in terms of . . . they have three weeks of curriculum, core curriculum, where they . . . a good part of what Michael provides for us is the leadership styles and inventory analysis, a 360-degree feedback analysis which looks at the individual's leadership style traits and they analyze that and then they provide a formalized development plan to help that individual develop their framework. At the end of the program we also then revisit that and we do another three hour complete 360-degree feedback instrument for that individual to see if their leadership traits have in fact moved over that 18-month period.

In addition, Michael will provide, they have the licence to provide things such as . . . (inaudible) . . .thinking, creative thinking skills, simulations in terms of global desert . . . (inaudible) . . . So throughout the program we provide our employees with world-class leadership development initiatives in that area. So Mike is the principal in that.

Mr. Clark: — I just might elaborate, Mr. Chairman, that I think everyone knows that both attracting and retaining quality people is a challenge for all companies. I sit on The Conference Board of Canada with certainly, the Canadian equivalent of the Fortune 500 and that comes up whether you're the Royal Bank or Imperial Oil or whatever.

And we are simply trying to stimulate and grow and challenge our people internally and it was a decision we've taken. And I can tell you in terms of the culture of our company — I know that's a buzzword — it's worked very well for us, very, very well. We're really growing some of own people.

Mr. Wall: — Thank you, Mr. Chairman, and officials. Could you also outline . . . there's a $105,000 cost to RBCDS (RBC Dominion Securities Inc.). What was the nature of that work?

Mr. Clark: — Excuse me for a minute, Mr. Chairman.

Mr. Wall: — Just before that, before Mr. Clark answers the question. There was one prior to that I wanted to get to and if the two are related, then that's fine. But there's KPMG Management at $132,000, just above RBCDS — and maybe the two are related, maybe they're not. But the other thing I'm conscious of, frankly, Mr. Chairman, is that if . . . I mean, this is part of the public record, right? And so certainly, we can — we should and will ask these questions.

But on the other hand, if for whatever reason they might stand in the way of some potential opportunity for this Crown or any of its subsidiaries, we want to be conscious of that as well and understanding if that's the case. I ask the question though because they are provided to the standing committee and they were costs incurred in the year under review.

But having said that and I know I'm being a little obtuse here, but I'm trying to, I'm just trying to provide some indication for officials that if there is some opportunity that a lot of comment on this gets in the way of, we're on the record as not wanting to do that for any particular opportunity in the Crown sector.

Mr. Clark: — Mr. Chairman, I appreciate the latitude because . . . I'll answer the KPMG one first. We have a very aggressive internal auditing function as well as obviously the independent external auditors. And rather than . . . And we have very specific and challenging internal audit projects. They might be in the area of our information technology area. They may be in gas, marketing, and brokering activities.

So we, instead of hiring a large number of people who we think can be renaissance people on our audit services, we have a core and then we have a budget. And this was tendered out to assist us with specific internal audit projects. And there was quite an aggressive competition for this job.

With respect to the RBC Dominion Securities, Mr. Chairman, I want to take the member up on his latitude and suggest that we're always looking for ways in which we can take our assets and grow them for the people of Saskatchewan. And sometimes, we need to get external advice from people in the marketplace who can provide us that kind of assistance. And I think that's all I can say at this time, Mr. Chairman.

Mr. Wall: — Thank you, Mr. Chairman. Of course, some of the services that RBCDS and others would do better in that industry would provide some valuations and as well as strategies for corporations to look at different things, including joint ventures or sale or what have you.

I guess I would ask this question in a very general term, to be fair, but because the matter frankly is raised in the 2001 report through the highlighting of RBC Dominion Securities work that they've done for SaskEnergy.

I wonder if in a general sense SaskEnergy officials could comment as to . . . it would seem to me that this Crown corporation is certainly trying to grow. It may be even pursuing ways that we have some concerns about, for example the South American investments. And we may have a debate about that and that's fair, and that's not what I want to get into.

Another way to grow of course is through the synergies that are created when a company joint ventures with another company. Sometimes it has to give up equity to get that joint venture done or its shareholder has to give up equity. And you know if it's a government that's a privatization clearly, although it may not be an IPO (initial public offering) or an outright sale.

So I guess in a general sense if Mr. Clark's now been at SaskEnergy for some time, and he might have a unique perspective on the wisdom or the propriety of Crowns looking at these sorts of things, notwithstanding the fact that certainly the cabinet of the day, whoever that is, makes the final choice because they're the shareholder, but Crowns obviously look at these sorts of things and . . . as a way to try to grow their company and add value to their company, perhaps even a concern for long-term head office job protection, whatever the reasons might be.

But just in a general sense I think it's fair because it's included in here, that we'd ask Mr. Clark to comment on that.

Mr. Clark: — Well, Mr. Chairman, again I really . . . I can't offer much latitude other than what I already have. Obviously we're trying to grow. I think we all believe that we have a great platform of people here in Saskatchewan. We want to keep them here. If there's an opportunity I think like . . . and really what we are is the stewards for these assets. The owner has the ultimate role to play in terms of what they want to do with these assets, whether they want to in any way restructure them or change them.

And so I can only . . . and I think the committee knows that I'm usually quite forthcoming but I think I can only comment on what the chairman of CIC has said. Minister Sonntag has indicated that if it was something good for the people of Saskatchewan and good for the province that involved another player in a minority way, I think that was a key word he used, why wouldn't you look at it. And I . . . so I think that's all I'm guided by is the owner's view on that matter, Mr. Chairman.

Mr. Wall: — I understand that. I appreciate your comments. I think we're going to be concluding with SaskEnergy in this day. And so I take this opportunity, Mr. Chairman, with your indulgence, to thank the . . . on behalf of the opposition members, to thank the officials who've come today.

And also to offer for the other members of the committee on the government side, I think a . . . well not a caution. But I mean last week we dealt with a motion where the government members rejected our amendment that called for the Crowns . . . for the government to look at the potential of joint ventures to maximize a shareholders' value, to maximize the rates that people pay . . . or minimize the rates people pay and the service provided by the Crowns. And I think that is unfortunate.

Because what we're hearing more and more is that it's certainly an option that governments of all political stripes should be open to, if we're going to grow the province and help these utilities grow in the long term.

And with that, I'd thank the officials for their responses today.

The Chair: — Thank you. Obviously the grass is always greener somewhere else. I need to have someone move:

> That the Standing Committee on Crown Corporations conclude its review of the annual report, financial statements of SaskEnergy and its subsidiaries for the year ending December 31, 2001.

Moved by Mr. Prebble. You can pass that down to him.

Is that agreed? Agreed.

Thank you very much, Mr. Clark, and all your officials. Thank you, Mr. Watt. And we are adjourned until next week.

The committee adjourned at 11:35.