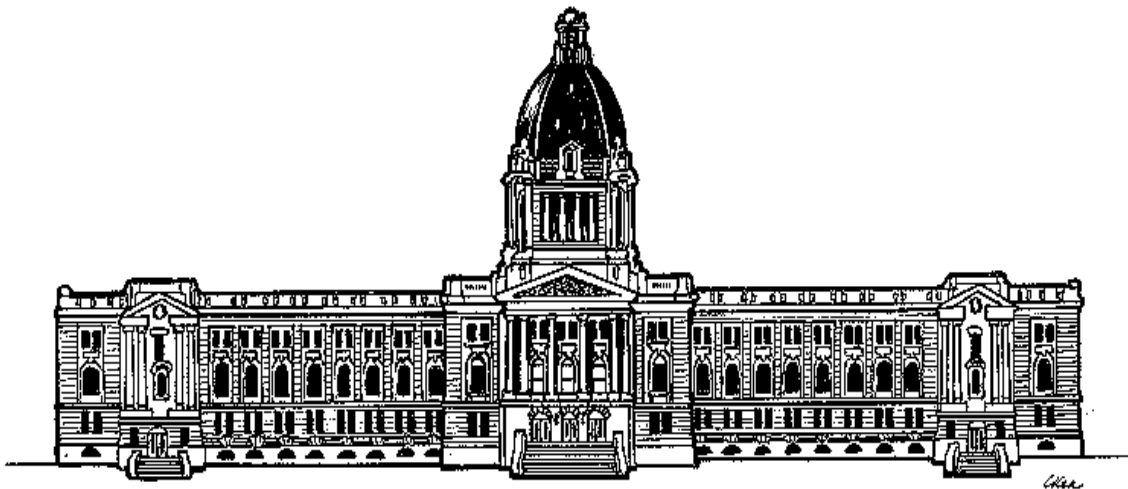




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Trent Wotherspoon
Regina Rosemont

[The committee met at 19:30.]

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

Subvote (PW01)

The Chair: — Well I'd like to welcome everyone to this meeting of the Crown and Central Agencies Committee. Tonight we are considering supplementary estimates. We are considering SaskPower Corporation, vote 152, and before us we have SaskPower and Minister Boyd who is responsible. Minister, if you would like to introduce your officials and make an opening statement, please go ahead.

Hon. Mr. Boyd: — Thank you, Mr. Chair, committee members. I'm joined this evening with folks from SaskPower. On my left is Pat Youzwa, president and CEO [chief executive officer]. On my right is Sandeep Kalra, CFO [chief financial officer] and vice-president of finance. Behind me on my left is Gary Wilkinson, vice-president of planning, environment, and regulatory affairs. And seated beside him is Garner Mitchell, vice-president of power production.

I do have a few opening comments, Mr. Chair, committee members, that I'd like to make at this point in time. On behalf of SaskPower, I'm pleased to be here in front of the committee to discuss SaskPower's borrowing needs for 2009-2010 time frame.

A note as I begin. SaskPower's financial year is based on the calendar year, January to December of each year, whereas the Government of Saskatchewan's budget cycle is April to March. SaskPower officials have made the necessary adjustments to reflect the borrowing required over the 2009-10 government cycle.

SaskPower's initial budget forecast called for borrowing of \$598 million over this 2009-10 period. This borrowing needs now to be reduced to \$516 million. There have been a few reasons for this reduction. SaskPower's capital expenditures over this 2009-10 period will now be lower as the corporation has seen some customer projects delayed or deferred. This means that SaskPower does not need to invest as much over this period in new and upgraded transmission and distribution facilities to meet the pressing needs of our customer connects.

Another factor is the fact while costs for steel and equipment such as generators and transformers are higher than they have been compared to historical norms, these prices have dropped somewhat from the time that the initial borrowing estimates were being finalized. The same applies to labour costs. Although they remain higher than what has been paid in the past, they have nevertheless dropped somewhat, with the net result being a need for reduced borrowing.

One SaskPower project in particular that has benefited from both of these factors — lower labour and capital equipment costs — and has therefore come in significant under budget is

the addition of three new natural gas turbines at SaskPower's Queen Elizabeth power station. This project will meet the growing demand for cleaner electricity in the Saskatoon area by adding 105 megawatts of new generation.

While not a direct factor in the adjustment for borrowing estimates of \$598 million to the \$519 million, our government's decision to suspend the dividend payment from SaskPower, acknowledging the unprecedented capital needs of the corporation in this time of growth and renewal, has kept the corporation's borrowing requirements lower than what might have otherwise been the case.

Despite the lower borrowing need of 2009-10 planning cycle, I do want any member of the committee to think that SaskPower's longer term capital requirements have changed in any substantive way. As members heard from SaskPower during the fall hearings, the majority of SaskPower's generation, transmission, and distribution system was built 30 to 50 years ago and requires significant capital to renew or replace. New facilities and equipment are going to cost much more than the equipment that is being replaced, in part because of rising costs and also due to the fact that all future energy options, supply options also have to meet stringent environmental regulations.

Recently SaskPower set records for new service applications, new connects, and the amount of power required by customers at one time, and SaskPower is expecting higher than historic demand for service to continue into 2010 and beyond. This growing demand for electricity in Saskatchewan requires that these facilities be constructed.

At the same time, federal greenhouse gas regulations are not yet final. Yet the corporation is facing the prospect of making decisions around our power supply that will affect ratepayers for the years to come in the future. While greener generation holds promise, SaskPower is still searching for ways to ensure reliable service is not compromised as to rely more on them and more in the future — a task SaskPower is taking on in conjunction with its sister utilities across North America.

The consequences of all these converging pressures are this: over the next three years, SaskPower estimates its capital investment will approach \$4 billion, which will mean continued high levels of borrowing. These are not investment decisions that are being made lightly, nor are they being made without the knowledge and input of SaskPower's customers or members of this Assembly. And that is why the hearings your committee convened this fall and will convene again early in 2010 have been so crucial to determine our province's energy future.

