STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Randy Weekes
Biggar

Published under the authority of The Honourable Don Toth, Speaker

[The committee met at 11:35.]

The Chair: — Good morning, I'd like to welcome everybody to this meeting of the Crown and Central Agencies Committee. This morning we will be discussing the Bill with SaskEnergy, the Bill No. 105, *The SaskEnergy Amendment Act, 2009*.

Today we have Mr. Allchurch, Mr. Bradshaw, and Mr. Weekes. And we have Mr. Nilson, substituting in for Mr. McCall, and we have Mr. Broten, substituting in for Mr. Belanger. With that I would ask our minister to introduce his officials, and if you have an opening statement with this Bill, please go ahead, and then we'll open it up to questions.

Bill No. 105 — *The SaskEnergy Amendment Act, 2009*

Clause 1

Hon. Mr. Cheveldayoff: — Thank you very much, Mr. Chair, it is indeed a pleasure to be here this morning and to appear before the committee. Joining me today is the CEO [chief executive officer] of SaskEnergy, Doug Kelln, and the chief financial officer, Dennis Terry.

I don't have an opening statement at this time, but I look forward to questions and a good discussion about the very successful company that SaskEnergy is.

The Chair: — Mr. Nilson.

Mr. Nilson: — Thank you, and I guess it's still morning so good morning. And I appreciate a chance to ask a number of questions about this. As we can all see, and I guess for the public to know, this is one of the — if not the shortest, the shortest — maybe the shortest Bill that's in the legislature this particular session. And sometimes when you have very short Bills, they end up raising a lot more questions. And so that may be what we're in for here for a while is to try to understand what it is that you're going to do.

But my first question is related to the apparent necessity of increasing the ability of SaskEnergy to borrow up to $1.3 billion — from 1.3 billion to 1.7 billion, an increase of 400 million. Can you explain the rationale for coming forward with this at this time?

Hon. Mr. Cheveldayoff: — Well thank you very much for the question. And certainly the legislative borrowing limit that SaskEnergy presently operates under was established in 1992. And at that time, the assets of the corporation were some $863 million compared to $1.6 billion at the end of 2009.

What we've seen in SaskEnergy is very similar to what we've seen in the province over the last few years, where the province has grown in record numbers and the economy of Saskatchewan has led the way in the country. That's been reflected at SaskEnergy as well with, in the last year, some recent 4,700 new customers coming on to the Sask Power production, and it's very, very positive. And we see that growth happening not only in Saskatoon and Regina, but we see it happening in some 300 communities around Saskatchewan. It's very positive for the corporation. It's very positive for the province and for the people of the province as a shareholder of that corporation.

What we have, and in consultation with the management team, is a vision for growth, where we want this growth to continue and we want SaskEnergy to be able to provide their services to residents, to businesses. We see more large businesses than ever before coming on, and we want to be able to provide them with the service.

That has to be done in a business-like fashion with a debt to equity ratio that is within the range of the normal standard practices for this industry. And in order for that to happen, this corporation will have to grow, and the debt that it takes on at some point will have to grow as well. We don't want to be in a situation where we're bumping up against the limit in the near future and having to do something in a very rushed manner. What we have here is a 10-year vision for this corporation and wanting to get ahead of it. And that's how you plan for growth, and that's what we plan to do here.

Mr. Nilson: — Thank you for that explanation. So it's a general borrowing requirement, not anything specific? Would that be an accurate way to describe it?

Hon. Mr. Cheveldayoff: — I think it's fair to say that generally, certainly there's much work being done with storage and with caverns and with connections, and so it's general across the piece, but we will be focusing on the areas of strength of the corporation here in Saskatchewan.

Mr. Nilson: — So what is the present debt of the corporation?

Hon. Mr. Cheveldayoff: — Thanks very much for the question and certainly we have the information. To answer, the total assets of the corporation right now are $1.572 billion. The total debt is 847 million, and the total equity is some 475 million. And as the member will appreciate, I'm sure, that with the price of gas right now being relatively low across standards, when you look at it over a longer period of time that those numbers reflect the situation, that could ramp up very quickly as we've seen in the past where the price of gas could increase very quickly. And then the assets and the debt related to that would increase very quickly as well.

Mr. Nilson: — So the present debt is $847 million, is that correct? That's the total debt of the corporation.

Hon. Mr. Cheveldayoff: — Correct.

Mr. Nilson: — So you have now just under $500 million room on this present borrowing arrangement.

Hon. Mr. Cheveldayoff: — Yes. Just to be very specific, we would have room of $453 million, doing the calculations in my head here, at 4 to $5 a gigajoule gas. You know, that again could ramp up very quickly to 8 to $10 and that cushion, if you like, could be eaten up very quickly as well.

Mr. Nilson: — Well given your answer, how does the gas price relate to the level of debt? Can you explain that for me?

Hon. Mr. Cheveldayoff: — Thanks very much for the question

and certainly a pertinent one to SaskEnergy. SaskEnergy at any particular time holds a substantial amount of inventory, and the valuation attached to that inventory would be reflective of the current spot price of gas. And again, you know, the inventories now are reflected with a very low, by historical standards, price and that could ramp up at any particular time.

Mr. Nilson: — I mean when given the information you gave me — which is that there's presently $847 million in debt, and there's room now for a further 453 million — that means you could increase the debt by 50 per cent immediately and not have any difficulty with legislation, without it being amended.

Hon. Mr. Cheveldayoff: — Well the difficulty is, is that, you know, we have $453 million of room. That could be eaten up very quickly. And with a growing corporation, we don't want to be in a situation where our debt is at 1.2, say, and that you're in fear of ramping up against the ceiling and having to come back to the legislature on an emergency basis to deal with this. We feel that this should be done in a long-term methodical manner, and now is an appropriate time as we look out for the next 10 years of growth at SaskEnergy.

[11:45]

Mr. Nilson: — So you have a situation where you can increase the debt by over 50 per cent right now, within the present rules, but you just want to increase it for a general reason? I think that's why we have these committees, to ask questions because that seems like . . . I mean there doesn't seem to be an explanation for this need to allow, well effectively to borrow 100 per cent more than what you have now, is what you're effectively asking to do.

Hon. Mr. Cheveldayoff: — I would suggest that we could be in a situation where there's rapid growth in the company because of continuing new customers coming on that would necessitate capital. And we could be in a position as well where the price of gas, the price of the commodity, ramps up at the same time. So that $453 million of cushion can be eaten up very quickly.

I think the important point here is that this corporation stay within the boundaries of the debt to equity ratios that happen. And at this time, you know, we're in a situation where optimal from our point of view is a 65/35 position. We're at a 62/38 position. So we're above or in a more favourable position than we need to be in. And we will remain in that situation. But at the same time we feel it's prudent to raise that ceiling, seeing that it hasn't been raised since 1992. You know, we're in a situation where for the last 18 years that debt level has been suffice. But we're seeing record growth in the province, and we're also cognizant of the volatility of gas prices.

Mr. Nilson: — Well can you tell me how much debt is related to 1 per cent of change in the debt/equity ratio. Like how much is 1 per cent worth?

Hon. Mr. Cheveldayoff: — Thank you for the question. Officials indicate that a 1 per cent variance would be about $10 million.

Mr. Nilson: — So basically to get to this optimum debt/equity ratio you'd be able to borrow another $30 million and hit that appropriate debt/equity ratio. Is that correct?

Hon. Mr. Cheveldayoff: — Yes indeed. That would be correct.

Mr. Nilson: — And if I'm correct, from what you said previously, you have room now for $453 million in borrowing which is effectively, what's that? A hundred . . . well, it's many, many times, 15 times what you would need to get the debt/equity ratio to optimum amounts. So is there another explanation for this borrowing that we haven't heard yet?

Hon. Mr. Cheveldayoff: — Cost of gas for the corporation right now is about $250 million. If prices of the commodity were to go where they were in 2008, we could ramp up to $500 million very, very quickly. So the cost of gas is a concern. We're at a situation, we're at a relatively low level now and that could change at any time.

Again the growth aspect, you know, we're at a situation where total assets are $1.6 billion right now. We see that growth continuing. We hope it continues. We want to do everything we can to help that continue, but at the same time we want to plan for growth in this corporation. We want to do so with a debt to equity ratio that is in the range of the industry standard and certainly in a very positive situation. And we want to, you know, to do that in a way that best reflects the best return for the corporation.

Mr. Nilson: — Okay, well last summer listened to the people from the gas industry, both Canada and US [United States], give a long-term perspective on where the gas prices are going — and I'm not sure, I think the minister may have been there as well — and when they start talking about shale gas available in the Appalachians and other parts of United States and all of the opportunities here, it appeared that there's a fair damper on gas prices for a while. So I'm not certain that that rationale about a big jump in gas prices, at least from what I know now . . . Perhaps my question can be, is there something that I don't know or others don't know about the possible gas prices over the next six months to a year that would provide a rationale for what we're doing here?

Hon. Mr. Cheveldayoff: — Certainly I don't know any more than you, probably, when it comes to this. You know, I am able to look at the forecasts from various prognosticators across the continent. I can tell you when I first became minister that, you know, we were at a situation where experts were advising that the cost of gas could go either way.

Then two years ago we saw it jump from 8, $9 a gigajoule right up to 12. And some were saying that it could go to 20 and others were saying that it could go to 4. So I find that it's a very inexact science and nobody has a monopoly on being able to predict a commodity. It's much like potash or any other commodity that those prices are subject to the world variance.

And you know, we heard about LNG, liquefied natural gas, and tankers coming to North America and whether those tankers would be directed here or not, or to other parts of the world, would have a variance in the play. And now shale gas is certainly something that plays into it.

But I think from a prudency perspective this corporation has to be in a position to expect all types of situations. And you have to be ready if that cost of gas, and cost of holding that gas, increases very quickly. You have to be in a position to be able to deal with that. And the last thing I want to do is to come to this legislature on an emergency basis and say, oh my goodness, we didn't plan for it and here it is, and we need to increase our debt or the corporation can't operate and fully function.

I strongly believe it's preparing for growth that's indeed what we're doing here, and that it's a prudent way of doing it by increasing the debt limit, again, that hasn't been increased for some 18 years.

Mr. Nilson: — Okay. I clearly understand that's your rationale, so let's ask another question. Presently, the gas that's in storage has obviously been used up. Because if I understand the cycle correctly, SaskEnergy is just now getting into making sure that the supply is ready for next winter, and that may be one of the reasons why the debt is down $250 million from what it was at December 31st. Would that be an accurate statement?

Mr. Kelln: — Certainly the price of the commodity is simply part of how our debt moves on a short-term basis. Because the costing of that inventory is a big part of the calculation.

Mr. Nilson: — So I guess my question is, to get the supply that you need for next winter, how much money do you anticipate, given the prices over the next three months effectively? Is there some sense of what the ballpark figure is, of how much borrowing would be required to have the full supply that you normally would have on a regular year as we move into August and September?

Mr. Kelln: — I think you can take a couple views of it. Right now if you were to look at the forward price curve, you would say that really we're going to be into 200 to 300, 250 to $300 million of inventory for this upcoming winter. I guess the one thing to remember, that price curve can move very quickly. And, for example, in 2008 within a three-month period we had about a $6 per gigajoule change that occurred. And our gas tends to . . . is priced on a monthly basis, so the gas that's going into storage right now is priced with May pricing. That can change with June pricing. So that forward curve will determine what the price is, going into storage.

So it certainly can change. An example would be, you know, we had a spike in 2000-2001 where the price went from $3 a gigajoule to peak at 13. And that occurred in a six-month timeframe. We had the hurricanes you remember in 1995 that created that kind of situation. And then we saw a bump in '07-08.

Mr. Nilson: — Yes. I think I was the minister in charge on that last spike you were mentioning in 2000-2001, so that's why maybe I'm asking a little more careful questions about this because it does, you know, relate to how the operation works. But also, you know, we need to know that, you know, exactly where this money is . . . you know, what the purpose is for borrowing it. So right now you have . . . Well let me ask the question: how much of the gas have you purchased for next winter already?

Mr. Kelln: — We have a relatively small portion at this point because, as you've indicated, we tend to empty our storage through the winter. And we were at a zero inventory position. We had about an average winter so we were at very close to zero come March, beginning of April. So we're starting that process. That's one element.

The other element is that we're purchasing continuously from producers on a steady basis throughout the year, and that's priced monthly as well. So you know, combining those two, we're at the start of the inventory position. It is something we closely monitor because we have to pay producers for that and that is debt that we have to manage.

Mr. Nilson: — So can you tell me kind of what the average price has been over the last . . . well I guess we can ask about last winter, but now as we're going over the summer, are we in that three fifty, four fifty range? Is that where the prices are right now?

