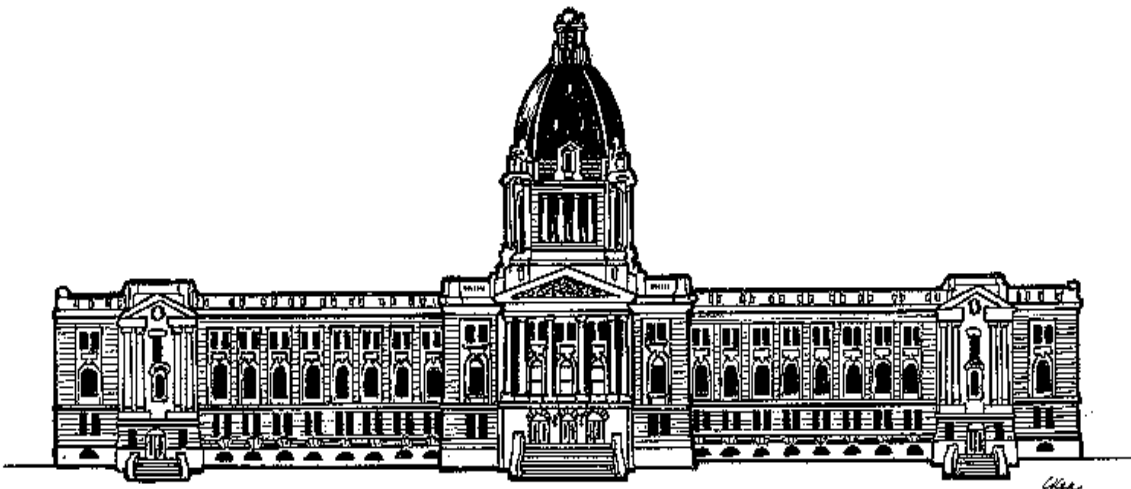




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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**Legislative Assembly of Saskatchewan**

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## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Dustin Duncan, Chair  
Weyburn-Big Muddy

Mr. Kim Trew, Deputy Chair  
Regina Coronation Park

Hon. Nancy Heppner  
Martensville

Mr. Tim McMillan  
Lloydminster

Mr. Jim Reiter  
Rosetown-Elrose

Mr. Randy Weekes  
Biggar

Mr. Kevin Yates  
Regina Dewdney

[The committee met at 19:00.]

**The Chair:** — Good evening, members of the committee. This evening we have a number of items before us. Before we begin with the consideration of supplementary estimates, there are a number of documents that need to be tabled with committee members or with the committee, and members should already have copies of all of those documents.

**General Revenue Fund  
Supplementary Estimates — November  
Finance  
Vote 18**

**Subvote (FI09)**

**The Chair:** — Our first item for consideration is the supplementary estimates for the Ministry of Finance. This is vote 18 found on page 15 of the Supplementary Estimates book, and it is vote 18. And at this time I would ask the minister if he wants to introduce his officials with him, and if he has any opening comments.

**Hon. Mr. Gantefoer:** — Thank you very much, Mr. Chairman. It's a pleasure to be here with your committee this evening to discuss the supplementary estimates for the Ministry of Finance. I have with me tonight on my immediate left, deputy minister of Finance, Doug Matthies; to his left Brian Smith, the assistant deputy minister of the Public Employees Benefits Agency. The table behind us Joanne Brockman, the executive director of economic and fiscal policy branch; and Brent Hebert, the acting director of corporate services.

I might mention that tonight is Brent's first experience appearing before a legislative committee. And you'll notice on his desk, I believe he bought the entire binder of all of the sum total knowledge of the Ministry of Finance so that he is well-prepared for the discourse this evening.

Having said that, Mr. Chairman, I look forward to the discussion this evening. These are rather routine expenditures that we would be pleased to answer questions on to the members of the committee.

**The Chair:** — Okay, thank you, Minister Gantefoer, for introducing your officials. And I would just note that while we're happy that your officials are fully prepared and have all the information, I want to remind members that supplementary estimates, the discussion is limited to the subvote under consideration, and for general discussion that will take place during main estimates.

So at this time I would call on . . . Well first of all, Finance, vote 18. This is pensions and benefits (FI09) in the amount of \$813,000. And Mr. Yates.

**Mr. Yates:** — Thank you very much, Mr. Chair. I have a number of questions that I'd like to ask on this topic. I'd like to start by asking why the \$113,000 was required for the judges' superannuation plan.

**Hon. Mr. Gantefoer:** — It's my understanding that the judges'

superannuation plan was adjusted because there are more individuals in the plan than was anticipated when the estimates were first tabled. I believe the number is 39 versus 37, and therefore a corresponding adjustment to the pension liability is required.

**Mr. Yates:** — Thank you very much. So we anticipated 39 people receiving . . .

**Hon. Mr. Gantefoer:** — Thirty-seven.

**Mr. Yates:** — Thirty-seven, pardon me.

**Hon. Mr. Gantefoer:** — And now there's 39.

**Mr. Yates:** — Thirty-nine are receiving . . .

**Hon. Mr. Gantefoer:** — Which increases the liability.

**Mr. Yates:** — Thank you very much. Was there any attempt to look for cost savings to offset those costs within the department?

**Hon. Mr. Gantefoer:** — Thank you for the question. If I could refer the member to page 6 of the Supplementary Estimates book, you will see there that the entire \$813,000 that's being requested in both of these subvotes are fully offset from the Ministry of Finance so that, while these votes are statutory because of the nature of the calculation of the pension benefits, they have been fully offset.

**Mr. Yates:** — Thank you very much, Mr. Minister. I now would like to move on to the Public Employees Benefits Agency Revolving Fund. And we see an additional \$700,000 being required, and it says for operational equipment . . . to purchase new operational equipment. Could you outline for us what the new operational equipment is?