We know that whatever generation and transmission options are chosen to meet the province's future electrical needs, there will be a cost impact on everyone in Saskatchewan. At the same time, we also know that in 10 years from now, thanks to the thoughtful planning, investment, and partnerships that are at the heart of SaskPower's generation and transmission renewable and growth strategy, the corporation will be in an even better position to fulfill its mandate to serve. Saskatchewan will have a modern, efficient, reliable, environmentally sustainable power system, one that can better deliver on the growing demand for

electricity that comes with a growing and robust economy.

Mr. Chair, I'd be happy to take questions at this point.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Minister, and thank you to President Youzwa and officials from SaskPower for coming before the committee here tonight to answer questions. So just to make sure we understand here tonight, we're looking at vote 152, which looks at increasing borrowing by 64.5 million. Is that correct, Minister?

Hon. Mr. Boyd: — The borrowing is 598.

Mr. Wotherspoon: — So the borrowing for the year is 598?

Hon. Mr. Boyd: — I'm not sure. Let me just check this for a moment, please.

Mr. Chair, Mr. Member, indeed you are correct. Vote 152 is for 64.5 million.

Mr. Wotherspoon: — So just to make sure we understand that. I maybe misunderstood the preamble at the start, but I believe I heard that there was going to be a reduction from the original budget that was 598.7 million in the original budget document this year. This estimate here, to my understanding, then reflects that we have an increased pressure or increased need of borrowing on top of that of 64.5 million. Is that correct?

Hon. Mr. Boyd: — Well the supplementary estimates would deal with a certain period of time and the balance would be within the rest of the year.

Mr. Wotherspoon: — So in the preamble, there was a discussion about a reduced need to borrow, I believe, on behalf of SaskPower?

Hon. Mr. Boyd: — That's correct. The original borrowing forecast was \$598 million over the 2009-10 period. For that entire forecasted period of time, now the borrowing need is down to \$516 million. But this particular estimate, the supplementary estimate is accurate at the 64.5, 64.5 million.

Mr. Wotherspoon: — So then am I correct to assume that we have the original budget estimate of 598.7 million; we're adding this amount of debt to that in this budget year; and so we're at 663 million this year of borrowed dollars?

[19:45]

Hon. Mr. Boyd: — Mr. Chair, members, we're going to ask for some additional folks from SaskPower to provide some information on this. We want to make sure that we are providing the committee with the proper information with respect to that. And there seems to be some concern that we may not have the correct information with us.

The comptroller is being called for right now. So, Mr. Chair, committee members, with your indulgence, if you could perhaps move to some other questions. We'll certainly supply that information as soon as it becomes available.

Mr. Wotherspoon: — Sure. We can have some general questions. But I'm not certain exactly what we're looking at here tonight. I believe we're looking at an increase of 64,500,000 and then that would be in addition to the 598 million that had already been budgeted. And then in the minister's preamble, it talked about a reduction in borrowing. So the opposition is rather confused right now with what's been presented at this point.

Hon. Mr. Boyd: — We are certainly getting the information to make sure that any kind of confusion is cleared up. And we'll endeavour to do that as quickly as possible. Again we want to ensure that the committee members have the information that is correct, and we wouldn't want to provide any information that isn't. So we want to ensure that we have the correct explanation of this.

Part of it is, is that there has been a change in the amount of the original estimate. Now the current estimate is lower than that, but we want to ensure where the 64 million fits into that picture.

Mr. Wotherspoon: — Sure. Well I think we can ask some general questions. I do have a question with respect to debt to equity as a general state here right now. I submitted a written question on this, but received a different response than I received in the energy hearings. I'm just wondering if I can have some clarity here tonight with respect to what the current debt to equity of SaskPower is.

Hon. Mr. Boyd: — The estimate of debt to equity for the calendar year of 2009 is 62.4 per cent.

Mr. Wotherspoon: — 62.4?

Hon. Mr. Boyd: — 62.4 for the calendar year 2009.

Mr. Wotherspoon: — In a written question, I received back a response. And I don't have the exact number; I apologize, Minister. I believe it was 64 . . . I know it was 64 point something. Could the minister, officials provide me with a response that would state what the difference would be?

Hon. Mr. Boyd: — This latest estimate is based on the information that we provided in terms of the latest forecast of borrowings. So when we had the 598 figure originally, it would account for being slightly higher in terms of debt to equity ratios. This latest figure reflects the change in borrowing which is lower, 516 million. So there is . . . coincides with a lower amount of debt to equity ratio.

Mr. Wotherspoon: — Okay. And certainly we're waiting for clarity on this front. But of course in our schedule of lending and investments on page 9, what we're actually looking at is an estimate for borrowing this year as 663,200,000. So I would then assume it's well over 100 million beyond the 519 million that's just quoted there. So we do look forward to those numbers to just find out exactly where the dust settles at this current point in time.

But I would go back to the fact that I received a response on October 6th within the energy hearings with respect to debt to equity ratios. That point on that day, it was stated that it was 67.3 for 2009. I'm wondering where that number comes from,

and how it connects to the numbers that are being shared here tonight?

Hon. Mr. Boyd: — The information is reflective of the lowering borrowing needs that the current estimate has come forward with, so 62.4 is the current estimate of that. The estimate that you received at an earlier date would've reflected a higher borrowing number that is not the accurate number at this point in time.

Mr. Wotherspoon: — As it relates to debt to equity and the minister's and SaskPower's projections out over a 5- and 10-year span, what sort of indications does the minister have at this point in time what those numbers might look like on a go-forward basis?

Hon. Mr. Boyd: — Well on a go-forward basis, the debt to equity ratio has potential to increase over that period of time. Now that would take into account a number of factors. If we continue to see a growth in the economy, we're going to need additional generation and transmission capacity in Saskatchewan. We expect that will be the case. We also have various tools at our disposal to deal with that in terms of suspension of dividends in the future, a injection of capital from the General Revenue Fund. So there are various tools that could account for that.

But given the current information at this time, we expect we will see debt to equity ratios increasing over time, but certainly within, still within manageable levels.