Mr. Kelln: — When you look at the forward pricing right now, there's maybe a couple of elements. Your May pricing is in the four fifty a gigajoule, Saskatchewan priced. Winter remains around $5 a gigajoule in terms of pricing, forward pricing. So you know, depending on how you're pricing or where you're looking forward, that's about the range.

Mr. Nilson: — Now we've seen just in the last number of days a drop in the oil prices. Are natural gas and oil prices as closely linked as they once used to be or . . . And I know they — if you can use that word — de-link, but they separated. But are they coming back together again? And perhaps you can explain a little bit about how that works because that obviously affects, like you say, the borrowing requirements.

Mr. Kelln: — Certainly. If you take a strict conversion of energy, so if you take a barrel of oil and say how much energy is it and what should the price of gas be, if you take a $72 price, for example, you should divide it by six to get to your pricing. So that should put you in about a $12 per gigajoule pricing.

That compares with present pricing in the four seventy-five to $5 range, so you're really seeing natural gas presently being traded at less than half the equivalent energy comparison. We've really seen that decoupling occur very much over the last . . . since 2008 that there's been a separation.

A couple of elements. You are seeing natural gas move to more of a world influence with the liquefied natural gas facilities in North America and you're seeing more and more of the legacy industrial processes in North America being retired, so there's less dual fuel capability in North America year over year. So not many industrial processes any more can, say, choose between fuel oil and natural gas. So the combination of those things, you're really seeing a decoupling of those two energy sources.

[12:00]

Mr. Nilson: — So then we really need to concentrate basically on what natural gas prices are going to be and leave some of that other aside as a . . .

Okay. So under the present situation, you know, I see from the statement, the last annual report for SaskEnergy, that it looked like there was about just under $300 million worth of gas as inventory as of December 31st, 2009, and so obviously some has been moved out clearly in November and December. But in an average year given a price of say $5 a gigajoule, what would it cost to fill all of your storage capacity?

Mr. Kelln: — Well it would be . . . The pricing you saw in 2009 would be reflective if pricing stayed about the same. I think the thing to remember is the history that we've had that in the not too distant past we've seen pricing double that, and quickly having it happen. If you look at the analysis of the last 10 years, we've had six of the 10 years where there's been at least a $4 per gigajoule swing within the year. And we've had four of the last 10 years when there's been greater than a $6 per gigajoule swing.

So it varied dependent on the supply and demand. And what's coming up now for traders, because it is a commodity, is what kind of summer it's going to be in North America. If it's very hot, natural gas fired generation drives price. And the second element would be, how much natural gas fired electrical generation is there in North America? Because there's presently some significant construction going on relative to that. So really, supply and demand of natural gas as a commodity.

Mr. Nilson: — Now of the total use of gas in Saskatchewan, how much is the supply that SaskEnergy owns as a percentage of the total use? Because I know that primarily your income comes from transporting the gas through your system. And your goal is to try to buy the gas and sell it to people at relatively the same amount of money because that's not where you make the money. So the question is, what percentage of the total gas usage in Saskatchewan would be this SaskEnergy-owned gas versus the total amount used?

Mr. Kelln: — We supply the vast amount or the majority to the residential and commercial sector. But you are correct that that's a small portion of the total amount of gas consumed. And that's the industrial sector. The industrial sector uses a significant amount of natural gas. We transport that gas through the TransGas system to them, but they directly, as a rule, purchase that from suppliers.

So our gas purchases represent about a third of the total amount of natural gas being consumed in the province. The two-thirds is around the large industrials in the province, whether they are potash operations, fertilizer operations, canola crushing, SaskPower, those kind of applications.

Mr. Nilson: — So you deliver the gas to them, but it's purchased from another supplier and then delivered, and that's how you earn your income — through the delivery charges.

You know, one of the issues here about borrowing this extra money is, it sounds like, to be able to have a certain supply that fills all of the caverns that SaskEnergy has — at least that's what I'm kind of hearing — because I've been trying to get away from the general reason for the borrowing to the specific. Is it possible that you could store gas for somebody else and let them have the worry about buying the gas and selling it through the system, or there's some other factors here that I don't understand?

Mr. Kelln: — Well in terms of the core residential and commercial customers, they do have certainly options for deciding who they purchase their gas from. There are several third party suppliers that they can choose, and you see those third party suppliers . . . I have about 5,000 customers out of the 346,000 customers that we serve from a residential and commercial perspective. So it is a choice of the customers that they can choose their supply.

But within that, it becomes an arrangement with the majority being Saskatchewan producers that we have a commercial arrangement with. They're looking for being paid for the gas that they're producing every day. And this, you know, a component of our debt is really managing the fact that we have a build of inventory over the summer period to get ready for the winter.

A typical house will burn 10 times as much on a 40 below day as it burns in the summer. It is not cost-effective to build pipelines that can move 10 times more on maybe 10 to 12 days a year versus what they need the rest of the year. So storage and the realities of the fact that you have some short-term debt in terms of inventory is a very cost-effective way to serve those customers.

Mr. Nilson: — I appreciate that answer, but I think it's helpful for people to understand that. But it is possible though, I guess what you're saying is, that if there was a shortage or a problem in having sufficient borrowing capacity to actually buy all the gas for Saskatchewan that you'd actually run somebody else's gas through to your customers. You just have to pay for it on a daily or monthly basis. Is that correct?

Mr. Kelln: — That's not really how it's set up in that we've seen customers very firmly . . . that they want to choose who provides the supply to them. We've seen that occur in the city of Lloydminster where we actually had the city council and the mayor come forward. Lloydminster is served by the Alberta gas utility and with that had a default commodity supplier being the Alberta option. Asked if we could provide a commodity option to those customers because this was a very strong desire by the Saskatchewan customers on the Lloydminster side, we've provided that offering, and today we have over 1,000 of those customers that are choosing our commodity option versus others because for them it's the fact that their energy bill is lower. And that's very, very important to Saskatchewan consumers, that they have effective pricing on the commodity side. So different commercial arrangements, this is an important part of ourselves being able to manage that inventory for Saskatchewan customers.

Mr. Nilson: — Well I appreciate that answer. Now there was an indication that there are some capital projects under way to service some new customers. Can you give a bit of an idea who that might be over the next while and what kind of capital costs are involved?

Mr. Kelln: — Well you see a couple of elements. We start with the residential and commercial side which is a great activity that's occurring. We've been serving in over 300 communities the last several years. We see that activity occurring again, and

that means that the asset base is going to grow to serve those customers.

The great news is there's also revenue coming in from those new customers that pay for that. And our extension policy is set up that we provide an investment, and the cost above that investment, the customers contribute to. So we really have a situation where we're able to manage that capital. But it's a growing asset very much managed within our debt/equity target ratios in doing that. So that's the first segment which is a significant segment.

The second one I would note is storage. TransGas has offered a storage service to third party customers for a period of time. The great news is we've been sold out for the last 12 years, and in that 12 years, we've actually increased our capacity by 30 per cent. So today we are storing about $200 million of customers' gas underneath the ground around Saskatchewan. We're getting asked to expand that further.

And if you think of the industrials in the province, they're wanting to make sure that as they expand — which is great news — is that they want to be able to manage their supply portfolio. Now on any given day they won't burn exactly the same amount of gas. So they needed a warehouse to store a little extra, a little short, and that's where storage comes in. So the second element is storage. An example would be, there's $10 million this year, but it's an ongoing expansion.

The third is connecting up industrials around the province, so the industrial growth, so canola crushing plants in Yorkton, the intermodal facility outside of Regina, just, you know, the potash work that's ongoing. Certainly there are laterals. We're fortunate that we have a $1.6 billion grid that we can come off of, but we're having to build transmission facilities because they're large users. SaskPower's power generation facilities would be another example where they're looking for high pressure, high volume gas that we need to provide to them.

So we see those, all three of those elements having a steady demand. And you know, we see and we're very excited about the fact that just as we've grown from a $900 million asset base in 1992 to $1.6 billion asset base today, we see that growth continuing to occur. I think the important element is that it's growing in a way that we can manage our debt/equity ratio and provide service to the growing economy in the province.

Mr. Nilson: — Okay. So you have, basically, you have storage gas for other people, people that own the gas at almost an equivalent amount that what you have purchased yourself to supply your own customers. Would that be an accurate statement? I think it's about 200 million storage for others and 300 million for your own customers. Would that be fairly accurate?

Mr. Kelln: — I was wearing my TransGas hat when I gave that. SaskEnergy is a good portion. Just about 100 out of that 200 is SaskEnergy's distribution utility gas. They're the bigger customer. Sorry, I gave you a TransGas business unit answer.

So TransGas would have its biggest customer, being SaskEnergy who pays the same fares that any other third party provides. You then have SaskPower also being a big user. And then I think of the remaining sort of third would be marketers, industrials, those kind of segment, both inside the province and some customers outside the province who are choosing that their storage warehouse be in Saskatchewan.

Mr. Nilson: — Okay. So basically SaskEnergy's the overall group, and so they borrow money for all of the subsidiaries. Would that be an accurate way to describe it?

Mr. Kelln: — SaskEnergy, the consolidated basis. Yes.

Mr. Nilson: — So that when we're coming forward with this request to increase the borrowing, it may actually be borrowing for one of the subsidiaries as opposed to SaskEnergy directly. Would that be an accurate statement?

Mr. Kelln: — That's correct.

Mr. Nilson: — Okay, so of the subsidiaries, TransGas, how much borrowing is needed in TransGas in the next year or two that requires this kind of an increase?

Mr. Kelln: — You would look at in terms of a capital program. And remember we also have the cost of gas inventory that we're looking at. On a consolidated basis, we have a capital program of about approximately $100 million annually. TransGas will vary between 50 per cent to 70 per cent of that. So 50 to $70 million a year is TransGas related, and that's because on the TransGas side, your assets, whether they be on storage side or the transmission pipeline system, require capital.

Mr. Nilson: — So when TransGas makes money on the assets that it's got and its main asset is the pipeline down the west side of the province . . . is that my accurate memory of this?

Mr. Kelln: — We have about 14 000 kilometres of pipeline all over the province. We have really two things that happen on the TransGas side. One is moving producer gas, so that producers go and find the resource underneath the ground, bring it to surface, and then look at hauling it to the customer, and that's where TransGas comes in. So we have on the western side of the province where natural gas is found in production areas, we haul that gas for them.

The second is moving gas west to east, so we move that gas to Regina, Saskatoon, Yorkton, Melfort, Hudson Bay, throughout the province. So really it sort of provides two functions, covers the province with high pressure movement of natural gas.

Mr. Nilson: — Okay, I appreciate that. So then when TransGas earns income — and I assume it's earning some income — it pays a dividend to SaskEnergy. And then it's lumped together in SaskEnergy's dividend and then paid to the Crown Investments Corporation and then eventually, I guess, into the dividends or pulled into the government side, the General Revenue Fund, from there.

So I guess my question is, as TransGas has these needs to expand on capital, is it in a position where it can keep a number of these assets or a number of the earnings that they've got so that they can actually fulfill these projects? Or are they in a situation where they have to send the earnings to SaskEnergy and then ultimately to CIC [Crown Investments Corporation of

Saskatchewan]?

[12:15]

Mr. Kelln: — Well in terms of the specific business units, TransGas is certainly a significant one. The distribution utility is another one. Within both of those, the debt/equity of investment and capital is always evaluated. You want those to be healthy organizations.

Within TransGas we go through a regulatory review within the TransGas customer dialogue process which is the major customers of TransGas. We work with them in explaining where we are from that point of view. A TransGas asset base we see very much as growing into the future because of the fact that we have the growth that we're connecting up. So we really monitor those business units. They ultimately roll into a consolidated basis.

Mr. Nilson: — So in this past year and in this year and in the next year, are there revenues in TransGas that will allow it to complete its capital plans, or is this where a chunk of the borrowing is required?

Mr. Kelln: — Well TransGas's asset base continues to grow just as . . . and it's reflected on the customer growth. So then logically within that asset growth . . . And there is a 65 per cent debt, 35 per cent equity structure that we focus on. And it's something that we've got good support from TransGas customers on because they view that as an effective way to put that capital into your asset base. That fits with, if you look at the major pipeline companies across Canada, very consistent with the structure that they have as well. So you're going to have a continual growth of debt, and that's a good thing because it's the fact that you're growing to serve new customers.

Mr. Nilson: — So I guess the question was, is there a borrowing requirement in TransGas this year that requires this increased borrowing capacity here?

Mr. Kelln: — I think it would be very dependent on the cash flow that we have coming in. That gets into the specifics. Again when we look at borrowing work, we're looking at more of a horizon here that we have to reflect on.