**Hon. Mr. Gantefoer:** — I'll ask the deputy to go over that in detail.

**Mr. Matthies:** — I'll have Brian Smith actually go over it. Brian is the assistant deputy minister for PEBA [Public Employees Benefit Agency]. And in essence if I would just make a framing comment, all of PEBA's operating costs are essentially recovered through earnings of the plan. However, the structure is such that if there are capital items, those are the amounts that are financed through this appropriation and then recovered through time as those items are amortized. So in this case, what we're looking at is capital expenditures, and I'll just ask Brian to go through those costs.

**Mr. Smith:** — Mr. Chairman, for the year 2008-09, we're looking at two increased expenditures for pension plans, primarily for the municipal employees' pension plan. The Municipal Employees' Pension Commission is going to be implementing in 2009 a retirement pension calculator for plan members — about 14,000 members of that pension plan — and the cost of the retirement calculator is \$739,000. So this appropriation is a net appropriation. And so the increase for the municipal employees' pension plan calculator of \$729,000, this is a net number in terms of the supplementary estimates.

**Mr. Yates:** — Thank you very much. When will this new calculator be in operation so employees would have the opportunity to benefit from that?

**Mr. Smith:** — Mr. Chairman, it's a lengthy process. The commission, I think, approved the expenditure in May 2008, and it should be implemented in the spring of 2009.

**Mr. Yates:** — Thank you very much. So in the spring of 2009, that will be available for employees for utilization to calculate their pensions?

**Mr. Smith:** — Yes, Mr. Chairman. To calculate their pensions from the municipal employees' pension plan and any other assets they have in tax-deferred savings as well. It will allow them to plan for their retirement years into the future.

**Mr. Yates:** — Thank you. I have no further questions.

**The Chair:** — Seeing no further questions on vote 18, we'll at this time adjourn consideration of this vote.

**General Revenue Fund  
Supplementary Estimates — November  
Growth and Financial Security Fund  
Vote 82**

**Subvote (GF01)**

**The Chair:** — And seeing on our agenda, we have consideration of the supplementary estimates for the Growth and Financial Security Fund, which is vote 82, and that can be found on page 20. And I believe, Mr. Minister, you would just have the same officials with you this evening. If you have any introductory comments on this vote, you could make those at this time.

**Hon. Mr. Gantefoer:** — Thank you very much, Mr. Chair. As members and committee members will be aware, *The Growth and Financial Security Act* requires that 50 per cent of any pre-transfer surplus to be transferred to the Growth and Financial Security Fund has to occur on a 50 per cent of the pre-transfer surplus. In order for that to happen, there has to be a statutory vote that authorizes that transfer. The funds that are allocated here are those funds required to bring the Growth and Financial Security Fund transfer into the current numbers.

For specific detail on the dollar transfers, I will ask the deputy minister to go into the details of how this net result is requested.

**Mr. Matthies:** — Thank you, Minister. In essence the amount that's in the supplementary estimates represents the increase over what was anticipated at the time of the budget. And so when the budget was brought down, at that time the expectation was, was that there would be \$124.8 million that would be transferred to the Growth and Financial Security Fund. At the mid-year projection, we anticipate that that amount will be increasing by the amount identified on page 20 of the Supplementary Estimates.

Those two amounts combine what was in the budget plus this appropriation or this supplementary estimate, rather, brings the total transfer to the Growth and Financial Security Fund to

\$1.318 billion which is 50 per cent of the pre-transfer surplus.

**The Chair:** — Thank you, Minister. This is Growth and Financial Security Fund, vote 82 on page 20. Mr. Yates.

**Mr. Yates:** — Thank you very much, Mr. Chair. Let's start by saying this is an incredible amount of money to be setting aside. And I have a number of questions. I'd like to start by indicating a number of quotes from previous years. April 28, 2006, page 1428 of *Hansard*, referring to the previous government, that "... this government seems to be sitting on a mountain of money ..." when it had less than probably a quarter of what is being presented today.

November 16 from *Hansard*, page 431, "The NDP shouldn't be building up a mountain of money." And I have, you know, several pages of references like this. What seems to be the difference today?

**Hon. Mr. Gantefoer:** — Thank you very much, Mr. Chairman. You know, it's an interesting world we live in. Circumstances have very dramatically changed over the course of a relatively short number of years in terms of the financial vulnerability that the province of Saskatchewan is exposed to in terms of the revenues of the province, especially on the commodity markets.

You know in retrospect it could be argued that the amounts of money in the Growth and Financial Security Fund right now, you know, make what the previous government had not seem like a mountain of money, more like the foothills. And I think the circumstances have been pretty dramatically different in the reality that we're now facing.

When the budget was anticipated, certainly there was nowhere near the kind of revenues that have been experienced since the budget to the current time anticipated. In fact there was precious little in terms of so-called experts in the country or in the world that could accurately predict where the province's wealth was going to explode and the revenues on the resource sector were going to be as generous as they turned out being.

In the budget we had projected something like 83 or \$84 oil. And we no sooner had put those projections on paper when the price of oil started moving very aggressively to \$147 a barrel. Similarly the land sales that were realized by the province also started exploding in their generosity, if you like, and so that had a dramatic impact on the revenues of the province. Similarly the potash industry was very, very successful in negotiating contracts that were very profitable with China and India particularly — that sets the tone for all of the potash sales internationally.

And so the province found itself very, very quickly looking at the real possibility of some significant revenue growth. Indeed, as is prescribed by *The Growth and Financial Security Act*, 50 per cent of those revenues needed to flow to this fund, if you like, as a protection against widely gyrating or potentially wildly gyrating commodity prices.

At the beginning of the year and into the summer when the prices were all on an upward trend, I had been saying, with a very lukewarm audience, that the commodity prices may indeed be volatile at a time when it seemed that all they were doing

were increasing very rapidly and going up very significantly. However I am reluctant to also say that the predictions and the cautions that I had pointed out are coming true in terms of commodity prices also now shifting. And indeed in relatively recent days and weeks and months, the world economy has moved very, very dramatically in the opposite direction.

[19:15]

And so we certainly are very much of the belief that it is in the long-term interest of the province to ensure that we have a safeguard, a short-term security package — insurance package if you like — that protects this province in the face of these economic gyrations and realities, where Saskatchewan seems to be a bit of an island of tranquility in the midst of very troubled waters nationally and internationally. We think that it is prudent to have these reserves available in case the unforeseen actually becomes dramatically worse.