Mr. Wotherspoon: — Could the minister describe a manageable level?

Hon. Mr. Boyd: — I think something similar to what we are seeing today, perhaps a little bit higher than that. But of course we have to keep in mind here that we have a system that has not had significant upgrades in a long, long time. Governments of the past have not injected significant amounts of capital into SaskPower over a long period of time. And this has resulted in a situation now where, with a growing economy, with the pressures associated with a growing economy, with infrastructure needs that have simply not been there in the past. We have to, at this point in time, to maintain the services that the people of Saskatchewan have enjoyed over a long period of time. Now there is a need for significant reinvestment, so that puts additional strains on everything from debt to capital or debt to equity ratios to perhaps even . . . pressure's on in terms of rate increases.

Mr. Wotherspoon: — So the minister states that a manageable increase or manageable debt to equity ratio would be consistent with where we're at here right now? I note that through 1999 through 2008 that range was from 50, well I guess all the way down from 54 per cent, but up through 60 per cent. What sort of a range, just so we understand because now we're talking 62.4 per cent with potential increases . . . Does the minister see increases beyond 62.4 per cent within that manageable ratio as he describes?

Hon. Mr. Boyd: — Potentially, yes. And I would say that if you looked at ratios in the past, if you're not into the situation where you're reinvesting, that can look more attractive, without

question. If you are withholding or simply not providing the additional capital that should have been put in place to address infrastructure needs going forward, then that debt to equity ratio would be lower.

If those investments — that I would argue should have been there — aren't there, then you have a lower debt ratio than what you would have if you were making the investments all the way through the process through the number of years.

Mr. Wotherspoon: — The minister talks about the capital projects that were needed or investment that was needed over the past so many years that in his opinion didn't occur.

Could the minister share with us, maybe we'll go back the last five years, and he's pointing to the previous administration. So we'll let him point specifically to that period of time, 2002 through 2007. Could the minister point to the specific capital projects that, I guess, is there capital projects that he felt should have been moved forward with that weren't?

Hon. Mr. Boyd: — Well I think you can look at perhaps a number of different areas, from transmission upgrades to the various infrastructure components that SaskPower has. I think you can look at deferments of things like clean coal technology that were made, commitments in that area, and then were not followed through on. So there are various things that I think can be pointed to.

Mr. Wotherspoon: — Could the minister clarify specifically which proposals would have come to the previous administration in that period of time that wouldn't have been approved?

Hon. Mr. Boyd: — I'm not familiar with them off the top of my head, no.

Mr. Wotherspoon: — It would be my understanding that there wouldn't be any proposals from a capital perspective that served the long-term viability of SaskPower that weren't approved by the previous administration. And I only, you know, provide that . . .

Hon. Mr. Boyd: — I would look at it this way. When you don't have rate increases for a period of 27 months prior to elections to take into account promises or commitments made in terms of the lowest cost utility bundle, I think it is unreasonable to suggest that somehow or another everything was being met in a proper fashion.

My guess is, is that there was a strong likelihood that there was a need and that need wasn't met. There was a more immediate need, a political need, a political agenda that was being played out, rather than the important injection that any business would look at and say, in order to regenerate this business, you're going to have to reinvest. And so one of the things that you would be looking at is a reduced amount of capital expenditures or ongoing operational expenditures through that process.

Mr. Wotherspoon: — But the minister doesn't have any awareness of any proposal that was rejected by the previous administration. I guess the question would be to the minister who's now responsible for SaskPower: why does he believe that

for five years and beyond there was no proposals that were brought forward that were rejected?

Hon. Mr. Boyd: — With the growth in the economy in the last few years, it has, I would say, exacerbated the pressure in terms of the infrastructure which is old and aged in Saskatchewan. So that has resulted in the pressure now coming on SaskPower to adjust, in terms of that for additional generation capacity and additional transmission capacity.

Mr. Wotherspoon: — Well it seems that the minister . . . And then you're going back into years and trying to offer criticism of a previous administration, speculating. And I believe using "your guess" I think was one of the parts of your last statements. We're, I think, looking for more substance, at least at the committee level, if such accusations are going to be tossed around.

We're here tonight simply to seek numbers and clarifications around borrowing, not necessarily looking for a political debate. The minister hasn't been able to substantiate his contention that SaskPower didn't receive the kind of capital support it required over the previous years under the previous administration. And we'd certainly urge the minister if he wants to go down that route to substantiate that. But I'd also urge the minister to provide the proper numbers to the committee here tonight on what we're actually looking at, and that being the borrowing in front of us.

[20:00]

Hon. Mr. Boyd: — Well, Mr. Member, I indicated to you that we will be providing that information, and we asked your indulgence so we could provide you with that correct information. And when we get that correct information, I'll be happy to do that.

I would also want to make the point again that any business person would realize that when you go without any kind of a rate increase for a period of 27 months, you are undoubtedly going to put a great deal of pressure and strain on that business. I think that is just basic economics that people would understand, that simple inflation would result in increased needs.

And to suggest somehow or another that we are not willing to provide information with respect to that is just simply incorrect. We'll be happy to provide you with information in relation to these kinds of things. It will relate to transmission, it will relate to transmission and to generation. And it'll also relate to the fact that there were not rate increases through that period of time.

And I would submit to committee members that there was more of a political agenda playing out at that particular time than there was any kind of an economic agenda playing out for SaskPower.

Mr. Wotherspoon: — Thank you, Minister. Certainly Saskatchewan New Democrats believe that our Crown corporations do play an important policy purpose within society as well and within our economy, and part of that has been to provide strong service and low rates to business, families. And I

think that's a policy purpose that we will certainly be sticking to as we move forward, and certainly we're proud of being able to achieve low rates for Saskatchewan people and business through the past.

But the minister talks about any business and basic economics and so I guess, as he wants to elaborate on some of the aspects of where he is taking SaskPower with respect to a capital financing model — he's talked about debt to equity ratios that are going to increase under his watch and under his guide; he hasn't been specific with that range — if we're looking over the next five years, Mr. Minister, what is the range that you will hold debt to equity ratios at within SaskPower?