TransGas specifically in 2010, we've seen some conventional well drilling has decreased. So that is producing less revenue than we expected. We see that storage, we're seeing more response to that. So we're presently advancing some storage expansion plans that's requiring additional capital. So you know, I think in any given year there's a number of variables that roll along.

The long and short of it, even when you look since 1992, TransGas's asset base has grown and yet grown in a prudent manner. Our rates on TransGas remain very competitive. Our TransGas customers ask us for a comparison of how our rates stack up, relative to moving gas to on the Alberta side, and we're favourable relative to that.

Mr. Nilson: — So some of the borrowing requirements are then in TransGas that we're talking about, as far as requiring this extra borrowing capacity. So that would be an accurate statement?

Mr. Kelln: — Again we've seen TransGas's asset base grow over time. We expect that asset base to continue to grow. And with that, when the asset base grows, using a 65 per cent, 35 per cent debt/equity ratio you will see a debt grow over time.

Mr. Nilson: — Okay. Now does TransGas actually own the storage capacity, or is it just the high pressure lines?

Mr. Kelln: — TransGas owns the storage facilities as well as the transmission lines presently.

Mr. Nilson: — Okay. So then Bayhurst Gas, what's the role of that particular corporation, and how does it fit into this whole plan, I guess?

Mr. Kelln: — Bayhurst Gas owned some assets. They're really storage operations that really didn't work on an annual basis. The majority of TransGas customers look for annual cycling of storage. We had some storage fields that when the price of gas was at a dollar or two dollars a gigajoule, you could afford to have the cushion gas within that storage operation. So they required a lot of gas to stay in place so that you could cycle the top part of the field. It came to a point where that was not an economical situation.

So we really took those storage fields out of the TransGas storage portfolio and put them into Bayhurst Gas and have been depleting the volumes out of Bayhurst Gas. Of recent, we are using those facilities for some longer term inventory of gas within our gas marketing function to try to generate some bottom line income which has helped generate, consolidate an income for SaskEnergy.

Mr. Nilson: — So when I look at the annual report you have about, like I said before, $300 million worth of natural gas in storage as of December 31st in SaskEnergy. And in TransGas it looks like there's close . . . well just under $50 million worth based . . . That's obviously as the price of December 31st, and then in Bayhurst, it's about 200, well 200 million or so would be there. So from what you just said, the Bayhurst gas is slowly diminishing as it's sold off. So is it sold then to SaskEnergy to supply SaskEnergy's residential customers, or where does this gas go?

Mr. Kelln: — The biggest gas volumes are sold into the market. One of the realities that Bayhurst Gas has is it has very low capabilities of bringing gas out on a daily basis. So a simple example — and we have done some replenishing of inventory in these lower price environments — if you put a given amount of gas that goes in in one year, you really need four to five years to bring the gas back out. So it doesn't have very good characteristics relative to the distribution utility because distribution utility needs all of its gas out the following winter. So we've evaluated it, but really have that going to market, and the distribution utility is able to strike an arrangement with producers that they can get the same amount of gas out every day.

Mr. Nilson: — Okay, so I appreciate this. But Bayhurst, you have to have quite a bit of cash to put gas back into Bayhurst, and I think what was there before was gas that was stored for

long-term benefit of Saskatchewan people and it's slowly been taken down or sold or used. But because of the, like say, the lower prices for natural gas, now you've actually replenished the amount. So is the amount in Bayhurst higher now than what it was on December 31st, four or five, four months ago?

Mr. Kelln: — It would be about at the same level. Since that time, we had, as I talked about . . . that once you purchase, you make commitments five years out. So we purchase and also sell at the same instance, so there isn't risk to the corporation. So today we have commitments for gas to be sold which is part of that five years of gas coming out, and we also, though, have looked at bringing some gas in today into that facility that we would then sell out for the next five years. So it really is keeping track of that inventory and generating some value. As noted in the 2009 annual report, Bayhurst Gas was able to bring good value to the corporation.

Mr. Nilson: — So basically is this shown in the report as the fair value of derivative instruments? Is that that difference on the five-year sale contracts? Is that where that shows up as an asset?

Mr. Kelln: — The fair value calculation that's done as per accounting . . . our requirements does review the Bayhurst Gas activities as well as gas marketing activities which occur within SaskEnergy, the distribution utility that uses spare capacity, as well as our gas price management strategy for SaskEnergy. So it's three really different components that make up the fair value total reporting.

Mr. Nilson: — So this particular part of the business, does it earn more income than just the straight delivery of gas to customers based on the regulated rates? So I guess my question is, is this where you're thinking of putting extra borrowing capacity into expanding what Bayhurst is doing?

Mr. Kelln: — We certainly think it's an opportunity to generate value for the people of Saskatchewan who are owners of SaskEnergy, but it's limited by the fact that the field is only so large. So there's the fact that there's the amount of inventory that you can have; we're very close to that limit right now. Now remember, the price of that inventory will change. So as we continue to sell out inventory and bring some new inventory in, that pricing of that inventory of course will have to be worked into our debt, but in terms of the size of the Bayhurst inventory level, defined by the fact that this field has got a certain size to it.

Mr. Nilson: — Well where exactly in Saskatchewan is this located? Obviously under the surface, but which part of Saskatchewan?

Mr. Kelln: — Very close to Goodsoil, Saskatchewan, which would be northwest of Meadow Lake.

Mr. Nilson: — And does any of the Bayhurst field go into Alberta, or is it well defined to stay within Saskatchewan boundaries?

Mr. Kelln: — It's field defined in Saskatchewan.

Mr. Nilson: — Okay. Thank you. And it's not a cavern-like operation. It's more of a emptied-out gas field that you put gas back into. And so that explains your earlier comments about how it takes longer for the gas to go both in and out of this particular field. So if you talked about expanding this particular operation in Bayhurst, would you go to look for another depleted gas field as another storage facility, so you'd go to a different place? Or would it all still be in this same area by Goodsoil?

Mr. Kelln: — Well in terms of Bayhurst Gas, we really see that one storage or that one entity . . . correct, it is a depleted gas reservoir, that that gas reservoir is going to be our focus.

In terms of TransGas, TransGas is going to continue to expand storage, and that's a storage we will cycle on an annual basis, so customers will put the gas in in the summer and withdraw it during the winter. We have a mix of man-made caverns combined with two storage fields. Those storage fields have much better characteristics in terms of being able to put the gas in in the summer and getting it all back out in the winter. So we're looking at expanding both, the two existing fields we have, as well as adding caverns.

So we're presently mining some caverns at Landis; that is an existing facility that we're able to expand. And we're doing some work at existing field locations as well, so we really see that using existing locations and expanding them is a cost-effective way to continue to expand storage.

Mr. Nilson: — The Landis storage facilities that are being expanded, are those being expanded for the new gas plant at The Battlefords? Is that part of the plan or just because the demand for the gas is Saskatoon and northwest?

Mr. Kelln: — One of the things we do which has been a very attractive part of TransGas storage offering . . . It's not specific to one location, so when you contract for TransGas storage, you really have 11 locations that will provide this capacity. And customers are very happy with that, or that's very attractive to them because they're not dependent on if that one location isn't available or not. So Landis is just one of those 11, and they all get put together. In our pipeline system, we're able to move the gas around to make sure that when the customers nominate — I want so much gas today from storage; I want so much from the producer — we can meet their requirements.

Mr. Nilson: — Do you have any customers for your gas that are in Alberta, other than the Lloydminster city area? Are there any that would basically use your storage here for supply in Alberta?

Mr. Kelln: — We have several customers in Alberta. An example is built off of, I think, a very appreciative reference by the University of Saskatchewan that we have some educational institutions that are using our storage facilities they feel are cost effective. We also see in Manitoba as well some people utilize it.

We're excited about that because they're saying, you know, the warehouse doesn't need to be located right adjacent to where the gas is burned. And somewhat unique is natural gas's transportation grid in North America does allow gas to move freely within that grid which is helpful because it's allowed our

storage service to grow. But predominantly we have Saskatchewan customers.

[12:30]

Mr. Nilson: — Okay and under the present policy, there's no ability, given the success of this part of the business, to actually have some storage either in Manitoba or Alberta. Would that be an accurate reflection of the present policy?

Mr. Kelln: — I'll maybe just talk on the physical side. We have looked at the potential opportunities in Manitoba and Alberta. We found that we really have some of the best facilities to expand storage in. Manitoba unfortunately does not have the salt that we have, and there's actually a geological cliff that occurs very close to the Manitoba-Saskatchewan border, so the cavern storage is not available. Moosomin actually is as far east — and that's where we have a cavern facility — as you can go. And of course very minimum, we really don't have a lot of natural gas reservoirs other than the oil in southwest Manitoba brings up a little bit of natural gas with it. So we've looked at that.

Alberta, a number of different, there are a number of storage operators there, but you know, there's some synergies if you're directly connected to the pipeline system. So the fact that we've integrated storage with our transmission system provides a cost advantage to keep doing it here. So a day like today in Regina, the pipeline from Rosetown to Regina remains full because we're keeping that pipeline full all 365 days a year. Today it's going down into the Regina storage facilities, the Melville storage facilities, and the Moosomin storage facilities.

When it's 40 below, that pipeline can only meet approximately half of the requirements, so we use the storage facilities to make up the difference, and that allows us to have smaller pipes. So what we've done — and this is done in conjunction with TransGas customer dialogue — is provide a credit to the storage cost to service because it's saving building bigger pipe. And it's been one of the advantages why we have lower rates on a transportation side than our Alberta comparison, is we've had the two integrated together.

Mr. Nilson: — Do you anticipate any time in the next decade or maybe two decades expanding the size of the existing pipe system for TransGas or maybe twinning it or something like that because we've seen those kinds of projects for . . . obviously people are trying to meet the Chicago market and south. So is there any part of that that's the rationale for what we're discussing today about this increase in borrowing capacity?

Mr. Kelln: — I think in capital requirements we don't see it being lumpy, that there won't, you know . . . needs to be like a 30 per cent increase in asset base in a year so to speak, but a steady, every year a step change moving up as our asset base grows. We're fortunate our trunk system is well positioned in Saskatchewan. It's really connecting pipes off of that trunk system to meet the industrial growth requirements like potash, canola crushing, those kind of things.

Mr. Nilson: — Okay, so right now the limit is 1.3 billion. Have you ever bumped up to that limit or gone over it in the last . . . well I mean ever, I guess that's the question.

Hon. Mr. Cheveldayoff: — Thanks very much for the question. In 2008 we had seen the spike up in the price, not as large a spike I guess when the member opposite was a minister. I'm sure those were interesting times in 2000 and 2001 to be a minister of SaskEnergy. But certainly in 2008, there was cause for concern because of the forward pricing and the situation that SaskEnergy found itself in.

Just to give a scenario for the member, you know we talked about the cost of storage here right now, the $250 million range and the $4 gigajoule. If it was to spike up to the 12 to $15 a gigajoule — and I can't say whether it will or not, but as minister I have to be able to do all we can to entertain a scenario like that if it was to happen — we would be then moving that price up of storage through the $750 million range which would take care of the 453 cushion that we have. And that's a scenario that we're trying to avoid, and that's the reason really for this coming forward.

Mr. Nilson: — Okay. So let's go at it from another angle here. If in fact you bumped up to the $1.3 billion limit, what happens? Because we haven't hit that yet, is what you're saying, but what's the mechanism that's available or not available?

Hon. Mr. Cheveldayoff: — Well if we were to be in a situation where we bumped up against that limit, it would be a serious concern for SaskEnergy. And certainly we would have to probably borrow from CIC at that time and have to come back to the legislature in a rushed manner to ensure that we can get the legislative authority to go above those borrowing limits. Or I guess we could say that we could not meet the needs of the growing economy of Saskatchewan, and that's certainly a position that, you know, I don't want to be in, and I don't think any member of this legislature would want to be in with a Crown corporation.

So certainly that's a scenario that we're trying to avoid. That's why in planning for growth as we are, we want to be prudent and ensure that that cap is raised at this time.

Mr. Nilson: — So the crisis, if I can put it that way, would be some statement about the debt/equity ratio that's a little different and getting Crown Investments to provide some extra cash. Is that what the solution is?

Hon. Mr. Cheveldayoff: — Well it would throw the debt/equity ratio out of range. And that's something that we try to avoid as well and again would necessitate equity injections from CIC. Which again we'd like to run this corporation on a long-term business model that's within industry standards, and this would be a way to do it.

Mr. Nilson: — So in this past year, what was the dividend that came from SaskEnergy to CIC, and what percentage of the overall income was it?

Hon. Mr. Cheveldayoff: — Fifty-one million dollars, which was an 80 per cent dividend.

Mr. Nilson: — Is it normally 80 per cent of the earnings that go

to Crown Investments, and has that been the pattern for quite a number of years or just recently?