And I can tell you from my recent experience of participating in Finance ministers' meetings with my colleagues across Canada, most provinces would be very, very tickled if they were in the financial position that Saskatchewan finds itself in, and we've been very measured and very strategic in terms of making sure that we don't squander this incredible opportunity.

**Mr. Yates:** — Thank you very much, Mr. Minister. Mr. Chair, those statements, that positioning, although the world situation might be slightly different, Saskatchewan's commodity-based economy has for some time seen large fluctuations. And many of the arguments or positions I hear today from the minister were very similar to what I heard from previous ministers. And I have again pages of quotes saying to spend all the money; it's the people's money. Don't you have enough money for this and that? So what actually happened to change your opinion on these items from a few years ago?

**Hon. Mr. Gantefoer:** — Well to the member, you know, maybe it's a reality of the office and the responsibility of being a good steward of the opportunities that are in front of you.

But I may point out by way of interest, I also hear now from the current opposition the call for spending more money somewhat recklessly. And so maybe that it is by the nature of the positions parties hold — if you're in government or opposition. Because while you may make the point that this party has tempered its remarks since we've become government, I would also point out that the current opposition's remarks are also demanding that more money is spent than what they were willing to consider when they were government. So maybe it's by nature of the change of position from government to opposition that that occurs.

**Mr. Yates:** — Thank you very much, Mr. Minister. Mr. Chair, I have a number of questions now about the Fiscal Stabilization Fund. As you know, we asked questions the last time we were up in estimates on — pardon me, not the Fiscal Stabilization Fund, the Growth and Financial Security Fund — about what the cost was of funding the plan versus using it as an instrument as it was used for a number of years prior to being funded by the previous government.

Last year's estimate, the cost was \$13 million. Can you give us

what the estimated cost is for this year.

**Hon. Mr. Gantefoer:** — I'm told, and even in this changing interest reality, that the spread is approximately 1 per cent — and that's an estimate because there are variances in terms of the detailed places where you can position funds in a secure investment — so that you can use for purposes of an estimation, at least, a 1 per cent opportunity cost in terms of this money. So that if you say that on the basis of a \$2 billion Growth and Financial Security Fund balance, the cost would be about \$20 million.

**Mr. Yates:** — Thank you very much, Mr. Minister. Why are we prepared to spend taxpayers' dollars in this way, and what is the benefit to the taxpayers of funding it versus using it as a tax instrument and not having it funded?

**Hon. Mr. Gantefoer:** — The decision to make sure that we had a funded account rather than a paper account was a decision that was made by the previous administration in the financial stability fund, and it was done as we understand it in light of making sure there was an easy way for the public to have transparency and disclosure. And we have supported that general direction that was established by the previous administration and so that the principles that we are incorporating are exactly the same as what existed previously.

**Mr. Yates:** — Thank you very much. Would it be your intent to continue to fund it in this manner moving forward or to use it as a debt instrument at some point in the future?

**Hon. Mr. Gantefoer:** — I think that it's going to be something that we have to keep our eye on in terms of the whole international economy. We have said very clearly we believe this is an important instrument to be available to the province of Saskatchewan to safeguard us if these national and international economic forces really get significant on their impact on Saskatchewan and the Saskatchewan economy.

We would hope that if the international financial situation stabilizes and sort of moderates to a greater degree, that we could then make decisions on perhaps using more of these funds or some of these funds to actually be applied to things like long-term debt or infrastructure investments. But at this stage we think it's an important balance to maintain in light of the uncertainty that the world economy is facing.

There's been a change of administration . . . Well there's been an election and the same administration essentially in place in Canada, and there is in the process of a change of administration in the United States. And so there may be some changes in terms of the outlook for the international economy finding a bottom and starting to have the instruments that national and international governments are putting into place in terms of stabilizing the world economy. We would hope that's the case, but we certainly are also aware of predictions from economists that this may take as long as 12 to 18 to 24 months. And so we think in the interval, in light of the uncertainty, that this is a prudent way to protect the interests of Saskatchewan.

**Mr. Yates:** — Thank you very much, Mr. Minister. The current loss at about \$20 million per year is . . . I call it a loss but it's really a cost to use a fully funded fund versus it as a debt

instrument. The need for transparency was because there seemed to be a problem with the media and at the time the opposition from understanding that actually using it as a debt instrument saved the province money and saved the people of the province an additional, at that point, maybe \$5 million, but yet \$5 million a year which could have been used for significant programming.

Would you consider using it again as a debt instrument if the opportunity came forward with more debt being required to be paid back and not having to buy new paper?

**Hon. Mr. Gantefoer:** — There's a number of issues that come to mind in the question that you pose. First of all we have been very aggressive at paying off General Revenue Fund debt. We have reduced it significantly — 40 per cent is what's projected by March 31 at the end of the year. So that has been an important initiative to actually offset the debt of the province of Saskatchewan, and we think that that is a very important initiative to have.

I've also said to the member that if we get into the situation where the economy stabilizes so that there is much more predictability about what is going to indeed happen going forward and we can assure ourselves that we will need less of this insurance policy, if you like, to make sure that the operating situation of the province is secure, that we can consider using some of these funds to further offset debt. That certainly is true.

But right now we think we've got an appropriate balance and that if we are erring, we think it's prudent to be erring on the side of caution and prudence rather than being very much risk takers at this stage. There's just too much uncertainty out there and too little consistency of predictability of what's going on, and so we think that this position is an appropriate balance given the uncertainty of the economy.

**Mr. Yates:** — Thank you very much, Mr. Minister. The Growth and Financial Security Fund in mid-year is projected at around 1.952 billion. Do you have an upper limit in mind for balancing this fund, or will you allow it to continue to grow as you move through the year?

**Hon. Mr. Gantefoer:** — I think we will look at it, but for my mind the numbers that we have in place now would seem to me to be sufficient to accomplish the insurance security that the province needs.