Hon. Mr. Boyd: — As I've indicated, Mr. Chair, there are estimates in terms of that, but they do not take into account the opportunity for dividends suspension or for capital injection from the Government of Saskatchewan through the GRF [General Revenue Fund] Fund. So while you can look at these and, I suppose, make the case, there are still terms, still avenues that are available to the government to address those.

Mr. Wotherspoon: — The minister mentions dollars available from the GRF. I am wondering if, at this point in time, if he has any presentations before the Minister of Finance for an injection from the GRF?

Hon. Mr. Boyd: — No, we do not.

Mr. Wotherspoon: — Now could the minister provide us or SaskPower provide us, I guess, what the range for debt to equity would be for other public utilities, Crown utilities, similar circumstances?

Hon. Mr. Boyd: — In other Crown-owned utilities in other jurisdictions, it's not unusual to have debt to equity ratios, debt to capital ratios of 80 to 85 per cent. Private sector companies traditionally have lower ratios of debt to capital of 60 to 65.

Mr. Wotherspoon: — And traditionally SaskPower has sort of followed more of the model that's set out by the private sector. Is that correct?

Hon. Mr. Boyd: — I guess you could say that.

Mr. Wotherspoon: — Is the minister comfortable in deviating from that 60 to 65? Certainly we have a range because right now the minister states 62.4 per cent I believe. Is that the range? And is 65 per cent sort of the upper-end limit that the minister has comfort with in ensuring that SaskPower is viable?

Hon. Mr. Boyd: — We would want to ensure as low of debt to capital ratios as possible. However what we see is a need in terms of infrastructure that is unprecedented. And I think that's why you're seeing additional generation sources come on, why you're seeing additional pressures in terms of transmission-related projects coming on to meet the needs of a growing economy. And so those pressures will result, no question about it, in either the need for suspension of dividends, additional capital to be deployed in that respect, or some degree of rate increases.

Mr. Wotherspoon: — And what was the dividend to be for

SaskPower in 2009?

Hon. Mr. Boyd: — The Government of Saskatchewan suspended the dividend. So it's zero.

Mr. Wotherspoon: — Right. And what would have it been, or what was the budget for that dividend otherwise?

Hon. Mr. Boyd: — Had the old policy been in effect, normally the dividends were approximately 50 per cent or in this case about \$40 million. That was suspended.

Mr. Wotherspoon: — The minister references the old policy. And we understand that you're suspending this dividend at this point in time, likely into the future to make sure that debt to equity or debt to capital ratios are managed. With respect to referencing it as an old policy, is there a new policy that the minister has?

Hon. Mr. Boyd: — Well I guess I would say that the policy is such that at this point in time, we believe that SaskPower has very significant capital needs going forward. And in order to keep the debt to equity ratios at a level that we feel comfortable with, we want to . . . We've suspended the dividend for this time frame. That may be the case into the future depending on the fortunes of, certainly, of our economy, the amount of pressures that there will continue to be in terms of infrastructure needs.

Mr. Wotherspoon: — Has the minister not contemplated at this point in time, with the many pressures and growth opportunities for SaskPower, an equity injection at this point in time? Because certainly we'd urge bypassing or letting SaskPower retain that dividend. I think that's good business, but it would seem as well that we might have some concerns around escalating debt to equity ratios. Has the minister not considered an equity injection?

Hon. Mr. Boyd: — Well it's certainly one of the tools that are available to government to take a look at. And when we look at this, it becomes a changing landscape from time to time. As we see the economy improving, you will see increased pressures in terms of transmission and generation needs. As you see the economy retrenching a little bit, those may be reflected as well.

So it would certainly be our position that we expect we will see a continued growth and strong growth in our economy. We are experiencing that. We are being told by the major consumers that use SaskPower that they are proceeding with the major capital projects in large measure. Some of those questions are not ours that would make . . . We wouldn't be in position to make those choices. But at this point in time, we expect there will be a considerable amount of new demand coming on, and so those needs would have to be met. So that would result in increased pressure in terms of either borrowings or dividend suspension or capital injections or rate increases.

Mr. Wotherspoon: — Has SaskPower requested a equity injection?

Hon. Mr. Boyd: — Not at this point in time. Although I would hasten to add that, sort of tongue-in-cheek, I think that is always something that's on the table.

Mr. Wotherspoon: — We've witnessed in this year . . . not to get into, try to stay out of the politics here in this committee, but of course the significant budgetary shortfall that's occurred. And of course CIC's [Crown Investments Corporation of Saskatchewan] been relied upon to provide the resources to the GRF to fund that budget that wasn't balanced to provide dollars for that shortfall.

What impact for SaskPower specifically is there in removing, as has occurred here this year, \$955 million from CIC when, at the very same time, there's many expansionary pressures on SaskPower and rightful and fair consideration likely should be granted to an equity injection within SaskPower?

Hon. Mr. Boyd: — Mr. Chair, I think we're dealing with the estimates for SaskPower, and I'm not prepared to comment on information surrounding CIC in terms of their total dividends or suspension of dividends or injections to the GRF.

SaskPower has certainly needs going forward. The dividend has been suspended to help meet those needs. We will use the various tools, as I have described, to work with SaskPower to manage the growing economy that we have. We will work with SaskPower to manage the transmission and generation needs that they will require in the future. We will look at the tools that are available to us; such as capital injection, such as suspension of dividends, such as rate adjustments.

Mr. Wotherspoon: — Question to the minister: how do you contemplate capital injections if the dollars that are held within CIC have been exhausted?

Hon. Mr. Boyd: — Well I think what you would see is, is I think we are in government. We are looking to an economy that continues to grow in spite of the pressures. We expect we will see a return of revenues to a target level that is more acceptable.

Mr. Wotherspoon: — But at this point in time, we have a significant shortfall in the GRF. So the minister's suggesting that the GRF might be relied upon to provide this capital injection.

Hon. Mr. Boyd: — I said that's always one of the tools that are available to government to contemplate.

