



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Lloydminster

Mr. Buckley Belanger, Deputy Chair
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Mr. Denis Allchurch
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Mr. Fred Bradshaw
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Mr. Dan D'Autremont
Cannington

Mr. Warren McCall
Regina Elphinstone-Centre

Mr. Randy Weekes
Biggar

[The committee met at 17:00.]

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

Clause 1

The Chair: — I'd like to welcome everyone back to this meeting of the Crown and Central Agencies Committee. We are discussing Bill 105, *An Act to amend The SaskEnergy Act*. With us tonight is the minister responsible, if you'd like to introduce your officials and if you have any statements before we start questioning.

Hon. Mr. Cheveldayoff: — Thank you very much, Mr. Chair. A pleasure to appear before the committee again. Joining me is chief financial officer Dennis Terry, and Ron Podbielski with SaskEnergy as well will be joining in and advising. And with that, open to any questions that members may have.

The Chair: — Mr. Yates will be substituting in for Mr. Belanger. Go ahead, Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I have a number of questions. The first question I have is, what is the particular force or driving issue behind raising the rate from 1.3 billion to 1.7 billion at this time?

Hon. Mr. Cheveldayoff: — All right, I'd be happy to go through that with you. I had an opportunity to do that with Mr. Nilson this afternoon. What we're wanting to do is to raise the borrowing limit from \$1.3 billion to \$1.7 billion, and right now . . . I guess I should get the actual numbers in front of me here.

We're in a situation where the total debt of SaskEnergy is \$847 million. As we outlined earlier today, the cost of the commodity, the cost of the gas that is on hold is about \$250 million. What we're wanting to do is to increase that borrowing level beyond 1.3, because with 1.3 billion and the debt of 847 million right now, we have a cushion of \$453 million. If the price of gas was to triple, which indeed it could happen — it wasn't that long ago that we were facing gas prices in the \$12 a gigajoule range. If it was to triple we would need an extra \$500 million just for that and we would be into a situation where we would be bumping up against that \$1.3 billion level. And as I indicated earlier this afternoon, the last thing we want to do is to have to come to this legislature in a situation where . . . an emergency situation, if you like, to ensure that we are able to service all of the customers that SaskEnergy services here.

As I indicated earlier as well, we're in a growth phase in the province and SaskEnergy reflects that growth in that we are trying to service all the customers, the new customers that have come on board, some 4,700 over the last year. And in order to do that, capital requirements necessitate that we increase the borrowing limit at this time. It's prudent. It's a 10-year vision that we're looking for SaskEnergy into the future and we feel that it's prudent to do that in a forward-looking manner rather than a reactionary manner maybe a year or two down the road.

Mr. Yates: — Thank you very much. Mr. Minister, one of the concerns that the opposition would have, and I think the people of Saskatchewan, with the stripping of the equity of the Crowns

this year, that a move at this time to expand by \$400 million may be simply an attempt to increase debt in the Crown corporations and continue to strip equity out of the Crowns in future years, particularly going into an election next year. So you can see where there may be some suspicion about the timing of it right now.

SaskEnergy has operated at the current level for some time and has been able to operate, I would say, very prudently and effectively within the limits. Are there any significant capital changes in the immediate future that would in any way drive any of the requirement for this change? As an example, we are hearing about an automated metering system at SaskPower that could be quite expensive and that SaskEnergy may well be a partner in that endeavour. Are there things that necessitate, you know, known capital costs or projects that would necessitate other than, you know, the potential of a natural gas expansion, or pardon me, increase in costs that would be driving or potentially be part of the increased requirement?

Hon. Mr. Cheveldayoff: — Thank you very much for the question. I'm happy to answer the minister's question, but I should address some of his comments in the preamble to begin with.

First of all, certainly no equity is being stripped at all. What we are seeing is that dividends will be paid to CIC [Crown Investments Corporation of Saskatchewan] and used for the general use of government. In the past, those dividends have been paid, and when a company and corporation such as SaskEnergy is able to do so in a prudent way, that will continue. Crown corporations like SaskPower, the decision has been made to suspend those dividends to ensure that the infrastructure deficits that are in that Crown are addressed.

The member opposite says that he has suspicions or the members opposite may have suspicions. I would say that those suspicions are unfounded suspicions, but that would be my interpretation. But if he has those suspicions, I guess he can continue to have them.