Hon. Mr. Cheveldayoff: — Certainly for a number of years that has been the pattern. Eighty per cent is the norm that and the goal that SaskEnergy has tried to meet over a long period of time.

Mr. Nilson: — And how does that compare to other Crown corporations in the last couple of years?

Mr. Terry: — If I may, I'll address that, having spent a few years at SaskTel as well. Historically SaskTel's dividend requirement was 90 per cent, and again it was very much benchmarked to industry averages for the telecommunications industry. So that's the only direct comparison I can give you this morning. But certainly 90 per cent; SaskEnergy's experience has been 80 per cent.

Mr. Nilson: — So I mean the reason I asked that, and I know kind of the policies and the discussions about how to make the decisions around this. Is not one of the remedies to a financial push on this limit to make a special arrangement around a dividend in a particular year to deal with the requirements that SaskEnergy would have? So in other words, you could have a one-year moratorium on the dividend or you could do some other things. So I guess isn't that a solution that is possible and is, in fact has precedent in some of the other corporations over the last number of years?

Hon. Mr. Cheveldayoff: — Well certainly that's one scenario that we could follow. It would, I would say, come as a short-term fix in a situation that if you had to deal with, you would in that manner. But I think more prudent and a long-term vision would be to do it the way that SaskEnergy is proposing here.

In SaskPower, for example, we have suspended dividends to address infrastructure issues. And it can be done, but I think that by looking at the long-term vision and looking at the possible requirements for borrowing, that's a more prudent way of doing it.

Mr. Nilson: — I think, you know I'll just comment about some of the dividend policies in the Crowns over a couple of decades have reflected some of the problems that arose during the '80s, which was that there was a fair bit of debt moved out of the regular part of the government funds into the Crown corporations, which then caused a lot of difficulties for everybody. And so one of the things that we need to do as a committee here in the legislature is to look very carefully when there are requests like this because it is something that was specifically identified by the Gass Commission people and others that looked at some of the difficulties that were there.

So you end up saying, well what kinds of limits should be there legislatively, which is what we're dealing with, and what are the methods that can be used to make sure that there are, you know, appropriate limits on the borrowing but that they're not damaging limits, if I can put it that way. And I think what we're trying to figure out here this afternoon is are we in a situation where there's a dramatic need for a big increase right now, or is it just giving some more room for some borrowing that could be problematic in the overall scheme of the finances of the province?

So you know, I think I'll keep asking questions, but that's kind of what I'm worried about, and I think the people of Saskatchewan are worried about when borrowing capacities are increased.

Now what you've explained and I appreciate the explanation around the fact that as the assets increase, obviously the debts will increase if you're going to stay within the debt/equity ratios. And it appears that that's happening. The assets are increasing and so under the present system the . . . Well maybe I'll ask that question.

If you had $1.3 billion in debt, can you explain what the sort of the asset range of the corporation would be, and how much of an increase would that be over the 1.572 as of December 31st? Strikes me, this has to be a fairly large increase in the amount of assets to move up to that level.

[12:45]

Hon. Mr. Cheveldayoff: — It would just be a function of the debt to equity ratio, saying that we're committed to that, but we can undertake to do some quick calculations here.

To use some round numbers in figuring, you know, what we use, an increase of $500 million in the debt and having that debt to equity ratio would show, of 65/35 would have about a $750 million increase on the equity side. So you'd be looking at a valuation, total assets in the $2.3 billion range.

You know, the member opposite talks about looking at the history and looking at particular years and particular decades in the past. What I am very focused on is the future here. We have a growing province, a growing population, a growing corporation, and I don't want to be in a situation where we're having to tell customers that we cannot meet their needs because the price of gas has increased faster than we thought it would. And that's what we're trying to avoid here.

So again, I can't predict what the price of gas will be on July 1st, 2011 or 2012 or 2013, but it indeed may be in that 12 to $15 a gigajoule range. And, you know, I say that because I've been in a situation where it was at 8 and 9 and it moved up to $12 in no time at all. And as we can see from history that the member was in a situation in 2000 and 2001 where, you know, annual commodity costs looks like they . . . [inaudible] . . . or quadrupled in that period of time, in 2000 to 2001. So that's a situation that we're trying to avoid here.

Mr. Nilson: — I appreciate that, and I'm thinking about this and asking questions about this as a person who's given the task of assessing risk going forward, not going back. So I'm looking forward too, and I'm looking at the risk to the finances, not just of SaskEnergy, but the whole Crown Investments Corporation and then also the province's books. So that's where my questions come from.

I think you indicated earlier that the assets in SaskEnergy were just under $1 billion, what, four or five years ago. And they've moved up now fairly dramatically, and so that the answer to the

previous question allows for increase in assets of, well probably about $700 million. Now the risk factor in all of this, as you've pointed out again and again, is that the present assets, to replace them might use up that whole risk factor, so in the sense of the prices increasing.

One of the concerns I think that everybody has in running a business like this is where the risks are. And I don't . . . I mean, I guess I'll ask my question: are there places where there are long-term commitments, that for supply of gas for example, where the corporation could be caught in a situation where they have to come up with a lot of cash quickly because they have to buy gas at an inflated rate to service those contracts?

Hon. Mr. Cheveldayoff: — Well, attempt to answer the member's question as regarding risk. You know, the risk on the capital side would not be any different than any other type of corporation where you have capital assets and would entertain those risks on a timely basis. You know, there is risk inherent with the commodity and the storage of commodity and the rapid changes in commodity prices. But that indeed is the core business of what SaskEnergy does, and according to their record, they do very well.

So you know, every business has inherent risk and this is no different. But it can be managed to minimize risk. And certainly the interaction between the rate review panel and SaskEnergy as well is something that looks at risk and mitigates it wherever possible through the changing of rates.

Just to be clear, member has said the movement of total assets from 800 million to 1.6 billion over a few years. I was pointing out that that number was in 1992, 863 million, and then a movement to 1.6 billion in 2009-2010. And the reason why we use that year is because that was the last time that the legislated limit was indeed changed.

Mr. Nilson: — So the question I just asked related to the risk. The risk really then is the storage of gas, that's where the biggest fluctuation of value which could cause some difficulty. And I think we know that there was some problems, I don't know if it was last summer, but the summer before around the purchase of gas going into the high prices, and then some of the things that happened there. So I think, you know, there ends up being difficulty.

So right now on the books of the corporation and the subsidiaries, I think you said there's about $500 million worth, as of December 31st, of gas as assets. So that's about a third of the value of the total corporation is of the gas. Is that accurate?

Hon. Mr. Cheveldayoff: — That would be accurate using the totals of, you know, earlier conversations and the total coming up. Just in reference to the member's reference to 2008 and the events around that time. He characterized them as problems. I wouldn't say it's a problem. It is a natural occurrence when you have a commodity that varies in price.

When you have it at a high price, and you're hedged out into the future to eliminate the troughs and valleys of the pricing, and you're wanting to make sure that you have as smooth a curve as possible for Saskatchewan residents, you can be in a situation where that price drops very rapidly. And if you're hedged, you're going to be out of sync with that price for a period of time. But if your goal is to provide the gas at the lowest possible cost over a long period of time, you have to have those strategies in place and you have to weather those interruptions.

And I know that, you know, as minister I've had certain debates with members opposite at those periods of time, but those debates seemed to go away when we're offering a price that is below the spot price, and that indeed is the advantage as well. So they'll be times when certain specific time frames can be pointed to, but overall I'm very proud of the record of SaskEnergy, both under our watch as the Sask Party government and under the opposition when they were in government, as well.

Mr. Nilson: — What percentage of the gas supply, I guess, or the promise that the corporation makes to supply gas, what percentage of that is subject to hedge contracts? Is it 100 per cent or 50 per cent or 10 per cent? Or what, what kind of amounts are we talking about here?

Mr. Kelln: — It's an annual program that's worked through with our board of directors. It will vary over time dependent on, one, that the price of natural gas or the price environment we're in. So that's part of the strategy. The second element is, we do keep track competitively, following practices of utilities across the country that go along with it. And third is the cost mechanisms of the different financial or derivative instruments in the market. So depending on those three, we develop an annual program that's approved by our board of directors and then enacted.

It does differentiate between the gas price management that occurs in the summer and reflects on the fact that we have a natural hedge or a physical hedge of gas going into storage, and then has a component for the winter where you have volatility that you have to deal with. And we certainly saw that this past winter, where in January, February time frame, we saw gas had moved up significantly. And our rate was certainly attractive in western Canada because we had that pricing certainty.

Mr. Nilson: — And how much of the money that we're talking about in this particular Bill will go to enhancing that part of the program, which I agree people in Saskatchewan like, which is predictability in gas prices.

Mr. Kelln: — Well it really becomes part of that inventory price as well, so it's reflective of providing certainty around an inventory price. Now the inventory price, you may be talking about, as we are right now, in the $5 range, but a year from now we may be talking about providing certainty in the 10 to $12 range or higher. So it's giving some certainty.

The fact is though you ultimately have to follow the market with your inventory, that progressively in years out, you know, our strategy does respect the fact that you need to follow where the market goes because that's part of the supply and demand that goes along with it.

Mr. Nilson: — The provision of gas to residential customers has expanded somewhat, obviously especially around Saskatoon and Regina where the new subdivisions are going,

and I suppose some of the other communities. Can you give me a little bit of an idea of the cost to expand to La Ronge and that area versus some other similar kind of projects that may be on the horizon? I'm not sure if there are any, but we now have the gas line to La Ronge, and are we getting more customers onto the system or is it still relatively slow?

Mr. Kelln: — Well we've received strong interest on La Ronge and structured La Ronge in a . . . following the policy that we've used to extend it to rural Saskatchewan and to the resort areas in Saskatchewan as well as small communities.

So we established what the project cost was going to be, and within that determined how much of that we could invest indirectly. And that investment is calculated on the fact of saying, over the next 20 years, how much revenue is going to come in? And we don't want to burden existing customers unduly with the fact that you're extending your system, so we calculated that. We then worked with the customers to say how much could they provide in terms of a contribution, and then the committee itself from La Ronge went and secured provincial funding for the other component.

So we had the upfront payment of customers to initiate the project. The very good news is we're well on our way to getting to our five-year plan of 800 customers of converting, so that's very positive.

Now when you look at the fuel pricing, and we go back to the ratio of what the cost of oil is today versus natural gas, natural gas is a very attractive price, a way to heat your home when you combine it with high-efficiency furnaces. Which certainly when, we are seeing in the La Ronge area that homeowners are saying, you know what? My furnace is 30 years old. Time, when I move to natural gas, to move to a high efficiency furnace. So we're seeing a conversion. So it'll be multi-year.

[13:00]

Last year we . . . and certainly one of the major initial customer contributions were provided by the Lac La Ronge First Nation. We were able to serve there as well as some immediate commercial customers. We're now moving into downtown La Ronge this year as well, starting the residential, and really see the build-out occurring over five years.

Mr. Nilson: — And that's all capital. It's been expended already, so it's not really in this borrowing request now. Would that be an accurate statement?

Mr. Kelln: — No. The mains and the services continue to be a capital requirement for La Ronge. So the trunk line up the highway's been built, but there's still some significant capital. And very similar to, if you have a new subdivision in Saskatoon or a new subdivision in small-town Saskatchewan like Shellbrook, there's a service cost and there's a main cost. The trunk line has now been built, but there's certainly those other ongoing costs.

Mr. Nilson: — And that trunk line, given what you said before, is owned by SaskEnergy as opposed to TransGas because TransGas brings the gas to P.A. [Prince Albert] or someplace like that, and then you send it north. Or how does this all fit together?

Mr. Kelln: — Dropping down into the subsidiaries, the line to the edge of La Ronge is actually a TransGas line, so it's a TransGas asset. So we, to move gas efficiently that distance, we move it at high pressure. So it's part of the TransGas system. And SaskEnergy, because they were all SaskEnergy customers, had to provide a contribution toward that line, just as any customer would. And that was done in that manner.

Mr. Nilson: — Okay. So that's an ongoing project. And in an expanding year — which I think the last, well, quite a number of years has been — but in an expanding year, what kind of capital requirements are there for hooking up all of these new commercial and residential customers to the SaskEnergy system?

Hon. Mr. Cheveldayoff: — The capital outlay is about $24 million projected for 2010, and then the capital contributions from customers themselves would be in the neighbourhood of $7 million. So you'd be in that net 16 to $17 million range.

You know, as far as growth over the last number of years, we're projecting the past year about 4,700 new customers, and the average over the five years previous has been in the 2,000 to 2,500 range. So yes, growth has been happening for a number of years, but we're seeing that curve increase exponentially here in the last 18 months to two years.