Mr. Wotherspoon: — And the other tool was rate increases that the minister just referenced. And without adequate injection of one, it could be assumed that rate increases are exacerbated. And I think that's a concern for Saskatchewan people.

And the minister referenced that he didn't feel that question as it related to the stripping of the billion dollars from CIC were within the purview of this committee. We're here to consider adding debt to SaskPower here tonight. An original estimate of close to 600 million has now grown to 663 million as proposed in the schedule before us here tonight.

So I believe it's certainly within the purview of this committee to understand where those pressures, budgetary pressures, are coming from within SaskPower and to be understanding exactly what this \$65 million increase of borrowing is specifically allocated for within SaskPower. And if it's simply part of cleaning up and providing the equity that could have been

provided from the holding company, certainly it's within the purview of the committee here tonight.

Hon. Mr. Boyd: — I would never want to make the assumption of automatic or significant rate increases. I think, as I indicated, that there are always tools available to the government to look at. That is just one of them.

[20:15]

But I would also hasten to add that, many people I think would agree with me, that rate increases — and in fact I think I recall quotations from various ministers over the years — rate increases are a part of doing business. And when we don't do that, when we don't have rate increases along the process, it likely makes it much more difficult and challenging into the future to meet the needs, first of all, of our growing economy, second of all, of infrastructure that is in some cases 30 to 50 years old, and additional generation and transmission sources that are needed.

Mr. Wotherspoon: — Thank you. Another part of doing business would certainly be managing and making sure that the proper equity is injected back into that corporation and that the balance of debt to capital, debt to equity ratios are within balance and making sure that the holding company is able to hold onto the resources that a growing and expanding SaskPower may require. And certainly the opposition has concerns with the circumstance of a budgetary shortfall this year that has depleted those resources almost entirely based on the technical briefing received at mid-year.

The minister states that he would hate to assume automatic rate increases going forward. I guess the question would be, why did the minister approve a study that went out, a survey that went out, that suggested over 100 per cent rate increases over a period of eight years?

Hon. Mr. Boyd: — We, through SaskPower, do regular surveys of customer satisfaction levels of what they see in terms of their operation of SaskPower, whether they feel they're efficiently run or whether they feel that there are areas that are lacking. There is also questions about what kind of support may be necessary in terms of rate increases in the future. We want to gauge the opinion of Saskatchewan people in terms of their operation so we can provide strong Crown corporation utilities to the people of Saskatchewan. I think it's a legitimate way of looking at what people feel about the utilities that they are served with.

I think you would find in many businesses this is a normal thing that they do to judge customer support, loyalty, and concerns that they may or may not have about the operations of their various utilities. Surveys of that nature are common in many, many areas of business activity.

Mr. Wotherspoon: — Why did the minister choose and approve the numbers that he did within that survey of 100 per cent increase, over 100 per cent over the span of eight years?

The Chair: — I think we are straying off supplementary estimates going down this road. Talking about the supplementary estimates that are before us today. If we could

keep on that a little more than polling that had been done by the Crown corporation.

Mr. Wotherspoon: — Thank you, Mr. Chair. We're trying to. The minister shared with us here tonight that two tools that are available to him in keeping SaskPower viable as it's faced with increasing pressures, is to inject equity into SaskPower as one option. Another one is to increase rates. Likely a balance of those is probably the right option. But so I think it's certainly within the purview of the committee.

I guess I would also say, I would like to get to the actual discussions around the estimate here tonight. And so the Chair's wanting us to cut to the chase. I would look to the minister, if there's any clarity at this point in time. I know when I came in with the budget book here tonight, I was looking to question an increase of \$64 million of borrowing. Now the minister suggested here tonight that that estimate book is incorrect and that . . .

Hon. Mr. Boyd: — No. I didn't suggest that.

Mr. Wotherspoon: — Okay. Though my understanding was though that the borrowing needs here for the current year will not be 598 million but 519 million, which would mean that we should actually be looking at a reduction here tonight in the borrowing needs of SaskPower.

So we have quite a difference between those two numbers, a \$64 million increase or a reduction of the amount that the minister has discussed. Do we have any clarity on those numbers yet at this point?

Hon. Mr. Boyd: — The SaskPower officials are working on that information right now, and we'll have it as soon as it's available.

Mr. Wotherspoon: — Could the minister describe what the debt holdings of SaskPower look like, where those are sourced, and what sort of instruments those are within?

Hon. Mr. Boyd: — \$180 million of SaskPower's borrowing would normally be rotated in 30-day maturing funds; \$2.5 billion would be in long-term borrowing, 30- to 40-year type of maturities from the province of Saskatchewan. Now the province of Saskatchewan of course sources those funds from various financial institutions around the world.

Mr. Wotherspoon: — What would the general interest rate be on that, the whole 2.5 billion, the long-term debt for '09?

Hon. Mr. Boyd: — The short-term borrowings, the 30-day maturing ones, would be under 1 per cent. When you look at the longer-term ones, the average interest rate would be about 6 per cent.

Mr. Wotherspoon: — Thank you, minister. Could the minister, you referenced it just quickly, but could the minister discuss how that debt is sourced with the actual process that SaskPower goes about?

Hon. Mr. Boyd: — Mr. Chair, committee members, this requires a fairly detailed explanation. And I think the CFO

[chief financial officer] would be best equipped to provide that detailed information and explanation to committee members. So, Sandeep, please.

Mr. Kalra: — Our debt mix, our board has approved that we can borrow up to 15 per cent in short-term floating rate debt. And the rest is, you know, long-term, and that's based on our asset mix because most of our assets are long-term in nature. So we come up with our estimates of borrowing for the year, the borrowing needs for the year, and are in conversation with the Ministry of Finance as to how much we need to borrow and approximately at what points in time during the year.

The Ministry of Finance accesses the market on an ongoing basis. And if we need to borrow long term, we indicate that maybe one month or two months before that and our borrowing needs are met. Short-term borrowings tend to be volatile. We need some at any given point in time or we can repay, you know, these borrowing on an ongoing basis. So that's done almost on a daily basis.