But he has indicated that it has been quite some time since SaskEnergy has raised its borrowing limit, and I would agree with that — some 18 years, in fact, since 1992 when that borrowing limit was raised. The province is much different now than it was in 1992. The capitalization of the Crown, SaskEnergy, is quite different as well, and the borrowing requirements are different in that regard.

As far as capital goes, we had a good discussion this afternoon regarding the capital undertakings of SaskEnergy. I can give you some of those highlights again. Certainly I think members will be well aware of the storage capacity that SaskEnergy has and the good, very good business model that they operate regarding that. And there will be some capital needed to increase and to continue on with that business model.

We had a discussion about what's happening in Lac La Ronge and some of the capital build-out that's taking place there, and the very good story about many new customers coming on online there. Customer-driven growth will be a big part of it. We indicated earlier this afternoon some 4,700 new customers

in the last year, and projections going forward in that 4,000 range which is about double of what we saw over the last five-year average for new customers coming forward. So that would be something.

And the member did mention something that we didn't discuss this afternoon, but the automated meter reading is something that we're looking at in SaskEnergy. SaskEnergy takes efficiencies very seriously and in their operation this year, and as highlighted in the annual report, there's many, many areas of efficiency that do take place. So we want to look at all kinds of mechanization where possible, and that may incur some capital cost as well, but for the long-term benefit of the corporation.

Mr. Yates: — Thank you very much. Has any decision been made on the automated metering system?

Hon. Mr. Cheveldayoff: — Thank you for the question. No agreement has been reached, but significant discussions have taken place with SaskPower. And in addition to that there is a pilot that is, a pilot project that is being undertaken in Swift Current.

I had an opportunity to visit the Swift Current office of SaskEnergy and to examine the operation of that pilot project and to talk to some of the people involved. And they were quite encouraged by, initially, what they've seen and continue their discussions with the city of Swift Current and, again, looking at the most efficient way of doing meter reading going forward. But I would suspect at some point in the future there will be movements towards broadening this pilot.

Mr. Yates: — Thank you very much. Do you have an anticipated cost of implementation of the program across the province?

Hon. Mr. Cheveldayoff: — Approximate cost would be about 35 million from SaskEnergy's perspective. We're not sure what, SaskPower, the costs would be to that Crown.

Mr. Yates: — Thank you very much. And is this an integrated system with SaskPower for both utilities?

Hon. Mr. Cheveldayoff: — Thank you for the question. I'm told by officials that there would be two separate meters but the information would be funnelled back to one single area, one single entity. So in fact there would be a coming together of that information at some point in the cycle.

Mr. Yates: — Thank you very much. Now the 35 million would be based on how many meters, approximately?

Hon. Mr. Cheveldayoff: — Thank you for the question. I'm told that we have about 347,000 units — 347,000 residential customers. Of course it would be a different service that would be provided to industrial customers, but very extensive, and if the growth continues in the province — which we hope it does — that number would probably be larger going forward.

Mr. Yates: — Thank you very much. You said industrial customers would be dealt with differently. What do you mean? They wouldn't have automated meter systems or . . .

Hon. Mr. Cheveldayoff: — With our larger industrial customers — and I'm told there's about 132 of them in Saskatchewan — many of them would have multiple locations and multiple meters, so it would necessitate really a one-on-one discussion with each of them on what the best way to capture that information would be, and that's what SaskEnergy sets out to do.

[17:15]

Mr. Yates: — Thank you very much. And would this result in new mechanisms for SaskEnergy to be able to, in cases where payment was perhaps slower in demand, for it to allow service to continue and have greater control over the user or the house?

Hon. Mr. Cheveldayoff: — Like a limiter or something like that?

Mr. Yates: — Yes, easier to have a limiter and make the limiter work.

Hon. Mr. Cheveldayoff: — Yes, really don't have the option of load limiting like SaskPower would, for example. It's more an on or off situation with SaskEnergy.

Mr. Yates: — Thank you very much. All right, my next questions have to do with . . . I still don't necessarily see in the economic case that's been made, currently we have 847 million in debt, about 250 million for gas purchase. I don't know what the pressure is at this point to see the increase in the lending rate, other than the potential for unforeseen circumstances, something that you don't at present have planned. Would that be correct?

Hon. Mr. Cheveldayoff: — Well it's certainly more pre-emptive than anything, but we're in a situation where historically we've got very low gas prices right now. If that price was to triple, which isn't out of the question, it certainly . . . You know, in the summer of 2008 for example, we saw gas prices in the \$12 a gigajoule range, with some prognosticators saying that we might see gas in the \$20 a gigajoule range.