In preparation of the new budget, we will look to see what the available revenues are going to be against allocated expenses and to see if indeed there is going to be further surpluses going forward in the new fiscal year, and then we'll make some decisions as to how we would allocate them. Certainly under the legislation, if there is a surplus, then 50 per cent of the money has to be allocated automatically to the Growth and Financial Security Fund; however we can make the choice then to remove monies from that fund for projects like infrastructure investment and further paying down of the provincial General Revenue Fund debt.

I think that, in my mind, we're at a very decent comfort level. And so without saying absolutely that it doesn't need to go any higher, my expectation is based on the situation that the

province faces itself, this is a very good security blanket, and it's probably adequate.

**Mr. Yates:** — Thank you very much. After a year of operating under the new legislation on the Growth and Financial Security Fund, do you anticipate making any changes or amendments to that legislation or the way the fund operates in the near future?

**Hon. Mr. Gantefoer:** — I am not anticipating any need for changes to the legislation. We think that its general and specific direction is appropriate at this time.

**Mr. Yates:** — Thank you very much. My final question on this area, Mr. Chair, has to do with the fact that the fund today at \$1.952 billion is about 25 per cent of the budget on \$8 billion. Is that a figure that you will look to see in the Fiscal Stabilization Fund moving forward, about 25 per cent of the budget?

**Hon. Mr. Gantefoer:** — I think that if we accept the observation that I just offered in terms of the \$2 billion being sufficient in this economy, that it need not grow. There is some likelihood that there'll be inflationary pressures on the overall budget so that the percentage, if you like, in absolute terms, would likely diminish as a percentage of the overall budget. So I think the amount will stay fixed or actually diminish if we get into a more stable economic situation and that the inflationary push on the general budget would raise that end of it so that the percentage would actually diminish.

[19:30]

**Mr. Yates:** — Thank you very much, Mr. Chair. That raises one further question. And of course the environment will continue even if it stabilizes, being a commodity-based province. I think the same arguments that were made by the previous government would be made by you and the current government, as we need to be able to cushion those fluctuations if we want to provide services to the people of the province.

What do you see as an adequate balance or percentage, if and when the provincial and the world market situation returns to normal?

**Hon. Mr. Gantefoer:** — I don't know if I see a specific percentage. As I've said to you, I think this amount is sufficient and that if stability occurs or increases and improvements in the overall economy improve, I think we can diminish the amount actually and use some of these funds for strategic investments in paying down the debt or strategic investments in infrastructure.

I have to say to the member that overall I'm very optimistic about the future of Saskatchewan, even in light of this turmoil. You know, when I look forward, you have to see that the world is going to increasingly be looking for animal or vegetable protein, and in order to grow that food they're going to indeed have to fertilize the ground that they have available in order to increase food output. That spells or augurs well for the potash industry and the fertilizer industry.

The world is increasingly going to demand energy, and as Third World countries improve their economies, even though they

might have very modest vehicles that have high efficiencies, there's so many of them that these vehicles are going to consume increasing amounts of oil products.

And so I think that we're in a unique situation that, over time, the price of our commodities are in a good position to likely rise in value and, as a result, over time the economy of Saskatchewan is going to grow and improve. Within that there's going to be fluctuations, and so we have to make sure that we're maintaining an appropriate ability to weather those fluctuations as we grow our economy to a future that I think is very, very positive.

**Mr. Yates:** — Thank you, Mr. Chair, and thank you, Mr. Minister. I have no further questions. I'd just like to take this opportunity to thank the minister and his officials for coming this evening and answering our questions.

**The Chair:** — Okay. Thank you, Mr. Yates, for your questions. I want to thank the minister and his officials for appearing this evening, particularly to his official who made his first appearance before the committee. At this time we'll adjourn consideration of the supplementary estimates for the Growth and Financial Security Fund.

And, members, we will take a short recess before the officials and the Minister for CIC [Crown Investments Corporation of Saskatchewan] arrive before the committee. So we'll take a short recess.

[The committee recessed for a period of time.]

[20:00]

**General Revenue Fund  
Supplementary Estimates — November  
Crown Investments Corporation  
Vote 54**

**Subvote (CI01)**

**The Chair:** — Okay. Thank you, committee members. We will now move on to our next item of business. It is consideration of supplementary estimates for Crown Investments Corporation, and we'll begin with vote 54 and that is found on page 18. And I see we have Minister Cheveldayoff with us, and several officials, so at this time I would ask Minister Cheveldayoff to introduce his officials, and if he has any opening comments he can make them at this time. Minister.

**Hon. Mr. Cheveldayoff:** — Thank you very much, Mr. Chair, and welcome to the opposition members and my colleagues. Today with me I have Ron Styles, the president and CEO [chief executive officer] of the Crown Investments Corporation to my immediate left; to his left Blair Swystun, senior vice-president and chief financial officer, finance and administration with the Crown Investments Corporation; and to my right Grant Ring, acting vice-president and chief executive financial officer with SaskPower; and behind me Greg Mrazek, vice-president finance and chief executive officer of SaskEnergy.

Thank you very much. No opening statement, but I welcome any questions.

**The Chair:** — Okay. Thank you, Minister, for introducing your officials. And I will now turn it over to questions. And just before I do, I just want to remind members that supplementary estimates is what we're dealing with and I would ask members to limit their discussion to the subvote that's under consideration, and that being Crown Investments Corporation, vote 54. And Mr. Trew.

**Mr. Trew:** — Thank you very much, Mr. Chairman, and I see that the subvote . . . Welcome, minister and officials. Of course I always welcome an opportunity to have an exchange of questions and answers and viewpoints. I see that subvote 54, the funding was provided by a special warrant and this was for the carbon capture and storage project, SaskPower's project, and it says that the:

Funding was provided by special warrant to provide for an appropriation for carbon capture and storage demonstration projects managed by the Crown Investments Corporation of Saskatchewan and financed by the federal government.

Can you explain a little more what that means? Because the subvote is \$240 million. How does this work?