Mr. Wotherspoon: — Thank you. When we look at the borrowing this year, and we'll use the number from the Estimates book here just for now and then if we have some clarity to that we can go in a different direction. But if we're to assume that the \$663 million is being borrowed this year, is it 15 per cent of that then that you'd be looking to . . . [inaudible interjection] . . . No?

Mr. Kalra: — It's not 15 per cent of incremental borrowing. This is 15 per cent of outstanding debt.

Mr. Wotherspoon: — Looking specifically to loan repayments, in 2008-09 SaskPower repaid \$80 million worth of loans. This year it was budgeted to repay 3 million. I'm just wondering where we are as far as the real circumstance.

Mr. Kalra: — All loan repayments are on schedule, so we're not behind any repayments on any of them. And as I mentioned, short-term borrowings roll over every 30 days.

Mr. Wotherspoon: — Now what considerations, from an annual basis, factor into making the decision or setting a budget out on how much debt you're going to retire?

Mr. Kalra: — Right now, since we're in the growth mode, our borrowings are increasing. So there would be in the future years incremental borrowing. Retirement depends upon the retirement schedule. So if a note comes due in a certain year, we would retire it. Otherwise the incremental borrowings would grow around the margin.

Mr. Wotherspoon: — Just looking for some of the other cost pressures that might exist within SaskPower's environment here right now. Could the minister provide us with the information as it relates to severance settlements within SaskPower that have come at a cost to SaskPower in this current year?

Ms. Youzwa: — I don't have that information with me this evening, but we certainly will gather it and provide it to you as soon as we can. And you're looking for payments that would have been made in the current calendar year?

Mr. Wotherspoon: — Correct.

Ms. Youzwa: — We'll get that information for you.

Mr. Wotherspoon: — So that would be provided to the Chair and then to committee members?

Ms. Youzwa: — Yes, if that's what you'd like.

Mr. Wotherspoon: — Thank you. Just going back to the various debt to equity ratio numbers that we've received in the span of just a little over a month. We've received that back on October 6th, 2009, in this very committee room, that SaskPower's current debt to equity ratio is 67.3 per cent. We received in written question a few weeks later that it was 64 and — I don't know the exact number — 64 and something per cent. And we hear tonight that it's 62.4 per cent.

[20:30]

Now to have had a debt to equity ratio on October 6th, 2009 of 67 per cent, we would have had a lot more debt at that point in time. My question would be, I guess if the minister could provide some clarity as to what happened to that debt. It's a very short period of time for a significant amount of debt to be retired. And I wonder if the minister could also represent what a reduction from 67.3 to 62.4 per cent, what the actual number . . . How many millions of dollars is that?

Hon. Mr. Boyd: — Mr. Chair, we will need some clarification from the member with respect to those numbers that he has provided there, to where they are arrived at. We will want to ensure that that information is accurate. In the initial financial highlights, 2009 business plan, the debt ratio was 63.4 per cent. And reflecting the changes in terms of the borrowing needs, it is reduced by one full percentage point to 62.4.

Mr. Wotherspoon: — Okay now I wish I would have my *Hansard* in front of me. Now we do have a couple laptops around here; I might urge somebody to take a look at the proceedings of October 6, 2009, within this room if somebody could.

Hon. Mr. Boyd: — You're working from memory; is that what you're suggesting?

Mr. Wotherspoon: — I am, yes. I've got them written down here, Mr. Minister, and I have from 1999 up through 2009. Now certainly the 67.3 could be an error. I don't believe that it is, so we can verify here tonight.

But the question that was asked on October 6th to SaskPower when they were before this committee was to provide debt to equity ratios for the previous so many years back to 1999. And for 2009 the number that I believe as recorded in *Hansard* — and we'll verify that momentarily here — was 67.3. And then the one that was provided within written questions was 64 per cent and now we're down to 62.4. So we should verify that 67.3. We'll do that right now.

Hon. Mr. Boyd: — Well I would never suggest that your memory may be fallible, but your memory may be fallible. We'll want to ensure that that information is correct. But

nevertheless the information that . . . And if there was information of that nature provided, it may have been incorrect because the information that we are looking at today indicates that it is 62.4 per cent, and that is the latest forecast. The earlier forecast was 63.4.

Mr. Wotherspoon: — If the minister will indulge, I'll just . . . Just give me a moment here and I'll have the exchange and we can verify that number.

Thank you, Mr. Minister. I'll just read into record the exchange from October 6th. The question from myself clarifying that we're looking for debt to equity from President Youzwa. I quote:

Well I'll give you the debt and then the difference would be . . . if that's okay. In 1999 the per cent debt was 54.8; in 2000, 54.1; in 2001, 56.6; 2002, 56.8; 2003, 56.5; 2004, 58.2; 2005, 60.9; 2006, 61.0; 2007, 59.7; and 2008, 60.7.

And then we request the information for 2009. Ms. Youzwa's quote was, "Our forecast for 2009 is 67.3 [per cent]."

Ms. Youzwa: — We have the historical information on debt levels, and I do recall the questions that we had from the member. The response for the 2009 estimate of 67 million, to my . . . There must be some error there, and we will go back and look at some of our other material, which I don't have my hands on right now. But I don't recall and don't believe, at any point throughout this year, we had an estimate of 67 per cent, that it was always, as the minister's indicated, our budget was for, I believe, it's 63.4. And in fact we've seen that fall through the year, and we're now looking at a lower number forecast to year-end.

Mr. Wotherspoon: — Of course we take this information, that is provided through committee, to the legislature and energy hearings. And we receive that information and that allows us to try to make our decisions moving forward. And I'm glad we are provided some clarity on this here tonight.

For our understanding anyways, what would the difference be — if we have the ability to get this number here tonight — between a number of 67.3, as far as a debt to equity ratio, and what now is being projected as far as 62.4 per cent? How much of a reduction in debt would that be or an increase in equity?

Ms. Youzwa: — The impact of the calculation between the two numbers here would be sort of an academic exercise because at this point we have no . . . at any point throughout this year, we've not been forecasting a 67 per cent number. And so the differential between 67, where we are now . . . I mean we could do the arithmetic, but I don't know how meaningful that would be to you.