But if we were to take the cost, the \$250 million that we need to supply at the \$4 a gigajoule range, if we were into a 12 to \$15 gigajoule, that 250 becomes 750. That necessitates \$500 million more of borrowing. And at that time I am, you know, having to come to the legislature in somewhat of an emergency situation to have that borrowing take place. Or the option is to go to CIC to get the borrowing at that point. Or the third option is to tell customers in a growing province, in the fastest growing economy in the country that we would not be able to supply them with the gas, whether they're residential or whether they're commercial.

Now I don't know if the member, you know I can tell him in my constituency, which is a growing constituency in Saskatoon with many new houses coming on, people get very, very frustrated if you can't provide that service to them in a timely manner. And I just don't want to be in that situation. And I feel, from a prudence perspective, that coming forward and looking at it and changing the borrowing limits to reflect the changing corporation is something that we should certainly be looking at at some point.

You know, I guess we could put it off for a year and take our chance, or put it off for two years and take that risk, but I don't see any need for taking that risk at that time, and especially when we recognize that the last time this was done was 1992, which was you know quite some time ago.

Mr. Yates: — Thank you very much, Mr. Minister. I first have to say, I think it's quite an exaggeration to think that at any point we wouldn't be supplying natural gas to households or consumers in the province. We all I'm sure share a very strong belief that we need to be able to provide services to our citizens, and we would do what we had to ensure that that occurred.

Is there particular reason that 400 million was picked versus 500 or 200 or 600? Why that particular number was chosen, and is it based on some modelling or some projections as to need?

Hon. Mr. Cheveldayoff: — The projections that SaskEnergy was using in this case go out about five years, and they include capital costs of some 100 to \$150 million per year, and then the variable of course is the cost of gas. So putting that all together in the model that was used by the corporation, they felt with some certainty that \$1.7 billion would be enough to satisfy their risk scenario and to ensure that we had the capital necessary to do the job of the corporation.

Mr. Yates: — Thank you very much. So would the particular model used . . . we wouldn't expect to see SaskEnergy back looking to increase the borrowing limit for some time again?

Hon. Mr. Cheveldayoff: — Probably be a situation that they're quite comfortable that it would take us through for another five years, but I guess it would have to be re-examined, you know, each year it would be re-examined on an ongoing basis. But with some certainty they feel that this would serve us for five years.

Mr. Yates: — Thank you very much. Mr. Minister, and you may have answered this question at some point here today, what is the current debt to equity ratio at SaskEnergy?

Hon. Mr. Cheveldayoff: — You mean you weren't watching this afternoon when we were in committee? I thought all TVs in the legislature were maybe tuned to the goings on.

Mr. Yates: — I was in this committee.

Hon. Mr. Cheveldayoff: — It's 38 . . . [inaudible interjection] . . . Well, yes the province . . . 64 to 36 per cent debt to the end of 2009. Correct? So 36 to 64.

Mr. Yates: — Thank you very much, Mr. Minister. What are the projections for the debt to equity ratio for the upcoming year, this year? Is it going to maintain the same ratio roughly?

Hon. Mr. Cheveldayoff: — Presently we're at a situation where we have 62 per cent debt and 38 per cent equity. That can vary between 62 and 68 per cent, but the ideal situation that we like to be at is the 65/35 scenario, but we're well within that. Those are the industry standards. It'll vary from time to time, but for a healthy corporation that ratio is very much in line.

Mr. Yates: — Thank you very much, Mr. Minister. Mr.

Minister, my next question has to do with are there planned service expansions further to new communities in northern Saskatchewan, or to new programs for rural Saskatchewan in the upcoming plans of SaskEnergy, anything that would drive capital costs up that we're not currently aware of?

Hon. Mr. Cheveldayoff: — Well our penetration in Saskatchewan is quite extensive. We're into 90 per cent of the communities and some 52 First Nations. We're always very receptive to communities that want to extend service. That'll be driven by growth, but seeing the growth that is taking place in the province, it's quite likely that we will be extending that service to other communities. But you know, we send the message to them that we're open for those discussions, and where there is a critical mass of possible customers, we'll look at that very seriously. But you know, the La Ronge completion there is working very well and the number of customers are coming on. But we will continue to look at northern communities as well.

Mr. Yates: — Thank you very much, Mr. Minister. But at this point you're continuing to look, but there are no actual signed agreements or plans to expand in this upcoming year.