Mr. Nilson: — And you're lumping together residential and commercial customers in that total. I mean we can see all of the residences being built, so we assume there's quite a few there, similar for commercial, or what's the breakdown there?

Hon. Mr. Cheveldayoff: — From Sask Energy, about 80 per cent residential and about 20 per cent commercial, and then there's the TransGas is outside of that as well.

I just had an opportunity to share a newspaper article with Mr. Belanger and Mr. Vermette I think yesterday. It was from the La Ronge newspaper front page talking about the great work that SaskEnergy is doing and the excitement that is being created around there, so that plays into a large part of it for sure.

Mr. Nilson: — So are there other trunk lines like that, that are within the planning horizon for SaskEnergy, or is that one of the last opportunities like that?

Hon. Mr. Cheveldayoff: — Thank you for the question. Presently SaskEnergy serves about 90 per cent of the communities in the province, about 24,000 farms. The penetration rate is very, very high certainly compared to any other jurisdiction. And it comes to mind a conversation I had at our joint cabinet meeting with ministers from Manitoba and the Premier, and they were just commenting on what an advantage it is for Saskatchewan to have that high penetration, concentration of gas.

Again we will certainly endeavour to increase that penetration and concentration as we move into other northern communities. SaskEnergy is very open and welcome to conversations with those communities. And if there is indeed a willingness, it's something that we make a priority and will address accordingly.

Mr. Nilson: — Okay, I appreciate that. So that's another possible area, not necessarily huge amounts of capital but much needed capital. I know that there have been a number of projects where SaskEnergy, I think, works a bit with some of the waste heat issues on the pumping of gas through the system. Can you explain what you've done in that area so far, and what kind of capital requirements there will be going forward?

Mr. Kelln: — I'd certainly be pleased to do that. We have today for example, would have about the equivalent of 45,000 horsepower running across the province in a number of different stations and, if you can visualize it, moving the natural gas across the province.

Within that, we've seen an opportunity of building off a Go Green focus to see, can we capture some additional energy out of those units? Now some of them are 50 to 60 years old, but at the same time we've looked at it. We're using some technology from across the world that has been able to come to Saskatchewan at two locations — one at Rosetown and one at Coleville — and with that have made an investment or will have made the investment when the project is complete at the end of this year of about $6 million.

The opportunity there is it will meet about 25 per cent of the company's electrical needs, the equivalent of. And both, both of these waste-heat units . . . so they capture the exhaust heat that's coming off of these engines, if you want to simply view them as such, and capture that electricity. We put it into SaskPower's grid. We've got arrangements with SaskPower, and we just keep track of it because our goal is to capture waste heat that would equate to all of our internal needs over the next four to five years.

So we'll require some additional capital investment. That's something we're working on. The leverage opportunity is that the size of our units are smaller than previous applications around the world. And we have the opportunity here if we can get this technology proven so that they can connect it to an 1,100 horsepower unit. That's a standard size for the oil and gas industry in this province, and we think this is a great opportunity then of providing that opportunity of working with the private sector because we think there could be many stations around the province, not only ours, where electricity could be captured and potentially be part of SaskPower's generation needs in the future.

Mr. Nilson: — So this, that you describe, is this a version of the Ormat technology from Israel? Or is it technology from some other area because I know on the big pipelines, as you say, they have much bigger motors — yes, I guess effectively that's what it is — and much more waste heat, and so therefore they can generate a little bit more electricity. But I agree with you that this opportunity to develop this kind of technology. So I guess my question is, is it some version of that technology, or has it come from somewhere else?

Mr. Kelln: — The units are actually being manufactured in Italy, and it's using the rankine cycle, being a bit of an engineer for a second. So it's again capturing the waste heat and turning it into turning of a turbine. The units that we have predominantly are reciprocating, so somewhat not unlike what you would have in your automobile. They use natural gas as a fuel, so they're a clean-burning unit to begin with. That differentiates from the larger units that you see in the natural gas industry which tend to be jet engines, being simplistic, that tend to generate a lot more of, a different kind of a heat application.

But we think this is a real opportunity where we'd like to see, one, to assist this North American firm who's drawing expertise from Europe to Saskatchewan, and we certainly like to encourage them to set up shop here and provide Western Canada industry with a real solution. It'll be part of going green.

Mr. Nilson: — So how many of these engines are there if there's two locations now, so how many possible locations are there across the province?

Mr. Kelln: — We see there's about 14 different units that I think would fit and that the part that has to be considered is you want the unit to run all the time because of the fact that that means that the same piece of equipment can get more kilowatt hours out of it. So we see the opportunity of our fleet of compressors that will capture waste heat would be in the 14 to 16 units over a number of years.

Mr. Nilson: — And so this would be part of an ongoing capital program as well and, once again, increase the level of assets and therefore increase the debt/equity ratio and therefore, coming back to our Bill here, pushing this up closer to the $1.3 billion limit that we have right now.

Are there costs involved with a number of the SaskEnergy green initiatives where you're having to put money out front and then get it back from customers? Because, if I understand correctly, there are some methods whereby the financing of new furnaces or whatever in a home are covered by SaskEnergy. Or do you effectively help people borrow the money from a bank and then just get involved there so that you're not necessarily in that lending business?

Mr. Kelln: — Really on the energy efficiency side have focused on partnerships and very proud of the partnership with the SaskEnergy network members around the province, which are approximately 140 mechanical contractor shops that we started a relationship with 12 years ago. They predominately are part of our energy efficiency direct delivery. And it's a partnership of them handling all of the administration of the customer contact, us coordinating the program, and then we have a major financial institution that manages all of the dollars associated with such a thing as the Energy Star loan program. So we've been the coordinator of connecting the dots.

One thing we were able to do is when we offered two financial institutions 140 shops together they were very interested in providing a financial solution. Yet individual shops had a challenge that individually their volume wasn't big enough to make that work. So we could work that out. That's something we have the capacity from a contractual point of view and that kind of a thing to gather together. We also collectively were able to receive some federal funding that supported the program as well. Again that's something in aggregate we could do that you couldn't do individually.

Mr. Nilson: — I appreciate that answer. So answers my question that this isn't an area where you actually need to borrow any money because you've got it all worked out appropriately. And you've also eliminated your risk, which is even greater when you deal with so many little things compared to some of the main business that you're involved in, so that's important as well.

Are there other Green Initiatives that involve, you know, larger sums of capital, in the millions of dollars, besides these waste heat programs that are coming forward or not coming forward?

[13:15]

Mr. Kelln: — Well there are several. Flare gas capture has been another area that we focused on, again looked for partnerships. We're in a present partnership with ATCO Midstream at our Kisbey location where we've been able to capture natural gas that otherwise would've been flared, so continuing to look at that.

I guess I would state that these different green-related initiatives we view that need a business case, that are self-supporting with revenue, and certainly that is the case there. CO_2 is something a little further out that there is, when you look across North America, some companies that have been able to prove out that you can use some underutilized natural gas pipelines to move carbon dioxide into the future. And it's something we're continuing to explore because we think we can be part of the Saskatchewan solution that there's at times — and we certainly have been world leaders of it in southeast Saskatchewan — where putting CO_2 into an oil reservoir will increase the life of it. So you know, a number of projects, but again focused on the fact that they do add to our asset base but they have revenue that support it.

Mr. Nilson: — So talking about the CO_2 project, that is one that's on the horizon as you say. I mean there's a lot of steps to get through before we get to that. The present CO_2 delivery that comes up from North Dakota to the Weyburn field, who owns that pipeline?

Mr. Kelln: — Owned by a third party who provides the transportation of the CO_2 which comes from that, taking coal and converting it into natural gas, when the by-product is CO_2 in North Dakota and that CO_2 is hauled by a third party pipeline company.

Mr. Nilson: — I appreciate that because I wasn't sure if TransGas or SaskEnergy had some interest in that particular pipeline, and I think a lot of people in Saskatchewan have no clue of how many different pipeline companies are wending their way under the earth of Saskatchewan. And obviously SaskEnergy and related companies have many of them, but some of the biggest ones are owned by other companies that are both Canadian, American, and other places.

The whole area of requiring capital and building assets, it sounds, you know, I mean, it sounds as if there's a very reasonable plan for building that out and that's what all, you know, the answers to my questions have borne out here, which is great. I mean that's what people of Saskatchewan will want to hear.

So we have this sort of volatile thing which is, how much is the gas going to cost right now? And then how much is it going to cost to replace to actually provide the customers? If there was a change in energy policy in Saskatchewan around delivery of gas so that it was more like what happens in the city of Calgary or the city of Edmonton with the monthly pricing, would that reduce the need for having an increase in the amount of the capitalization which is set out in this Bill?

Hon. Mr. Cheveldayoff: — There wouldn't be much of an effect going to a monthly basis because you still need the inventory. You still need to fill in the summer and to ensure that you have everything you need for the winter. But something that is very clear, that Saskatchewan residents have indicated that they appreciate not having the variances of month-to-month, double-digit increases or decreases combined with monthly billing, and this approach that for a large part they can budget accordingly for an entire year and they find that one of the advantages that SaskEnergy offers. And we hear that at rate review panel hearings, and we hear that directly, and certainly I sometimes get correspondence saying that as well.

Mr. Nilson: — Yes. No, I don't disagree with that, but I need to ask the question if some other method of delivering supply would change these capital requirements. And obviously if it was all third party gas that you delivered and SaskEnergy just became a straight delivery system, then we wouldn't be here with this particular request because you wouldn't need that.

Okay. Another question that I've got relates to the existing system. And I don't know if you said 14 000 or 17 000 kilometres of pipe. And I'll tell you a story. And I don't know if, Mr. Kelln, you've heard this one before, but I was in Prince Albert where I lived when I was small from '51 or '52 to '56. And I went down the alley where, when I was about three years old, I distinctly remember one of my first memories in life, the SaskPower at that point putting — I think they owned the gas — was putting a gas line down the back alley to supply gas to Prince Albert. So you think about La Ronge getting it now, well Prince Albert, it was all rolled out for them in the early '50s.

Well I watched these guys all day from my back yard on the other side of the fence. And whatever time they were finished working — it was a summer job — I thought they left. And there was this big, long pipe all the way down the alley with all the pieces connected together by the welders. And so I went out to inspect this, and everything looked pretty okay except for the joints. They had a little different texture. So I went up and touched one of them and burned my finger. And so it's why it's seared into my memory if I can use that verb.

But it, you know, I always think about that when I think about how old some of the pipeline delivery systems are in Saskatchewan. So one of the questions becomes, do these systems last like 20 years, 40 years, 60 years, 80 years? Is there some point where you're going to have to go into communities and redo a lot of your pipe? Or is that something's that done on a regular basis because clearly that would affect what we're talking about here because put the pipe in in 1954 or '55 . . . was a lot cheaper than it is now for lots of reasons. So anyway that's my question with a little story attached.

Hon. Mr. Cheveldayoff: — Thanks very much first of all for

the story. It shows that the member, you know, we all know what he's like in this legislature, a little mischievous and, you know, a little inquisitive, and it sounds like he was like that back in the mid-'50s as well. And we're glad to hear it wasn't a serious injury or anything like that.

But out of, you know, $1.6 billion, we spend about $20 million a year on aggressive, preventative maintenance. And the good story there, I guess, is that those pipes from the '50s and '60s are still very operative today. And as long as you take the aggressive nature of preventative business, that indeed will ensure that you get a long, long life out of that. And that's the experience that SaskEnergy is feeling, is experiencing today.

But I've asked the management to make a note of that particular pipe, and when it's ready to be replaced, we may call you into service there.

Mr. Nilson: — It's located right behind what's now the Polish Catholic church. It used to be the Norwegian Lutheran church. So it's right across from the Cuelenaere Library, so you mark that on your map there.

But anyway no, I appreciate that comment. So to do the maintenance of this basically is just to monitor. Would that be it? You don't have to go and do anything to the pipes underground.

Mr. Kelln: — It has a combination of things. It's using a risk management model that really is built out of the Canadian Energy Pipeline Association. So it's all the major pipe, natural gas pipeline companies have grouped together and said, let's create a state-of-the-art integrity program.

So it has a risk assessment of every half kilometre section of our entire 14 000 kilometre network, is analyzed from a risk assessment point of view. And depending on the circumstances around each segment, you'll decide whether you do just a normal leak monitoring, which we do throughout the year of checking to see if there's any leaks, or whether we move to a more aggressive of digging up sample points to check on the pipeline. Or the final level is to actually do an in-line inspection. So we put a tool inside the pipeline, and it's got lots of different computer-based electronic equipment that it'll assess the pipeline from the inside out, kilometre after kilometre, and provide you the data around it.