Mr. Wotherspoon: — Forgive me, Mr. Chair, but we're having some difficulties here tonight, I think, as far as going about the work that we're duty bound to do as a committee. We have a number before us that . . . We're supposed to be looking at \$64.5 million increase in borrowing, yet we can't verify that number. The minister states in fact debt may be dropping here this year.

Until we can verify and clarify that, we really have a lot of difficulty in understanding what to question in many ways. Are we looking at a reduction in debt down to the 519 million as the minister preambled? Or are the budget books, the Estimate books put forward by the Minister of Finance correct, which suggests debt's increasing by 64.5 million? And to go back and reference information provided within this committee and to try to utilize that, and our understanding of debt to equity ratios and proper equity investments back into SaskPower is made difficult by incorrect information. So I think it's fair to say that it's a bit of a frustrating exercise here tonight, Mr. Chair.

The minister shared specifically about a \$4 billion capital investment needed over a period of time moving into the future, and I missed the number of years specifically that the minister had shared, and if he could elaborate within that period, what that capital investment looks like?

Hon. Mr. Boyd: — Given the current projections for growth in the economy of Saskatchewan and what is looked at in terms of capital requirements for infrastructure needs, for transmission and generation, we would see over the next number of years of '10, '11, '12, and '13 of approximately \$4 billion.

Mr. Wotherspoon: — So over the next four years roughly?

Hon. Mr. Boyd: — Correct.

Mr. Wotherspoon: — Does the minister anticipate that that will be needed sort of gradually or sort of \$1 billion per each year or will some be needed up front and others . . . Could he provide a bit of a schedule for that capital?

Hon. Mr. Boyd: — Looking at a capex of 832 in '10, 1.301 in '11, 1.655 in '12, and 1.495 in '13.

Mr. Wotherspoon: — Now with those kind of numbers before us just in the immediate, in the immediate four years and making sure that SaskPower's viable and able to provide service to Saskatchewan families and business and farmers at the low rate that they should expect . . . It would cause alarm to recognize that the dollars that have gone missing from the holding company, the \$955 million this year, when we're looking at that kind of investment going forward, it offered some security that the holding company had \$1 billion at one point. And I know when we're looking at four years here, we're talking about a \$4 billion investment. I believe SaskPower has referenced a \$15 billion investment over a number of years going forward.

It would seem that some equity or some capital would be required. It would seem as well, or we are very aware, that the GRF isn't in a circumstance to be providing those dollars. Certainly the Finance minister wouldn't likely be entertaining any requests here at this point in time.

So I'm just wondering what the minister's rationale is for allowing those dollars to be exhausted and stripped from CIC at this time when the Crown that he presides over and leads significantly needs those dollars moving forward, or some of those dollars.

Hon. Mr. Boyd: — Well there are various avenues available to

the government, as I've indicated, which include capital injection, which include rate increases — which are always a possibility I would assume — and suspension of dividends. Those would make up the various tools that are available to government to address those questions.

Mr. Wotherspoon: — Mr. Minister, as far as the capital injection, as I've said, the holding company's been exhausted of the resources needed to invest in a growing SaskPower moving forward. With respect to a suspension of dividend, I believe that amounts to about \$40 million this year. What we're looking at is \$4 billion required over the next four years, and \$15 billion in the not-so distant future.

So the only option that would seem that the minister has available to him is option 2 that he laid out, and that's rate increases, Mr. Chair. And I think that the people of the province and the businesses of the province will be greatly concerned to be hearing this exchange here tonight and to realize that that's the only viable route that they can count on at this point in time.

[20:45]

Hon. Mr. Boyd: — Yes, and I suspect the people of Saskatchewan were also alarmed to hear that in the past 30 to 50 years that we haven't had the level of investment, that now we're at a point in time where we will require that kind of investment, as we see an infrastructure need that hasn't had the investment in terms of upgrades that we believe should have occurred throughout history.

Mr. Wotherspoon: — But the minister's back to substanceless political rhetoric on this. And we've gone to this before. I asked the minister specifically which projects should have been advanced by the previous administration. He couldn't note a specific project. I asked the minister which project had been put forward by SaskPower that had been rejected by the previous administration. The minister couldn't identify a single one.

So I'm asking the minister to kind of stick within real time here tonight, with the real facts that are before us. And the real facts, Mr. Minister, is that SaskPower is faced with expansionary pressures and renewal of distribution and generation. And at that same very time, your government, his government has created a huge hole within the budget — \$1 billion, more than that. And in part to fill that hole, he's drained all resources that could be made available to SaskPower as we move forward.

The minister references common business sense or good business sense in some of his language here tonight. It would seem that this is terrible business sense, (a) to have created a budgetary shortfall and deficit to the size that we have here at this point in time, \$1 billion. Secondly, it seems to be terrible business sense to be draining our Crown corporations, specifically one like SaskPower that could be requiring some capital moving forward to not burden business and put a drag on the economy, to not burden families and to reduce the well-being within this province.

So the minister can reference all he wants about past capital investments, but I'd ask him next time he does, to back it up with a proposal that was rejected by the previous administration. Because the minister knows that that's not true;

that wasn't the case. The previous administration was very proud of SaskPower. And maybe not everything was done perfectly, but we certainly were very proud of our ability to maintain a very strong Crown, its vast provincial-wide network, and low rates for Saskatchewan people. And it seems much of that is being compromised in the coming years, Mr. Minister.

Could the minister highlight a little bit in the next four years specifically what those \$4 billion are going to be utilized for, as far as the capital plan?

Hon. Mr. Boyd: — Mr. Chair, Mr. Member, what we are seeing in Saskatchewan is a growing economy. We are seeing unprecedented growth in terms of hook-ups in Saskatchewan. We're seeing unprecedented growth in our large consumer base, the potash mines, etc., which has resulted in a considerable amount of pressure in terms of the requirements of SaskPower going forward.