**Hon. Mr. Cheveldayoff:** — As the member will know that in the February 2008 federal budget there was an allocation of \$240 million made by the federal government and awarded to Saskatchewan for this carbon capture storage demonstration project. That \$240 million was flowed through to the GRF [General Revenue Fund] and then given to Crown Investments Corporation to hold, and will be used indeed for the carbon capture and storage project as it proceeds.

**Mr. Trew:** — Thank you, Minister. So this 240 million is the federal money and it's flowed through, and now CIC is managing the project. My question is a little bit . . . Well what is the project going to cost, because you've got 240 million here, so how does this break down? Like this is the start of the project — 240 million.

**Hon. Mr. Cheveldayoff:** — I'm sorry. This is the federal contribution towards the \$1.4 billion demonstration project. The other contributions will be made on behalf of the Government of Saskatchewan through SaskPower, and the private sector will have the opportunity to be involved in the project as well.

**Mr. Trew:** — Thank you, Minister. This is a prototype project. This will be the first one in the world when it's built, with this technology, this clean coal, this type of carbon sequestration. I wish the project well. What is the federal government's commitment to cost overruns?

**Hon. Mr. Cheveldayoff:** — The commitment from the federal government is to be a partner in this and to provide \$240 million. That's the budget for this and that's the budget that we're working towards. As with any other project, if indeed there are cost overruns, then it means the partners have to sit down and talk about how that funding is shared. And indeed you know right now our primary goal is to make sure that this project is on time and on budget, and that's where we're directing our efforts towards.

Three months ago it looked like it could be very likely, because of the way markets were going, that there would be cost overruns in many, many projects. You know what's happened in the capital markets over the last three months has changed that substantially, and it may change again over the next three, six, nine months, but what we do have here is a very substantial commitment from the federal government, taking into account the risk that is involved with a project like this. And you know we're just happy to be leading the way and taking on the risk, but taking on the responsibility as well, and, you know, that's the commitment that we've given.

**Mr. Trew:** — So with this 240 million from the feds, the provincial responsibility is \$1.16 billion if the project comes in on budget?

**Hon. Mr. Cheveldayoff:** — As I had indicated earlier, it's a \$1.4 billion project. There will be a component for the private sector to enter into, and we'll be aggressively pursuing that. There will be a portion for SaskPower to enter into as well. As the member I'm sure knows, SaskPower has a substantial capital budget and over the past number of years it's seen capital outlays in the 4 to \$500 million range.

And going forward, because of the energy needs in the province — and not just clean coal but encompassing all of our energy needs — capital budgets for SaskPower will have to increase. And infrastructure remains to be renewed, and there will need to be a commitment from the government towards it. So some of this will fall into the budgets that will put towards this.

And also for the member's information, Boundary dam 3 was towards the end of its useful life cycle and would have to have been refurbished anyway. So there's a component of money that would be spent towards the clean coal project but would also serve as a renewal for Boundary dam 3.

**Mr. Trew:** — Thank you, Minister. Is there any private money committed yet to this project?

**Hon. Mr. Cheveldayoff:** — It's too early in the process. We're right now just examining requests for qualifications and requests for proposals that we're entertaining. Then we'll be looking at examining the information that we received and examining the technology going forward. And once that's established, then we'll be looking at private sector involvement and being able to articulate where best we can entertain private sector dollars and where we'd ask them to participate. So it's a little early stage for that, but before too long we will be entering into those discussions.

**The Chair:** — Members, pardon me for interrupting. I just want to remind members that supplementary estimates is limited to the subvote. I feel we're kind of wandering a little bit into other areas. There's perhaps other opportunities for members, but just keep in mind that the practice in supplementary estimates is that it's limited to the subvote. Mr. Trew.

**Mr. Trew:** — Mr. Chairman, I need some clarification here. Every single question I have asked has been around the clean coal prototype project at Boundary dam — every single question. The vote that we're being asked to vote on is \$240

million on the clean coal project. I don't know how I can be any more on topic. I'm looking for your guidance.

[20:15]

**The Chair:** — I appreciate that, Mr. Trew. I would just say that the practice has been that supplementary estimates are limited to the subvote. Certainly there are other avenues for members, whether it be question period, whether it be written questions, whether it be a letter to the minister asking for the activities of private companies in a business arrangement with SaskPower. This is dealing with an investment by the federal government, and I would just appreciate staying on topic.

**Mr. Trew:** — Thank you, Mr. Chair. My intention is to absolutely stay on topic, and I will continue asking questions around the clean coal technology and this particular project.

How should you as the minister or the government answer public questions? I heard in your answer — and correct it if I heard wrong, Minister — I heard you say that a request for proposals is out right now; it is too early to have private corporations stepping up to the plate, even though, even though ever since February of this year, earlier this year the private money has been a significant part of this \$1.4 billion project. Not my words; the government's words — a significant part of the project. Nine months later it's too early for private money to be committed or even an expression of commitment, certainly nothing signed.

How can we be so sure of the cost of \$1.4 billion of the project and yet so unsure about the economics for a private corporation? On the one hand I've heard nothing but expressions of certainty and a commitment that we're working on a \$1.4 billion budget. Kind of the end of that story — 1.4 billion — and you're firm about that. You have been consistently. I commend you for being consistent on that. But I don't know how we square that then with nine months after the initial announcement and it's still too early for the private sector to step up to the plate. What do we say to the people of Saskatchewan?

**Hon. Mr. Cheveldayoff:** — Well we say to them very simply that this is a very large project that has certain specific defined stages. Right now we're in the stage where we're asking for a request for proposals, and we'll define the technology needed to go forward and make a decision on that. At that time we'll be asking for expressions of interest from the private sector to fulfill transmission and other responsibilities that are necessary. So it's a stage process and we'll certainly be doing that.

**Mr. Trew:** — Thank you, Minister. How much carbon dioxide will this project sequester? How much CO<sub>2</sub> will this take out of the atmosphere?

**Hon. Mr. Cheveldayoff:** — Thank you. One million tonnes a year.

And to just provide a complete answer to the previous question. SaskPower will be making recommendations to CIC and to cabinet in December 2010 as to whether or not . . . or as to what role the private sector will play and what needs to be done beyond that. So certainly this is a project and within



SaskPower, we have short-term projects, medium-term projects, long-term projects, and this is in that medium- to long-term range.