So depending on the risk of the different pipeline segments, we apply the different matrix to it. And it builds off of TransCanada Pipelines, Alliance Pipeline, all the majors. We have much smaller pipes. We apply it then to our sizing. But we think it's very aggressive. It's aggressive in the way that we want that 50- to 60-year-old pipe to last another 50 to 60 years.

Mr. Nilson: — I appreciate that, and it's good to hear that. I think I'll let my colleague ask some questions for a while and I'll turn it over to him.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair, Mr. Minister, officials, welcome to the committee and my apologies for my late arrival. There was another . . . As you know with public life, there's always a lot of interesting things going on, and I was required downstairs to witness the signing of the feasibility study memorandum of understanding for James Smith, Chakastapaysin, and the Peter Chapman First Nation with SaskPower and different of their partners, which I guess is not a bad jumping-off point for the first question I have in terms of the quest on the part of SaskEnergy to increase the borrowing limit.

Certainly there have been different activities SaskEnergy is engaged in over the years to better engage with the First Nations and Métis people throughout the province. And as recently as yesterday, I'd read of some work that SaskEnergy had been doing with the Saskatoon Tribal Council, and Tribal Chief Thomas' comments around it.

In terms of the increased borrowing capacity on the part of the company and in terms of the activities planned for the years for the . . . both in near term and the mid term, long term, certain projects hold themselves out as a more propitious, I guess, in terms of engaging with First Nations. Certainly the hydro project that we saw today being, you know, advancing . . . is a fairly good example of something that First Nations . . . You've got individual First Nations. They've got specific traditional territory, and it lends itself quite well to partnering in on a hydro project, in terms of the economic opportunities of the province as signalled by the $400 million of increased borrowing capacity of the part of SaskEnergy.

Of the larger scale projects that SaskEnergy sees in the near and mid term, what are the plans around engaging with the First Nations and Métis throughout the province? And certainly right off the top in the reports, there's an interesting comment that, I believe, in the minister's message stating with pride the work that SaskEnergy has done with First Nations and Métis and I think that holds a lot of water. I think SaskEnergy has been one of the leaders out there in terms of engaging.

[13:30]

So I'm interested to know about the company's plans going forward. And then certainly I think the minister challenged in his comments, that "We see this corporate culture internally as well, as SaskEnergy leads many Saskatchewan companies in its efforts to integrate First Nations and Métis people into its workforce and supplier chain, something that will be critical for other companies to emulate if our Province is to enjoy long-term prosperity." I couldn't agree with that more.

But I guess if you could talk about how it relates to the go forward, the increased borrowing capacity, and any sort of past successes that you see being built upon in the years to come.

Mr. Kelln: — I'd be pleased to give you some of that background. SaskEnergy has certainly focused from a First Nation and Métis perspective. I think the first one that fits very well with the fact that we're continuing to have our assets grow — and again within industry standards of debt/equity of 65/35 — has been the First Nation community, communities around the province. We now serve 52 different First Nation communities and again would indicate that that is something that's leading in Canada, not following.

Within that, we've seen, in the last several years especially, a growth in each of those communities. And I would note certainly La Ronge, Lac la Ronge First Nation, of succeeding and reaching them, was one great example. Just down the road, Montreal Lake had a forecast that, when we connected them in 1999, that they would become about 200 customers in total with commercial and residential. They're now approaching 300 that we're serving.

So we, on an annual basis, certainly within our growth around the province which is great news, we're seeing the First Nation communities continue to grow both from a business perspective of some things that are being done either in an urban reserve or at the different reserves around the province that require capital to do and certainly helps in the customer growth. So it's part of that success story.

In terms of connecting back into that, and it fits with the recent renewal of partnership we've done with the Saskatoon Tribal Council, a focus within three areas. First is around employment, that we are about 150 employees strong with First Nation and Métis ancestry out of our 1,100 employees. So it's something that we think has been a real opportunity to allow their leadership to join our organization and it's something that we work hard at.

We do it in partnerships. The partnerships we have with the Dumont Technical Institute and the Saskatchewan Indian Institute of Technology have really allowed us to connect to the communities to say, this is the career offering you could consider in Saskatchewan. And the opportunity we have is we're located in a number of communities around the province. So employment's certainly an aspect that we find that that's a mutual growth between ourselves and Aboriginal individuals in this province.

Second would be around the business procurement side. We've seen a number of businesses that we have long-standing relationships with, but an increasing number continue to grow. So when we're putting capital in the ground we need businesses to assist us in doing that. We view that the undertakings we take on every summer, we need a real complement of external contractors to help us achieve that, and very proud that First Nation and Métis-owned businesses are a significant part of that. So we see that growing as well. It's helped because we're in their communities with our natural gas service. You know, it really connects those two together.

A third is around capacity, and certainly noted that within the Saskatoon Tribal Council partnership agreement we've just renewed and if there's times . . . And a specific example within that partnership is that there's some leadership development capabilities that we've developed inside our organization that that programming we're sharing with the Saskatoon Tribal Council, because they've got significant undertakings that they take on everyday. So there's a number of aspects built into it, but from a . . . certainly the Act change here we're referring to, it's really around the growth that we see around the province.

Mr. McCall: — Thank you very much, Mr. Kelln. If you'd, through those three sort of points or perspectives — with the expansion certainly first, you know, heading up that Montreal Lake and then into Lac La Ronge, with the expansion to La Ronge in particular — on the employment side, on the business procurement side, on the capacity development side, how did that play out in that particular project? And I guess, again, what are those lessons to be to benefit the corporation going forward?

Mr. Kelln: — Well we sat down prior to starting, because there's an upfront process where Lac La Ronge had to commit to natural gas service and have struck a benefits arrangement of saying, you know, what are the possible places where we can work closer together? An example would be that the Lac La Ronge First Nations is a significant owner of an environmental firm. That environmental firm we had not done a lot of business around, and it's just lack of knowledge. They were up-and-coming, and we were able to incorporate that into considering that into the future. So do put structure around sort of . . . making a point of saying, what things can we work together on?

Mr. McCall: — And again, in terms of the identifying benefits, opportunities right off the top, that's obviously a pretty good practice to undertake. But on the business procurement side in particular, you've referenced the environmental corporation. Are you able to state for the committee what the dollar amounts involved were and the value to, again, partnering with the local First Nation? And of course it's Lac La Ronge, so one obviously thinks of something like Kitsaki and the kind of successes they've had. But what was it worth in terms of dollars and hours of employment or years of employment to that local community, if the official has that kind of detail for the committee?

Hon. Mr. Cheveldayoff: — Thank you for the question. We don't have the exact hour value or the dollar value. We don't have that level of detail with us today. But certainly of total contracts, the percentage of Aboriginal labour content, the target for 2009 was 11 per cent and SaskEnergy was able to exceed that by an actual number of 16 per cent. And the percentage of goods and services sourced in Saskatchewan as well the target was 74 per cent, and SaskEnergy was able to complete 80 per cent. So, you know, definite advantages, definite meeting and exceeding targets, so overall, a very positive aspect.

The percentage of Aboriginal labour content is driven by pipelines and the ability to use labour in that regard. And sometimes that number varies, but 16 per cent for 2009, I think the member would agree, that is a substantial number. And we're always looking to increase where possible, but it is a priority and the results show that.

Mr. McCall: — Thank you, Minister. And certainly the minister will have some awareness of the broader way this fits together as a past CIC minister and CIC board member. And certainly the Crowns would seem to do better, you know, with some variation therein.

But in terms of that engagement piece with the First Nations and Métis people, in terms of . . . and again this is sort of the dangerous question of, you know, are you doing a lot better than the other Crowns or is everybody sort of in the pack or are there best practices from other Crowns in terms of engaging with the First Nations and Métis community that you think SaskTel does particularly well or SGI [Saskatchewan

Government Insurance] or . . . In terms of the Crowns as a whole, is SaskEnergy leading the pack there, do you think, or are there things that you look to the other sister Crowns in terms of lessons to be learned and possibly implemented or acted upon in the years to come?

Hon. Mr. Cheveldayoff: — Well you get a different answer from me today than you would a year ago, all right, because of course SaskEnergy's leading the way in every aspect. But you know, but no, it's something that . . . and the member mentioned that I sit on the CIC board and it's something that we talk about at that level as well. And we, in performance management day, we challenge each of the Crowns as they come in to talk about their successes and their ways of engaging Aboriginals, and invariably we hear some good stories and some best practices, and through CIC we encourage those best practices to be used across the Crown sector. And I'm confident that is indeed what's happening, because we hear positive reports. And I know from SaskEnergy that they are amongst the leader in many regard.

But SaskTel does a very good job of Aboriginal engagement as well. And just, you know, judging by the very signing that took place this morning and the efforts of SaskPower to engage First Nations groups with their generation going forward is something that they've made a priority. So I think it's fair to say it's a priority across the board. CIC has people employed that specifically, their job is to ensure that this does happen and to interact with all of the Crowns. And I know that that takes place as well.

Mr. McCall: — I guess again within the context of SaskEnergy or within the broader sort of CIC context, and again I'm on record now a couple of different times thinking that the sort of broad principles of the signing that took place this morning, we think are quite good. The thing that strikes me about the MOU [memorandum of understanding] signed this morning is that it's a one-off. It's again dependent on a sort of site-specific basket of circumstances wherein the First Nation has access or an edge in terms of a hydro possibility. You could say the same for Elizabeth Falls up north, Black Lake.

But in terms of a broader sort of structured engagement with First Nations and Métis, is there any thought on the part of SaskEnergy in terms of the . . . as expenditures are ramped up, as economic opportunity is realized, is there any sort of matrix or are there goals or percentages set aside for structured engagement with First Nations? And again the minister has referenced some of the performance measurements that have been met and in some cases surpassed for percentage of contracts procured, employment.

[13:45]

But in terms of that sort of structured engagement with First Nations and Métis people in the province, are there any new initiatives coming forward with SaskEnergy? And again as this increased borrowing capacity of the corporation is realized, is there a thought of what . . . is there a percentage that would benefit First Nations and Métis or that impact First Nations and Métis? Or what are the plans for the corporation going forward?

Hon. Mr. Cheveldayoff: — Well thank you for the question. And certainly SaskEnergy has been very aggressive in trying to engage private sector partners in the province, whether they're First Nations or non-First Nations. But what we've been finding across the province is that the entrepreneurial nature of First Nations is really shining through in many, many areas.

And, you know, the member talks about the SaskPower announcement this morning. And I wouldn't say that that's a one-off because I know that the 18 months that I spent as minister there, whether it was hydro, wind, biomass, there are constantly meetings with First Nations groups around the province.

But SaskEnergy is very quick to entertain meetings with First Nations and to ask about their capabilities. And right now we're in discussions with a couple of First Nations about well drilling. That's an area where they are increasing their capability and it's something that SaskEnergy is going to need into the future.

But just, you know, widening the answer I guess a little bit and putting on my Enterprise minister hat, it's something that enterprise regions are engaged in as well around the province — to look at the capacity of First Nations, work with them to enhance that capacity, and also to look at supply chains that are able to be developed in each region from the industry that takes place there.

And I know that there is success happening in that regard across the province. Enterprise Saskatchewan is looking at all First Nations in the province and trying to gauge their capacity and to try to work in matching up that capacity with any type of enterprise. And certainly the Crowns are a big part of that as well.

Mr. McCall: — I guess, and I thank the minister for his response, I guess what I'm . . . maybe to clarify a bit. What I'm referring to is when I talk about a certain project being a one-off, it's interesting in the press release that accompanied this morning's announcement, there was reference made to the work that this very committee, and chaired by our able Chair, Mr. McMillan, and the work that was done around the inquiry into the energy future of Saskatchewan.

Now one of the things that had come up for discussion was around the experience in other jurisdictions where there's a different approach taken. And it is what, I guess what I've referred to is a more structured approach for engaging First Nations and Métis people, be it either through different sort of arrangements around the feed-in tariff or preference given in awarding of contracts. I guess that's what I'm talking about.

And certainly within the hearing of the committee, we heard of the good work that was being done by James Smith and by Peter Chapman and by Chakastapaysin, but we also heard from other First Nations that are interested in the energy opportunities that are there in the future of the province.

The one that comes to mind of course is the Atco, George Gordon wind power project that was put forward. And one of the frustrations that they had was that, in terms of a structured way that the province engages with First Nations, really wasn't again . . . And you know, projects, individual projects should stand on their own merits. I'm not suggesting otherwise. But in

terms of better engaging and better bringing First Nations and Métis people and communities more squarely into the mainstage of social and economic life in Saskatchewan, there are other jurisdictions that have taken a different, more structured approach.