Hon. Mr. Cheveldayoff: — The capital expansion of the growth is quite general and ubiquitous across the province, and we see it in some 300 communities going forward. We've had specific discussions with a couple of First Nations, and we will continue in that regard, but as far as agreements with specific communities at this particular time, we don't have any specific ones. But we continue to monitor the extensive growth taking place around our larger cities, and we'll be moving to supply that in the very near future.

Mr. Yates: — Thank you very much, Mr. Minister. And I think my colleague has a few questions, and then come back to me in a few minutes.

The Chair: — Ms. Morin.

Ms. Morin: — Thank you very much, Mr. Chair. Good evening, Mr. Minister and officials. Thank you for appearing before the committee this evening. I just want to ask the minister for a little bit more clarification on some of the items that he had alluded to in the second reading speech with respect to Bill No. 105.

In his second reading speech you spoke about some of the break down — 148 million for Saskatchewan-based business development with the expectation of leveraging additional project capital from private sector partners. Can you just maybe expand on who some of those private sector partners are and what type of projects we're potentially looking at?

Hon. Mr. Cheveldayoff: — Thank you for the question. It's a long list. I'll begin with a few. At Kisbey, Saskatchewan we have a flare gas operation and that's together with Atco. And we'd be looking at other midstream-type companies as well to do similar types of operations in that area.

We're looking at a straddle plant which we can go into the details of it, but it captures incremental natural gas liquids and, you know, that is a proposal that we're looking at as well to

partner with. And also the CO₂ aqua-storage project where we're engaging with CCRL [Consumers' Co-operative Refineries Ltd.] and Enbridge to partner in that regard.

So we're very much seeking out private sector partners where possible and using their capital, as well as SaskEnergy's, to use the expertise and to leverage that to ensure that we can provide services to Saskatchewan residents.

[17:30]

Ms. Morin: — So the two that you've mentioned are the Kisbey project and the Atco storage project. Is that correct? Is there anything else that, in terms of the private sector partners, that you're speaking of in your second reading Bill? Or is there any other projects that might be going on that might be of interest to us as well?

Hon. Mr. Cheveldayoff: — All right. So just to reiterate, we talked about the flare gas. We talked about the CO₂ aqua storage project with Enbridge. There might be other midstream opportunities. We're looking at a straddle plant, and again the negotiations there haven't been completed, but we're looking to partner with a private sector company in southeast Saskatchewan. And waste heat recovery, as we talked about earlier today, is something that's, you know, that's very important to SaskEnergy as well. So those are four or five different areas of business development where we're wanting to partner with the private sector to increase our service to Saskatchewan residents.

Ms. Morin: — Okay, so I should be corrected then in terms of . . . the storage project is with Enbridge then, not with Atco. Is that correct? No?

Hon. Mr. Cheveldayoff: — Correct. Yes, the aqua store project is with Enbridge.

Ms. Morin: — Okay, thank you.

Hon. Mr. Cheveldayoff: — The Kisbey flare gas plant is with Atco.

Ms. Morin: — Right. Thank you very much. You also mentioned in your second reading speech that there's going to be \$422 million in system expansion. Is part of that what you had just referred to with my colleague with respect to the metering system or . . . I mean obviously that's not the 422 million. But I'm wondering if you could just maybe expand what's going to encompass the 422 million in system expansion.

Hon. Mr. Cheveldayoff: — Again going back to the modelling that's being done on a five-year basis, when we look at transmission distribution and just general type of capital expenditures, we're looking at about \$100 million in the next three years and then about an average of 70 or 80 in the following years. So sum total of \$574 million over the five-year period, less capital contributions from customers, which would take that number down to the 422. But it would encompass, like, the meter reading for example that we had talked about a few minutes ago. That would be part of that as well.

Ms. Morin: — Okay. Thank you very much. Now you also spoke about accommodating customer growth. I'm wondering if you could just give us what you're forecasting as customer growth and whether that's industrial customers or residential customers. Maybe if you could just expand on that a wee bit and let us know what you're referring to.

Hon. Mr. Cheveldayoff: — Thank you very much to the member for the question. Now on the residential side, in the last year we received 4,700 new customers so, you know, quite an aggressive expansion taking place. Then the next year we're looking at again 4 to 5,000. And that is almost double what the previous five-year average has been which was 2,000 to 2,500. So it has been increasing for a number of years, but now the rate is increasing even faster.