So I know the member is anxious to see the project go forward. And we're, like he says, nine months into it, but this is a multi-year project and it's going to continue.

In light of what the Chair has said and respect for the Chair, and I know I take part responsibility for this because I want to talk to this project and I want to answer each and every question that you do have, but I understand also that this isn't the appropriate forum to be straying from the \$240 million specifically. But I would undertake to the member any questions he has — written form or otherwise, informal or formal — I'll undertake to answer at any time. But, you know, we're back to the \$240 million here.

**Mr. Trew:** — Thank you, Minister. I think I was a bit sidetracked. I think I heard you say that you're projecting to have this on stream by 2010? Or what were you saying about 2010? What was the reference to 2010?

**Hon. Mr. Cheveldayoff:** — It's the decision point for all the pieces in the project where everything will come together and where a decision, you know, where decisions will be made at that time. I'm trying to give you a time frame here of when decisions will come together and be made. And so that'll be an important time in the process.

**Mr. Trew:** — Yes. The request for proposal is now and that will all come together and the decision made in 2010. Is it possible to be a little more specific than 2010? Like early, late?

**Hon. Mr. Cheveldayoff:** — December 2010.

**Mr. Trew:** — December 2010?

**Hon. Mr. Cheveldayoff:** — Yes, December 2010.

**Mr. Trew:** — Thank you very much, Minister. The \$240 million then is the flow through of the federal government's commitment. I think we should welcome the money and wish you good luck with the project. So that concludes my questions for the evening, Minister.

**The Chair:** — Ms. Morin.

**Ms. Morin:** — Thank you, Mr. Chair. Good evening to Minister Cheveldayoff and your officials. Good to have you here this evening. I just have a few questions.

Clean coal is used as a term to describe a method of burning coal more efficiently compared to conventional coal-fired power generation, yet air emissions from coal, whether referred to as clean or just conventional, remains higher than any other power sources. So advocates of clean coal often tie clean-coal-fire power to the expensive, unproven method of carbon capture and underground storage precisely because the emissions from coal are so high. So does your ministry, in its advocacy of clean coal technology for Saskatchewan, recognize that this technology is the most expensive and risky option to reduce greenhouse gas emissions?

**Hon. Mr. Cheveldayoff:** — Well I'll extend the same courtesy to the member that I mentioned to the previous member, that we're dealing with the \$240 million here. But if you have questions such as that that you'd like to put forward, I'll commit to give you a written answer on them.

**Ms. Morin:** — I guess the reason I'm asking that, Minister Cheveldayoff, is because it's my information that at a recent convention that took place with your party, that you had . . . there was a quote actually attributed to you that there's quote "that there's a risk involved in clean coal but government has a plan." And so I'm just curious as to what your findings are as to the weighing of the risk versus the benefit that you foresee from the clean coal plant.

**Hon. Mr. Cheveldayoff:** — Well I'll answer in a general fashion that yes, there is definitely risk involved in this is. This is a demonstration project. This is, you know, Saskatchewan leading the way in this regard, and that's why the federal government has seen fit to give us \$240 million to put towards this project. So that's the reference to the quote. And, you know, certainly there's risk involved going forward, and that's part of taking on and part of the responsibility when you rely on coal-fired generation as we do in this province and have done for, you know, many, many years — much of which your party was in government.

It's time to make a change. We're all concerned about our carbon footprint going forward and our reliance on fossil fuels, but at some point somebody somewhere has to take some responsibility to take on a project and follow it through and that's what we're doing here.

**Ms. Morin:** — There's no question that we were also interested in the technology; that's not to be debated. From my standpoint obviously as the Environment critic, I'm trying to decipher where this fits into your party's platform with respect to the greenhouse gas emission targets. So I'm wondering if you have some data as to . . .

**The Chair:** — Sorry, Ms. Morin. I believe there was a point of order. Mr. McMillan.

**Mr. McMillan:** — Could I get a clarification? I feel like we're supposed to be discussing the estimates within this portfolio. On this vote there's 240 million. In the recent questions I haven't even heard a reference to the financial statement in which we're going to be voting off tonight. I think it would be more valuable if we did focus on that.

**The Chair:** — Mr. Trew.

**Mr. Trew:** — Thank you and I appreciate the point that is raised. From the opposition's perspective, we are dealing with the clean coal technology. This is our opportunity for our Environment critic to ask questions around what this is going to do. Surely we aren't putting in \$1.4 billion just . . . or 240 million as the case tonight that we're voting on. Surely we're not doing that without knowing what it is we're going to accomplish. That's why I asked about the amount of how many tonnes of CO<sub>2</sub> and the answer was appropriately given, 1 million tonnes a year, and I appreciate that.

The Environment critic, without prejudging what Ms. Morin's questions might be, clearly are revolving around the clean coal technology and what this might do. This is our opportunity to ask the questions, Mr. Chair. I submit that Ms. Morin is absolutely bang on topic.

**The Chair:** — Okay. I want to thank both members of the committee for their interventions. I would want to just make sure that members are . . . make sure that the question relates to the estimate, the supplementary estimate dealing with the item under consideration. But at this point, I would find Ms. Morin's question in order and just remind members that it must relate back to the item before us. Ms. Morin.

**Ms. Morin:** — Thank you, Mr. Chair. So given that your government has decided that this is a valuable project and is worth a \$240 million cash injection of financial support, as we are seeing today in our supplemental estimates here, what expectations does your government have in terms of how this will affect your greenhouse gas emission targets that your government has set? Because I'm assuming that — and you can correct me if I'm wrong, Mr. Minister — I'm assuming that this is going to be one of your primary projects in reaching those targets.

I understand from your project on line date being December 2010, that it probably won't do anything to meet the stabilization of those greenhouse gas emissions which is the first target by 2010. But clearly, I'm assuming this is one of your primary projects going forward in terms of reducing greenhouse gas emissions. Perhaps you can elaborate on the financial commitment your government has to this project in terms of how it's going to affect greenhouse gas emissions.