And in the case of what was signed this morning, it was, it hinged very much on the hydro possibility within the traditional territory of the three First Nations involved. The George Gordon Band, I am sure would make the argument around the wind opportunity that's there within their traditional territory, but there's no real framework or broader policy imperative that's been put out by CIC, as far as I can discern, or by the broader provincial government in terms of the broad playing field of engagement with First Nations and Métis people.

So I hope that clarifies what I'd meant for the minister. And if the minister has some comment in response, I'd welcome that.

Hon. Mr. Cheveldayoff: — Well I would just use the SaskEnergy relationship example. We're very pleased with the relationships we do have. We're having ongoing discussions with possible enhancements and possible new technologies that can be entered into and contracts with private sector Aboriginal companies.

We have, you know, percentages that exceed targets as far as Aboriginal labour content, so we're very, very pleased and certainly encourage First Nations to interact with, specifically with SaskEnergy and come with their ideas. And it can be a win-win situation. That has been the case in La Ronge, and we look forward to other types of situations where that can be done.

Mr. McCall: — Thank you, Minister. Mr. Kelln, you'd made reference to the 52 different First Nations that are serviced by SaskEnergy, and again that's a pretty impressive market penetration. I guess a general question: in terms of the jurisdictional question, and given the federal relationship to the actual geography of an individual First Nation, is there any sort of regulatory difficulty that that kicks up? Or how does that work in terms of the involvement at the different levels of government?

Mr. Kelln: — Well it does involve . . . Certainly when we add infrastructure wherever we are in the province, we follow all the regulatory requirements. For the First Nation communities, it is working with the band council chief and attaining approvals from the community, but it also involves INAC [Indian and Northern Affairs Canada] or Indian Northern Affairs approvals as well. But been able to work those timelines and successfully serve the different communities.

Mr. McCall: — Mr. Kelln, are you aware of when the first First Nation would have gained natural gas service?

Mr. Kelln: — A good, good question. I would say it was the early '80s, but I'm not positive on that.

Mr. McCall: — In the planning going forward, certainly again some of the challenges for providing service delivery to First Nations in many ways typify the challenges of service delivery in Saskatchewan itself, in terms of in some cases fairly far-flung population and the difficulties that entails. But of the remaining First Nations and the go-forward plans for the corporation, and again as it relates to the expanded borrowing capacity and the ability of the corporation to do its job, is there a near-term, mid-term, long-term game plan in terms of providing access to those other First Nations that are not among the 52 that have service at present?

Mr. Kelln: — Well we continue to monitor. Again it falls in our growth plans which grows our asset base. It's dependent on maybe there's a new business or manufacturing process that goes into the community which makes it easier to access. But you know, our policy or our approach that we use throughout the province, if a community is interested in being served with natural gas, we work with them. Sometimes it's multi-year in nature, but we work with them. And if we can access it at a price that they find affordable, we provide them the natural gas option.

Mr. McCall: — Within the planning work that the corporation does, however, and certainly in other sectors around market coverage or market penetration, there have been different targets set with regards to the individual First Nations remaining to gain access to gas service. Is there a set plan for connecting those communities? And again I'm thinking of something like SaskTel and the wireless coverage target that was set for 100 per cent. Is there a similar sort of benchmark set out or planning exercise under consideration for SaskEnergy?

Hon. Mr. Cheveldayoff: — Thank you for the question. There's no specific set plan within SaskEnergy, but we are certainly open to any type of discussions with those First Nations that aren't served presently. It's mostly around growth and when you see an area of growth take place that you see the critical mass there to extend the service. So we will continue to hope that we see the growth we're seeing now and continue to be there when the service is required and engage First Nations in those discussions at any opportunity.

You know, we are very pleased to see what's happening in SaskTel and their commitment to extend their service there. And I can only speculate that that will help to speed up growth in those areas and speed up the timeline that natural gas will be provided as well.

The Chair: — Before the next question, Mr. Nilson has a group he'd like to introduce.

Introduction of Guests

Mr. Nilson: — Thank you. I think I'll stand, even though we're in a committee. And I'm pleased to introduce to you, Mr. Chair, and to my colleagues here, a group of grade 5 and 6 students from Ethel Milliken School in Regina Lakeview. And they're accompanied by their teacher, Lori Skogberg, and some parents.

And they are here in the legislature in this room today, and I think I should explain to them that this is actually a committee meeting. And so this afternoon, there's a meeting here and there's one down in room 8. And so it's a little bit quieter, more subdued than would have been if you would have been here this morning at 10 o'clock. So I ask my colleagues to welcome them to the legislature, and I look forward to meeting with them in a

few minutes. Thank you.

The Chair: — And Mr. McCall.

Bill No. 105 — *The SaskEnergy Amendment Act, 2009* (continued)

Clause 1

Mr. McCall: — Thank you very much, Mr. McMillan, and I guess I would join the member in welcoming the students. We'd had a visit from Ethel Milliken last week as well. And I should further point out that my mother is now living across the street from Ethel Milliken at the Sunset Extendicare home and certainly has a good view of all the goings on over at the school. And it's a pretty bright spot of her window, what happens at the school. So it's good to see the students from Ethel Milliken here today.

Mr. Minister, continuing on. So in terms of the . . . There's been some thought put to the projected, sort of, the projected number of hookups. Is there any thought around what percentage of those might be First Nations or Métis in the years to come?

[14:00]

Hon. Mr. Cheveldayoff: — We don't have specific numbers on that, but from a general sense, we would say about 10 per cent would be the number of hookups in First Nations communities. And certainly the Métis are more integrated across the province, so it's harder to determine those numbers, but I think 10 per cent would be a fair number.

Mr. McCall: — If I could, shifting topics a bit, in the planning work that's going forward for a gas-fired power production in the province of Saskatchewan, certainly there are different sort of configurations across the province where natural gas is being used to produce electricity. Could the minister or officials outline for the committee the involvement to date on the part of the corporation in that kind of activity, and what some of the engagement or involvement on the part of the corporation in natural gas-fired power production will be in the go-forward?

Hon. Mr. Cheveldayoff: — Thank you for the question. Certainly on the TransGas side, we have been working with SaskPower, as we have with large gas users across the province, developing the infrastructure that's necessary. Specifically in Power's case, the Ermine and the Tantallon and the QE [Queen Elizabeth power station] situation are locations that we've been engaged with them and providing the pipelines where necessary and communicating about their growth plans, as we communicate with all large customers and large users.

Mr. McCall: — Just for the, I guess, for my own sort of clarity on the question, how does SaskEnergy set about the pricing for not just the infrastructure involved in the service delivery but the natural gas delivered for the power production in those facilities?

Hon. Mr. Cheveldayoff: — SaskPower arranges for their own gas supply and looks at, you know, various ways of obtaining that. As far as investment goes, we look at our standard investment policy. We estimate what the revenues would be, and if it indeed is outside of that standard policy, we would ask for a cash contribution from SaskPower, in this example.

Mr. McCall: — Is there joint planning that's undertaken, though, in terms of, you know, SaskEnergy on the one side and SaskPower on the other? And I guess I say this as the son of a 35-year gas serviceman with SaskPower gas division. Once upon a time, these exercises were a bit more easily carried out. But in terms of the projection work, are there joint planning exercises undertaken by SaskEnergy with SaskPower? Does that take place on a consistent basis?

Hon. Mr. Cheveldayoff: — Yes, definitely that's taking place. As we would have those communications with any large customer or any large off-taker for SaskEnergy, we have those. But because they are two Crowns and because of the proximity, we certainly have those conversations going forward and, you know, compare notes on growth forecasts and the work that the two Crowns are doing between each other.

Mr. McCall: — How is that coordinated, though? Is it sort of a quarterly basis, yearly basis? Every couple of years you get together and compare notes? How does that actually transpire?

Hon. Mr. Cheveldayoff: — Certainly TransGas has a customer dialogue process where SaskPower is part of that process, so it's done on an ongoing basis. You know, I was going to jokingly say they wait until the minister says you'd better start talking to SaskPower, but fortunately that's not the case. The discussions happen on an ongoing basis, and the dialogue is very fruitful and continues in a beneficial way both ways. It's ongoing. It's well established, and it's a benefit to both to both corporations.

Mr. McCall: — I was hoping the minister wouldn't say that, so thank you for not.

Hon. Mr. Cheveldayoff: — It's a good thing I didn't say that.

Mr. McCall: — It's a good thing you didn't say that. But again in terms of there being some kind of exceptional or unique channel of communication or engagement, it's not any different than any other large-scale customer. Am I understanding you correctly?

Mr. Kelln: — I would characterize that certainly there's a customer relationship, so it is very important for all the customers of TransGas to ensure there's fairness, and we make sure that's the case. And that fits with the formal side of SaskPower who's a major user, sitting on dialogue, but it's ongoing.

A simple example, for the power generation units they're building, joint discussions on what's the most economical way in terms of pressure, of serving them with natural gas versus the cost of their facilities and working back and forth, what's the overall lowest cost way of doing it — so that'd be an example on the generation side.

A simple example on the service side is jointly putting bills in the common envelopes, jointly working on meter reading. There's many, many examples. So we really focused on that. We have an opportunity of a common ownership, and let's find

some solutions together.

Mr. McCall: — In terms of the larger scale commercial customers or industrial customers of SaskEnergy, what percentage would SaskPower-involved projects account for within the SaskEnergy portfolio?

Mr. Kelln: — Well I think in terms of growth that's certainly gone through some significant growth in the last two years. But at the same time, the potash industry as you know is certainly expanding, and that's great news around this province. Some of the power generation facilities are part of that.

Oil industry continues to be very strong, and they do require natural gas or pipelines to collect flare gas. That's involved in it as well.

And then you have the agricultural-related work that we see. Canola crushing plants in Yorkton would be good examples of them. But grain drying, simple — some of the wetter years we've had — all of the major terminals in the province now are equipped with commercial dryers which are significant ways of being able to dry grain in a hurry. So you know, a portion certainly to be accounted for, but there's many that we're working with.

Mr. McCall: — Certainly that would be our understanding as well, but within the relevant customer class, do the contracts with SaskPower or the use of natural gas for power production . . . any ballpark even as to what portion of that customer class it might account for — 10 per cent, 5 per cent?

Hon. Mr. Cheveldayoff: — Just in very rough terms, it would be in that 20 per cent range, maybe up to 30 per cent, but in that, in that range.

Mr. McCall: — I thank the minister and officials for the answer. I guess the broader sort of question or the reason why I'm asking is, as has been referenced by the presentation this aft, certainly this seems to be something of a growth area in terms of SaskEnergy activity. So I'm just looking to get a better idea of where it fits into the picture of the large scale, larger scale customers at SaskEnergy.

And certainly we recognize that there's opportunities in potash and through the oil and gas sector and on. But certainly natural-gas-fired power production is something that's really come on pretty heavy in the past decade and certainly would seem to be only a growing part of the portfolio in years to come.

In terms of the relationship of SaskEnergy to the Northland's power project in the North Battleford region, what is the involvement of SaskEnergy with that particular project?

Hon. Mr. Cheveldayoff: — As the project moves towards completion, discussions will continue regarding request for service and the needs, the pipelining needs, that will be necessitated by the project. So discussions will take place as the project moves to fruition.

Mr. McCall: — Would there be a fixed-price contract over a number of years? Would that be part of the obviously . . . You'll forgive me, Mr. Minister, Mr. Chairman. You've given me an answer that's sort of bigger than a bread box and smaller than Montreal. And I realize there are discussions to take place, but I guess to perhaps put it a different way, to cite Tantallon or Ermine, are those fixed-price contracts over a period of years? What are the arrangements there in terms of the particulars of the contract?

Hon. Mr. Cheveldayoff: — Again the model that's been used is, if costs are modest compared to the overall size of the business being done then, you know, the costs are absorbed and worked into the overall costs of providing that service over a long period of time. What has happened in the past is that, in the examples of Ermine and Tantallon, they have been fairly close to existing pipelines, so the additional cost of hookups have been quite modest. And we see that happening in this regard as well.

Mr. McCall: — But again is there . . . To the actual particulars of the individual deals, is it a fixed price over a set period of time? How does that work, if the minister could for the committee.

[14:15]

Hon. Mr. Cheveldayoff: — It's done on a more jointly planned operation where the cost is estimated and articulated to the purchaser, and then an agreement is worked out over a period of time. There's no set, standard, cookie cutter approach. But you know, we oftentimes want to service the customer in the best way possible but at the same time ensure that the return is there for SaskEnergy. But that can be done in a variance of ways and over a period of time that that can vary. So in each case, it's been done in a way that's been mutually agreeable, but at the end of the day, it's advantageous to SaskEnergy.

Mr. McCall: — So just a further question of clarification. So a 10-year guaranteed price or a 20-year guaranteed price, that would be exceptional in terms of industry practice.