On the industrial side, it's very much driven customer by customer. But I can tell you, and I chair the economic committee of cabinet, and what we do there is we monitor the 60 or so largest projects that are online in the province right now. And that's everything from potash mines and potash expansions to the oil industry and what's happening there. And included in that would be SaskPower projects and everything like that.

So we see a very aggressive industrial build going out to reflect the growth that's taking place in the province. You know, over the last year it has somewhat flattened out, but what we are very encouraged about is that there was very few cancellations, many of them saying that it's just taking a little bit longer for them to come on stream. But again in 2010 here, 2011, we're expecting an aggressive industrial build-out and SaskEnergy will be ready for that as well.

Ms. Morin: — I'm wondering if you could also expand on the comment that there's \$150 million needed to finance gas marketing opportunities for SaskEnergy's subsidiary Bayhurst Gas Limited. Could you just elaborate on what that project is all about and explain what the gas marketing opportunities are that are going to encompass the \$150 million that are being projected?

Hon. Mr. Cheveldayoff: — Thank you for the question. And just to address the operating model of SaskEnergy in general, money is not made on the sale of the commodity itself. It's provided to customers at a cost recovery basis. And going forward, you know, that is the model that SaskEnergy follows.

Within Bayhurst, we have extensive storage capabilities and we have storage facilities up in northwestern Saskatchewan around Pierceland, Goodsoil area. And what the business model there is we would purchase a large amount of gas and store it for a period of time.

So the quantities there would be 30 petajoules, which is 30 million gigajoules, and that would be an annual consumption for some five years. So it would necessitate about \$150 million of investment and then it would be sold at the appropriate time to generate a profit for Bayhurst. And those profits would be cycled back into the corporation and provide a return for Saskatchewan residents on the operation of SaskEnergy.

So it's a model that's worked very, very well, and it's a model

where, if you can be patient and you have the ability to store, you can pick the opportunity in the market cycle to sell and to generate those profits and to recycle them back into the operations of the corporation. It's something that, you know, we're looking at expanding wherever possible.

Ms. Morin: — Oh. Thank you very much for that response. I was interested and wondering as to what the opportunities were, and it sounds like that makes some sense in terms of what we can look forward to in the future in returns to the province and the people of Saskatchewan.

You also spoke about, that SaskEnergy's been very active in supporting the government's agenda of working with the private sector to benefit the province. Now we've obviously heard some examples of working with the private sector. Is there any other opportunities that you're taking advantage of, or is there other things that you're supporting with respect to the private sector that you can expand on with respect to how that benefits the province?

Hon. Mr. Cheveldayoff: — All right. I've got lots to tell you. Mechanical Contractors Association, it's an organization that's been operating in the province and SaskEnergy has reached out in wanting to partner with them in various areas, and one is a training facility that is opened in Saskatoon and operates in Saskatoon right now. I had an opportunity to go there and to learn about it first-hand and participate in the opening. But it provides an extensive training facility for SaskEnergy employees as well as the Mechanical Contractors Association and the SaskEnergy network, which is some 140 private companies in Saskatchewan, smaller companies, that are able to benefit from this training facility.

And again, it provides economies of scale. Each of these contractors would not be able to have this type of training certainly as close to home as possible, but through this network and through this partnership they're able to do that. So that's an extensive partnership with mechanical contractors, which are into the hundreds in Saskatchewan and the SaskEnergy network, so basically partnering with every small business in the network in this area.

Also we are partnering with companies and looking at exactly the needs that are happening in the Bakken oil play, for example. We want to ensure that SaskEnergy is there to service those companies that are spending many millions of dollars in exploration. And we just heard about Crescent Point and them spending \$1.1 billion yesterday on acquisitions in Saskatchewan, and SaskEnergy is there to converse with these companies and to see if we can provide additional services to them.

From a general standpoint as well with regards to transmission, SaskEnergy has a unique — what's unique in Canada — is an industry dialogue process. And it's a simple concept but it doesn't seem to happen in a lot of places where you bring your major customers into the room and you dialogue about the costs that SaskEnergy incurs. You learn first-hand, you know. It's an extensive consultation process that takes place on a regular basis. And it's an education for those that are our major customers and for us as well to learn from those customers. And that's probably one of the best examples of partnering with the

private sector that you can find.

Ms. Morin: — Very interesting. Thank you for that response. So the training facility partnership that you're speaking of, is there any monies going in from SaskEnergy towards that training facility, or is that funded by private sector industry? Or how exactly does that function?