Those needs will be ongoing, as we continue to see growth in the economy and the projections in terms of the requirements that the various consumers that identify themselves to SaskPower would have. We see some \$667 million in the 2010 time frame, which would be made up of various projects — about 224 million in transmission-type projects, others related to the service delivery. Approximately \$164.5 million in new generation sources.

Mr. Wotherspoon: — Thank you, Mr. Minister. One of our other committee members has a couple of questions here.

The Chair: — Mr. Belanger.

Mr. Belanger: — Thank you very much. And thanks for the information, Mr. Minister. Just going back to your debt plan over the next four years. While my colleague will certainly have more intricate questions on the overall debt and certainly where this is being spent, I want to go in the area of the forecasted need that SaskPower has in terms of generation, and how that plays out from your perspective when overseeing and working with the corporation, as it pertains to the role of the private sector.

When you talk about a \$15 billion capital need, do you foresee all that 15 billion, in particular the 4 billion over the next four years, as primarily investments that SaskPower themselves will undertake, plus a complimentary investment by say the private sector that may want to do anything from biodiesel to wind and geothermal and so on and so forth?

Ms. Youzwa: — The number, the capital expenditure numbers that the minister had provided to you do not include independent power production investments that would be made for new generation. Those investments are outside the numbers that we've shared with you.

Mr. Wotherspoon: — Thank you, President Youzwa. Now with respect to revenues for SaskPower in the current year, with respect to the fact that the economy is shrinking significantly in this current year, and that big industrial customers such as our potash producers certainly aren't using near as much power that they have in years past, has SaskPower done an estimate as to what an effect this has on revenues for SaskPower in this

current year?

Ms. Youzwa: — We have. We have seen some reduction in energy sales this year from budget, what we had anticipated in 2008. So the number of gigawatt hours that we had projected this year, I think they are . . . Our forecast to year-end will be somewhat below that, and so the revenue numbers as a consequence will be somewhat below our business plan numbers as well.

Mr. Wotherspoon: — Could the minister be more forthcoming with specifics on that front as to what's projected?

Ms. Youzwa: — If you just give me a minute, I think I've got the information here. Our budget had estimated revenues for sales in Saskatchewan to be \$1.177 billion. We are now forecasting this to be \$1.56 billion. The difference is 120 million; 104 million of that would be because of volume sales, volumes being down.

Mr. Wotherspoon: — So the overall downturn in the economy and the reduction of power usage within our potash producers and across various industries would account for \$104 million reduction in revenues at this point?

Ms. Youzwa: — That's true.

Mr. Wotherspoon: — Now I see that we're close to the time at this point in time. But what I have great concern for, I look to the minister at this point of time. Of course the minister came to us tonight, what we had provided to us was what the Minister of Finance had provided us, and that was a budgetary increase of 64.5 million in borrowing on behalf of SaskPower, which would mean that the revised estimate would now be \$663.2 million.

The problem being the minister sat down before us today and provided a preamble that was quite contrary to that. In fact he was suggesting that we were going to be borrowing less this year within SaskPower to the tune of \$519 million. Which begs to question, you know, who's right — the minister of SaskPower or the Minister of Finance and his budget book?

Now the difference between these two things is (a) having a supplementary estimate before us here tonight which we haven't been able to question. And so certainly we're going to need to bring great clarity to that at this point in time. And we have a range of \$144 million between what the minister suggested at the beginning of this meeting as to what SaskPower's going to be borrowing and what the Minister of Finance suggests that SaskPower's going to be borrowing.

So with that in mind, if we're going to receive any clarity at this point in time, I'm not sure. But certainly the opposition fully requests and expects, but asks the minister to make sure he provides the opportunity — knowing that we're going into estimates of another ministry at this point in time — that the minister can provide the adequate time to, once he has the details, whether or not the Minister of Finance's budget book is correct or whether his written preamble when he came into the meeting here tonight was correct. So we're looking for that time, and we're looking for any more clarity from the minister at this point in time.

Hon. Mr. Boyd: — Mr. Chair, members, we will certainly provide that information as it becomes available through the SaskPower officials.

The Chair: — We're very near the time of adjournment. If you could make your comments very short, we would appreciate it.

Mr. Wotherspoon: — Mr. Minister, thank you for the clarity that we will receive. That's very important. But we're also going to need the process that was similar to what we had laid out here tonight — that being a committee structure and some time to look at whether or not we're looking at a reduction in borrowing, as the minister suggests, or an increase in borrowing, as the Minister of Finance suggests.

[21:00]

So in either event, Mr. Chair — specifically I guess, if there's an increase because that's where a supplementary estimate would then come into effect — we're certainly going to need and be required to have that time. And it would only be fair to the people of Saskatchewan, many who will be watching here tonight, to be provided that time. So I guess I look to the minister to offer that commitment to this committee.

Hon. Mr. Boyd: — We're prepared to provide the information as it becomes available through the SaskPower officials.

The Chair: — I'd like to thank the minister and his . . .

Mr. Wotherspoon: — Should we ask the question though? The question was specifically . . .

The Chair: — I think that that is something for House leaders to discuss.

Mr. Wotherspoon: — Closing comment then, Mr. Chair.

The Chair: — We are past the time of adjournment. I think there'll be an opportunity for comment . . .

Mr. Wotherspoon: — Mr. Chair, we haven't had any opportunity. We have no clarity about what we dealt with here tonight.

The Chair: — We've had an hour and a half to discuss . . .

Mr. Wotherspoon: — You understand what went on tonight?

The Chair: — I do understand. The minister has said he will get . . . [inaudible].

Mr. Wotherspoon: — No. The question was whether or not we had committee. I mean everybody over there would, I think, understand that that would be fair. I'm not looking for . . . We don't know whether we have an increase, a decrease or . . .

The Chair: — The minister has a comment.

Hon. Mr. Boyd: — Mr. Chair, we will provide the additional time necessary.

The Chair: — I'd like to thank the minister and his officials for

entertaining our questions here tonight. We're now past the time of adjournment. I see Mr. Bradshaw would like to make a motion for adjournment. All agreed? Carried. Thank you very much.

[The committee adjourned at 21:01.]