Hon. Mr. Cheveldayoff: — Officials indicate that because it is a small portion of the overall cost of the project, it's usually dealt with in one year, in year 1. There is the ability to amortize that over a longer period of time, but in most instances it's taken care of in a very expedient manner in that first year.

Mr. McCall: — Thank you. And again that's . . . My colleague is jarring my thought process here a little bit. Obviously that would be the installation period. And then in terms of the ongoing supply of natural gas, what kind of tranches would those be done in — five years, two years, one year, month to month, ten years — for the ongoing supply of natural gas? What kind of contracts would be undertaken?

Hon. Mr. Cheveldayoff: — Once the capital costs have been paid for, it's very much just a tolling that takes place over time and as the gas moves through the system. To give the member an estimate, it would be about 30 cents a gigajoule, the toll that would be incurred in that operation.

Mr. McCall: — But in terms of the toll or the 30 cents per gigajoule, again are those undertaken . . . What's the period of time involved in the contracts related to those tolls?

Hon. Mr. Cheveldayoff: — It's really up to the customer. And there's different ways of doing it; there's interruptible, daily, annual, multi-year, depending on the needs and the requirements. Certainly, if they agree to an interruptible type of contract, there can be cost advantages to them. But it's really again about servicing the customers and engaging in that dialogue, and SaskEnergy trying to best service the needs of the customer.

Mr. McCall: — So again referencing the different power production contracts that SaskEnergy being involved in, are those typically interruptible, multi-year, daily? What are the terms of those contracts generally as regards to the time frame?

Hon. Mr. Cheveldayoff: — The most prevalent would be on an annual basis, but to cover peaking requirements certainly an interruptible would be. So it might be a portion of both, but as the standard, mostly annual would be the contract that would be engaged in.

Mr. McCall: — Okay. So in the — and again I realize that there may be different provisions within a broader sort of timing framework — but with regards to the Northland deal, it would be a bit shocking to find something come out where it's a 10-year multi-year deal or 20-year multi-year deal. That would be atypical to experience in the industry.

Hon. Mr. Cheveldayoff: — Normal standard for a transportation agreement is about five years in total, so you know, but they're working out the details I guess now, but certainly the standard is about five years.

Mr. McCall: — I thank the minister for that. And certainly normal's always subject to negotiation, particularly at the legislature. I understand that. But I thank the minister for the answer.

At this point, I'd cede the floor to my colleague, the member from Moose Jaw Wakamow.

The Chair: — Ms. Higgins.

Ms. Higgins: — Thank you very much, Mr. Chair. Mr. Minister, kind of keeping on this same vein, is SaskEnergy locked in or contracted or signed agreements as the supplier for the Northland Power project?

Hon. Mr. Cheveldayoff: — Thank you very much. Again the interaction on this project is on the TransGas side. So we're moving the gas for SaskPower, but they're under their own arrangements for provision of the gas, and that's not with SaskEnergy at this time. So the work that we're doing is on the transmission side and not on the contract side.

Ms. Higgins: — So then in theory, SaskPower could contract with, say, CGI to do gas supply for Northland Power?

Hon. Mr. Cheveldayoff: — I'm not up to date on what their arrangements are on a daily basis, but certainly they are free to contract with a supplier, marketer of gas of any type. And the example that the member indicates could be a possibility, yes.

Ms. Higgins: — So it was quite interesting to sit and listen to the conversation talking when you were asked what kind of communications there is between the Crowns, there was a fair bit of response talking about common projects and coordinating things. And there was also a comment made by — I'm not sure which, either Mr. Kelln or the ministers, and I apologize — that the conversations between the Crowns, because we have a common owner and common mandates I would hope, looking at the lowest cost way of providing services to the people of the province.

So was that conversation held with SaskPower when they were first looking at the North Battleford project where the Ontario-based company Northland is being contracted to build a gas-powered generation plant that the province . . . Now my understanding is has guaranteed a price for gas, and also I would assume has guaranteed the rate that we will buy electricity for. So was SaskEnergy involved in those discussions?

Hon. Mr. Cheveldayoff: — The discussions that have taken place are about connecting up and about the TransGas side of things. Those discussions have taken place but, you know, SaskEnergy and SaskPower are two different entities and they have a different model of needs and a different model of operation. SaskEnergy has been very forthcoming with any information as far as of being able to supply those needs of SaskPower, but at the same time SaskPower has their own supply model and their own commercial model that they would, they would undertake, and areas of disclosure in that regard would need not take place.

Ms. Higgins: — Well, Mr. Minister, I'm surprised how fast you're trying to cut the family ties after it being quite close communications about 15 minutes ago, but anyway that's kind of off-topic here.

So what you're telling me is, is that SaskPower and SaskEnergy did not have discussions on the Northland Power gas generation plant, so SaskEnergy didn't have any input into whether this was the best use of taxpayers' dollars and the most cost-effective way of delivering services to the people of Saskatchewan.

Hon. Mr. Cheveldayoff: — Conversations have taken place between SaskEnergy and SaskPower. As would any large industrial user, SaskEnergy would be undertaking those conversations. It would be done in a way that, you know, we would articulate how it fits into the system that SaskEnergy provides.

The advantage in this regard is that there's a good-sized pipe in the area. So you know, from a cost-efficiency basis and from a taxpayers' basis, it certainly makes a lot of sense. But we're there to provide an option for SaskPower, but they're free as any other corporation is to engage in the most cost-effective way of obtaining that gas and of transporting that gas.

Ms. Higgins: — So even if CGI was chosen to be the supplier for gas for Northland, my understanding is, is that SaskEnergy would still run the pipe, do the hookup. Am I correct in that?

Hon. Mr. Cheveldayoff: — Yes, absolutely. Yes.

Ms. Higgins: — So how . . . [inaudible interjection] . . . Oh, I thought we were done at 2:35 anyway today.

The Chair: — Okay.

[Interjections]

[14:30]

Ms. Higgins: — So back to the Northland Power and discussions. So SaskEnergy would be responsible for connections. Or SaskEnergy would be responsible for connections — that would be part of your business line and your responsibility in this deal.

Hon. Mr. Cheveldayoff: — Through TransGas, yes.

Ms. Higgins: — Through TransGas. Well part and parcel really in many . . . Anyway okay, through TransGas. But then it would be up to Northland as to where they access gas from, whether it's through a deal with SaskEnergy or through some other supplier such as CGI as an industrial customer.

Hon. Mr. Cheveldayoff: — Like any industrial company, SaskPower would look at the various options and where they would want to access their supply. They would also look at over the time projection and how far they want to go out to set that price, you know, whether it's one year, two years, or a longer period of time.

When you're talking about power generation, there may be a case where you want to look at a longer period of time of locking that in, but that's, you know, that's a business decision that would happen within SaskPower, and they would do that accordingly. We would be there to service them whatever their decision happens to be.

Ms. Higgins: — So why would it be the responsibility of SaskPower to purchase the gas when my understanding is that this is a private company contracted by SaskPower to build a gas-powered generation plant? Would it not be the responsibility of Northland to secure its supply of gas to produce electricity to sell — which I'm sure is at a fixed rate — to SaskPower? Would that not be the responsibility of Northland?

Hon. Mr. Cheveldayoff: — What I'm here to do is to answer questions about SaskEnergy and the provisions that SaskEnergy would provide to Northland. Questions of this nature would be better asked to the Minister of SaskPower regarding their internal operations and the agreements with Northland.

What I can say is that SaskEnergy is here to provide the options available in a cost-efficient manner to distribute that gas, to transport that gas, and to help with that operation. But internal decisions would be made within SaskPower's management structure, and questions would be best answered by the Minister of SaskPower.

Ms. Higgins: — Thank you very much, Mr. Minister. Then just straight out, has SaskEnergy guaranteed a long-term cost for natural gas to the Northland Power project?

Hon. Mr. Cheveldayoff: — No, not at all. We've been focused on the transportation and ensuring that we provide all options in that regard and not with the price itself.

Ms. Higgins: — And not with price?

Hon. Mr. Cheveldayoff: — Right. Not the price of the commodity but the price of the tolling would be something that we would engage with the transportation costs. Again we're focusing on the transportation here as providing that service to them as an industrial customer as we would to any other customer.

Ms. Higgins: — Okay then just to clarify in my mind, Mr. Minister, if there was an agreement, a long-term agreement with a private company to produce electricity, gas-generated, for the provincial power corporation SaskPower, SaskEnergy would supply the hookup, do those necessary connections. And then whatever usage was agreed to, whether it be through SaskEnergy or through . . . Well that's not accurate either. Your main concern then would be for transmission and transmission only, that Northland would buy from the market or from a supplier for costs to be determined otherwise. The only area that SaskEnergy would be involved is transmission cost and hookup.

Hon. Mr. Cheveldayoff: — That would be correct. You know, there's some industrial customers that ask us for supply options, and SaskEnergy would be most happy to provide those options. But again it would be a SaskPower decision based on all the options that are available in the marketplace and what they determine would be the most cost-effective manner to supply that gas for their needs and then to supply the energy for Saskatchewan residents in the most cost-effective manner possible.

Ms. Higgins: — So then just for clarification, SaskEnergy would not take on any responsibility for guaranteeing a price per gigajoule for gas to Northland Power. Their only responsibility would be for hookup and transmission.

Hon. Mr. Cheveldayoff: — The primary responsibility through TransGas is for hookups and for transmission. But if asked, SaskEnergy would provide an option for them to look at. SaskEnergy would look at their cost of providing that service and ensure that they were able to provide a quote, if you like. But again SaskPower would be able to access that from others as well and then make their determination accordingly.

Ms. Higgins: — So SaskEnergy traditionally would just look at hookup and transmission costs? Flow through, a cost for gas would flow through — that was it — with a transmission charge attached. But you're saying that if asked, SaskEnergy would look at the options for guaranteeing a price for natural gas for the private company, Northland Power.

Hon. Mr. Cheveldayoff: — If SaskPower said that they need gas over a period of time and would like us to quote on it, we would quote on it — just like if a potash mine, if PotashCorp came to us with the same type of requirement, they would be seen as an industrial customer. But first and foremost would be the TransGas end of things, and it would be no different than any other large industrial in the province.

Ms. Higgins: — Would SaskEnergy ever take into consideration subsidizing the cost of gas for Northland Power?

Hon. Mr. Cheveldayoff: — That's not the business model that's used presently. It's a business model that's a cost recovery basis. And the tolling fee, that's in addition to it.

Ms. Higgins: — So if SaskEnergy guaranteed a long-term price for the private operator, Northland Power, and there were some pretty substantial fluctuations in the market in the price per gigajoule, then in theory it would be SaskEnergy who would end up absorbing those losses? It would not be Northland Power, would it? It would be SaskEnergy.

Hon. Mr. Cheveldayoff: — Well when you provide a contract, you use your expertise to gauge what the price will be and to provide a return. You look at the cost of acquiring that gas, and as we've indicated, SaskEnergy has storage capacity, and they're able to price the cost of gas that they have.

But it's a business, and they do so in a way to provide a return and to provide the best business policy to SaskEnergy. So it's done in such a way that, you know, the shareholders of SaskEnergy are to benefit from it. And SaskPower would be looking at it from a different option. So the SaskEnergy bid, if you like, would — may — be the one they take, may not be the one they take, but they're not tied to it in any way.

Ms. Higgins: — I have way more questions on this, but I realize we're out of time, and I've gone past, but thank you very much to the Chair for his indulgence, and we'll carry on next time.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. I was just going to say we'd agreed upon three hours for this. We got off to a bit of a late start, and as such I would call attention to three hours having expired and — thanking the minister and officials and committee members for a good discussion — move that we now adjourn.

The Chair: — The member has made a motion of adjournment. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Hon. Mr. Cheveldayoff: — Mr. Chair, if I could just . . .

The Chair: — Minister.

Hon. Mr. Cheveldayoff: — I would like to thank officials, but I also I'd like to indicate at this time that my information was that there was an agreement to vote off estimates after three hours. That's certainly what my House Leader has indicated. And if not, then I guess that we have to go back to our respective House leaders and identify how there was an misinterpretation of that agreement

But as you have seen throughout the three hours here, I'm quite open to answer any questions, and I thank the members for the tone of their questions and the professionalism, but there is indeed a discrepancy here on some understanding between House leaders and I just want to do that. But overall I thank the members for their questions, for the professional way they've posed them, and I'd like to thank officials for being here and answering the questions at that time. Mr. Chair, thank you for, and all committee members, for their participation here today.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. I just wanted to point out that the member called the clock. There's no need for an adjournment motion when he does that. So we didn't agree to adjourn; he called the clock.

The Chair: — This meeting is adjourned.

[The committee adjourned at 14:40.]