**Hon. Mr. Cheveldayoff:** — Thank you to the member for her question, and I'm trying to be as open and co-operative in answering the questions as possible. And I understand you're the Environment critic and some of these questions would probably be more suitably put to the Environment minister. But as far as this project goes itself, there will be 1 million tonnes of carbon that will be eliminated. 2013 is half a million tonnes; 2015 another half million. So, you know, substantial in that regard.

But again, this is a demonstration project. You know, if and hopefully and going forward this works, this can be replicated not only in Saskatchewan but in other places as well and may indeed be, you know, one of the greatest contributions that Saskatchewan can make towards reducing carbon footprints in coal-fired generation across North America and across the world.

The stars may have to line up on that regard, but we're certainly, you know, we're doing our part, and this is the responsibility of SaskPower and part of the strategy of the government. Beyond that, you know, the Minister of Environment, she sits right beside me. She's always wanting to answer more questions in question period or anywhere else, so I'm sure she'd be happy to answer those in a different forum. Thanks.

[20:30]

**Ms. Morin:** — Thank you, Mr. Minister. I will be asking more questions of course of the Environment critic, but given that this is a project that falls under CIC, these would be appropriate questions that I could now pose to you as well.

**Hon. Mr. Cheveldayoff:** — Sure. And that's why I've answered that portion.

**Ms. Morin:** — Yes, thank you. I appreciate that. With respect to the government's commitment of \$240 million in this supplemental estimate here, an often overlooked problem associated with the gasification of coal and capturing and storing of carbon is that each of these processes create its own demand for electricity. The electrical demand is often referred to as parasitic losses, a term that appropriately acknowledges the very problem this technology seeks to prevent. The point of this technology is to reduce carbon emissions, and yet in order to burn clean coal or further to attach it to the method of carbon in storage requires more electricity. More electricity in Saskatchewan's case would likely mean more coal-generated electricity.

So some experts say that parasitic losses can range anywhere from 10 per cent to 50 per cent of power being generated. Accordingly can your ministry detail what the expected parasitic losses are expected to be, and further, the greenhouse gases that will be spent just to implement and run this technology in the future?

**Hon. Mr. Cheveldayoff:** — All right. Again we're drifting far from the \$240 million here, but I'll try to answer the member's question just to give her a complete answer as quickly as possible. It's 130 megawatt plant, the Boundary dam 3. We're looking at a net after the adaptation of 100 megawatts. So the parasitic loss is about 30 megawatts. This plant is a post-combustion technology, and you were talking about coal gasification. So in this regard, that wouldn't specifically apply.

But to get a complete answer, and we're getting . . . I think you're quoting from a scientific paper there or something like that. If you want to share the paper, or if you have questions that are arising as a result of that paper, I'll undertake to have SaskPower officials provide you with the written answers as soon as possible.

**Ms. Morin:** — Thank you. With respect to this technology, there's also some serious concerns elsewhere — and I'm sure that there will be here as well — with respect to water. We've seen, for instance, the project in Wyoming and some of the concerns around water in that project.

So it's my understanding that there's some changes that are happening with SaskWater as well. And perhaps the minister could just elaborate on how some of those changes may affect this project as well.

**Hon. Mr. Cheveldayoff:** — We're drifting quite away from \$240 million for carbon capture and storage. The changes that we're going to see in SaskWater are because of the tremendous economic growth that's taking place in Saskatchewan and a need for communities and for the industrial side to have more water usage. So we're dealing with that.

SaskWater is a responsibility of mine, but there is no direct link between what SaskWater is doing and this project before us at this time. It plays into . . . You know, we've got \$100 billion of possible economic activity coming forward, capital expenditures, and that's the big picture that SaskWater is looking at.

**Ms. Morin:** — Thank you. I'm assuming — and perhaps you can correct me again if I'm wrong — but given that the government is making a substantial commitment financially to this clean coal project, that there has been comparisons made with such projects that are being under way in other jurisdictions worldwide. I'm wondering what lessons the government has learned, for instance, from those projects that have ceased to go forward elsewhere because of cost overruns and other potential problems.

**Hon. Mr. Cheveldayoff:** — I can speak to that generally. We're in communications with entities in Western Canada, throughout the country and throughout North America as far as carbon capture and storage go. You know, the governor of Montana is very interested; the Department of Energy in the United States is very interested. But this is very much a leading-edge technology and a leading-edge project that we're taking, and many, many are looking to us as being leaders in this regard.

If there's a specific project or specific information that the member has, I'd be happy to look at that and compare that vis-à-vis this instance. I know that, you know, in the previous administration which the member was a part of, they looked at a green field operation and for whatever reason decided not to go forward, you know. This is not quite the scale of what that was looking at, but this is substantial, and it's just a good fit for what we have here in Saskatchewan. And as I mentioned earlier to the previous member, Boundary dam 3 is in need of refurbishment, and this will certainly play into that very well.

**Ms. Morin:** — Thank you, Mr. Chair. That concludes the questions I have for the CIC minister. I will direct my further questions to the Environment minister at a more appropriate time, but thank you for answering the questions that I posed to you this evening and thank you to your officials as well.

**Hon. Mr. Cheveldayoff:** — Thank you to the member for her interest in this project. And again I open up . . . any time any specific information is requested, I will do my best to provide that information to any member of this Assembly.

**The Chair:** — Okay. I want to thank the minister for his answers and members for their questions. I believe the committee will be voting this at this time, and I think the Page is just passing around copies to members.

**Mr. Trew:** — Mr. Chair.

**The Chair:** — Mr. Trew.

**Mr. Trew:** — Thank you. I see that there is a . . . I believe, on this motion . . . Let me back up. Are you going to call this \$240 million, the subvote 54, and then the others separately? We have a . . . Or is it all done together?

**A Member:** — The others are statutory.

**Mr. Trew:** — Yes, the others are statutory. I understand. There's a SaskPower Corporation statutory vote 152 on page 19. And on page 20 there's a SaskEnergy vote 150 which is also statutory, 86,900,000. That's included in this motion. Am I correct? Like what we vote just the one time?

Okay, then I'm sorry. I'm just going to ask for clarification because if we're doing that, before you put the vote I have a couple of questions around the two that I just raised. I realize they're statutory, but I also know it is the opposition's right to ask some questions.

**The Chair:** — Okay, thank you, Mr. Trew. Because I believe the minister and his officials were prepared to discuss the statutory vote 152 and 150, we will go to that at this time and then come back to vote 54 on Crown Investments Corporation.

**Mr. Trew:** — Okay, I see what you're saying. That's clear and that works for me. It gives us the opportunity to ask the questions — which aren't trick questions, let me assure you, Mr. Chair, and Minister. But I . . .

**Hon. Mr. Cheveldayoff:** — Oh I've heard that before.

**General Revenue Fund  
Lending and Investing Activities  
Supplementary Estimates — November  
Saskatchewan Power Corporation  
Vote 152**

**Subvote (PW01)**

**Mr. Trew:** — Well you can take this one to the bank. SaskPower vote 152 on page 19 in the sum of 384,100,000. Can you tell me in broad terms what that money is for? And I'm believing that it is largely just rolling over existing debt that SaskPower has.

**Hon. Mr. Cheveldayoff:** — Thank you to the member, and he's exactly right. A large portion of the money is to refinance. In fact 250 million of the additional expenditures is to refinance 263 million in maturing debt that was paid out on March 15, 2008. The funds were not received until April 2, 2008, and are included in the '08-09 borrowings, so that takes care of a large part of the additional money.

In addition there was additional financing that needed to be included regarding deferred capital spending related to new natural gas generation. And very, very early on after becoming minister, I was confronted with a major decision to make regarding natural gas generation, something that had been put on hold because of the election and the run-up to the election. And of course the power needs of the province don't stand still for elections or anything else.

And it was at that time that SaskPower was getting very concerned about keeping ahead of the power generation needs and needing to have some of that base power supply that's necessary, so the increased financing there was attached to capital expenditures related to gas generation projects.

**General Revenue Fund  
Lending and Investing Activities  
Supplementary Estimates — November  
SaskEnergy Incorporated  
Vote 150**

**Subvote (SE01)**

**Mr. Trew:** — Thank you. Yes, then I'm okay with that. SaskEnergy, the vote 150, for 86,900,000. What can you tell me about that — vote 150?

**Hon. Mr. Cheveldayoff:** — All right. Of the money that's needed for SaskEnergy, some \$55 million in short-term debt was converted to long-term debt, and also SaskEnergy did need increased borrowing as well for new customer connections and the timing of capital spending relating to the system expansion at La Ronge and the storage expansion of TransGas.

SaskEnergy through TransGas does a very good business in storage capacity and is recognized. Certainly I was at a meeting where gas companies from across North America were recognizing SaskEnergy for the storage capabilities that they have, and as the member knows, new customer connections are happening at a record pace both on the residential side and on the business side right now. So it's money that SaskEnergy is excited to spend because it means new hookups, new connections, new customers, and it's indicative of the growth that's taking place in our province right now.

**Mr. Trew:** — Thank you, and I heard you mention La Ronge. This would be the last of the major borrowing, if I could describe it, for SaskEnergy for that La Ronge gasification project?

**Hon. Mr. Cheveldayoff:** — Yes, I'm told that it's the last of the borrowing necessary for that project and that completes that transaction.

**Mr. Trew:** — Okay, thank you. Thank you, Minister, Mr. Chair.

**The Chair:** — Thank you, Mr. Trew.

[20:45]

**General Revenue Fund  
Supplementary Estimates — November  
Crown Investments Corporation  
Vote 54**

**The Chair:** — Members, we're juggling back and forth a little bit. I appreciate the patience of the members with the Chair, so we'll move to page 18. This is Crown Investments Corporation, vote 54, carbon capture and storage (CI01) in the amount of \$240 million. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried.

**General Revenue Fund  
Lending and Investing Activities**

**Supplementary Estimates — November  
Saskatchewan Power Corporation  
Vote 152**

**The Chair:** — SaskPower Corporation, vote 152. This is loans, statutory, in the amount of 384,100,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay.

[Vote 152 — Statutory.]

**General Revenue Fund  
Supplementary Estimates — November  
Crown Investments Corporation  
Vote 54**

**The Chair:** — Members of the committee, I apologize again. We had voted vote 54, that's the Crown Investments Corporation, and I would ask that a member move the motion:

That resolved that there be granted to Her Majesty for the 12 months ending March 31, 2009, the following sums for Crown Investments Corporation, \$240,000,000.

**Mr. Reiter:** — I would so move.

**The Chair:** — It's been moved by Mr. Reiter. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried.

[Vote 54 agreed to.]

**General Revenue Fund  
Lending and Investing Activities  
Supplementary Estimates — November  
SaskEnergy Incorporated  
Vote 150**

**The Chair:** — Okay on page 20 we have SaskEnergy Incorporated vote 150. This is statutory in the amount of 86,900,000. And that is a statutory amount, so we don't need a vote on that one.

[Vote 150 — Statutory.]

**General Revenue Fund  
Supplementary Estimates — November  
Finance  
Vote 18**

**The Chair:** — And on page 15, this is the Finance vote 18. This is pensions and benefits (FI09) in the amount of \$813,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. And I would ask a member of the committee to move a motion:

Resolved that there be granted to Her Majesty for the 12 months ending March 31, 2009, the following sums . . .

Oh I'll just back up on that. I guess we don't have to do that because that is statutory.

[Vote 18 — Statutory.]

**The Chair:** — And I would ask that a member move the motion:

That the fourth report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

**Mr. McMillan:** — I so move.

**The Chair:** — It has been moved by Mr. McMillan. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — And that is carried. Thank you, members, for your time this evening. Thank you to the minister and to your officials. And I would ask a member to move a motion of adjournment.

**Mr. Weekes:** — I so move.

**The Chair:** — It's been moved by Mr. Weekes that this committee adjourn. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. Meeting is adjourned.

[The committee adjourned at 20:49.]