[17:45]

Hon. Mr. Cheveldayoff: — To fully explain the operation, it's a combination of SaskEnergy's ingenuity as well as a commitment on behalf of the contractors. SaskEnergy and, I understand, some of the employees may be up for some significant awards for coming up with this idea.

But they purchased an existing building and retrofit it, and that was the contribution from SaskEnergy. Where the contractors came in is they provided the boilers and the furnaces — and just every type of furnace that you would ever see, something that you may have seen in your grandparent's day and up until the most efficient ones that you see today. And so it was interesting to see across the room those models that would be well into their 50-60 year range to the very efficient models of today. But it is really something that a contractor would come across. You don't know what your next job is going to be, but what this facility was able to do is to provide an example of each and every type of operation that you might run into and provide that wide extensive area of training.

So that was a real contribution on behalf of the contractors. And SaskEnergy again purchased the property.

Now it's a pay-as-you-go system, so there is ongoing revenue to offset the ongoing costs of operation. But it seems like a win-win situation, and I remember an individual from the Canadian contractors association saying that this would be a best-practice model that they'd try to roll out across the country.

Ms. Morin: — Well thank you very much. It's very interesting to hear about that. I'm encouraged that the minister has spoken about this industry dialogue process. I'm assuming that that is something that you're doing of a consultative nature with, for instance, the Bakken oil play and Crescent Point to ensure that their needs are being met and that we can be of greatest service to them as the Crown entity energy provider that we are in Saskatchewan. And obviously this is happening prior to them establishing themselves in the province. So this, like I said, would be a good example of a consultative measure that's taking place in the province. And I'm assuming that because you shake your head yes, that you would be in agreement with that.

And so I would, I would encourage the minister to speak to some of his other colleagues — like for instance, oh, I don't know, the Minister Responsible for Labour, the Minister of Environment, Minister for Health — that consultations prior to decisions being made are always of the best nature.

And I would like to commend the undertaking of the industry dialogue process as something that would be of a positive nature. And we'll hand the microphone off to my colleague, Mr. McCall, because he has some questions to ask as well.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. Minister, officials, good evening. Just a quick question on revenue collected for and paid to municipalities which is referenced in page 30 of the annual report. And again this is something that impacts revenues for the corporation obviously and in turn impacts different things like the debt load, debt to equity ratio, and the point for us being here today around the \$400 million expansion of the borrowing limit for SaskEnergy.

Page 30, revenue collected for and paid to municipalities — 26 million in 2009, 25 million in 2008. Could the minister or officials expand on that and the history of that aspect of SaskEnergy's balance sheet and practice for the community?

Hon. Mr. Cheveldayoff: — Thank you very much. And I'll just, before I answer your question, I'll address the comment by your colleague earlier. I can tell her that, you know, sitting at the cabinet table and interacting with the Minister of Health, the Minister of Environment, and other ministers, that consultations take place each and every day with each of those ministers. And it's a top priority for this government, and it continues to happen and will continue to happen.

And certainly SaskEnergy is an example, you know, specifically with regards to the large enterprises in the city or in a province. Being Minister of Enterprise, I see a dual responsibility here as far as my role in ensuring that those companies that are choosing to spend their money in Saskatchewan and invest here, that they receive the best service possible. But certainly at the same time that they . . . As my responsibility for SaskEnergy, I make sure that that coordination takes place. But that indeed is something that our government takes very seriously and will continue to do so. I can guarantee the member that each and every minister will make that a priority and has done so in the past.

To the question on the floor right now regarding the municipalities and the reference to the specific page, I understand that one of the officials, that's a specialty in his area, so I'll let him, I'll let him explain the area. But my understanding is, it is a complete flow through of money that is returned back to the municipalities. So over to you, Ron.

Mr. Podbielski: — Thank you, Mr. Minister. This program dates back to the 1950s initially when the natural gas system was being developed across Saskatchewan. So if you think back to that time, originally the cities or the municipalities actually held the franchise rights for natural gas distribution, so the city of Regina, city of Saskatoon would have held the initial franchise right.

So in terms of negotiating that franchise right that SaskPower would have participated in at that time to achieve that from the cities, there was a payment that was to be made in perpetuity as a portion of the natural gas bill. In most of those cases in those cities, it was 5 per cent of the natural gas bill. As they moved forward and some of the other municipalities as we moved forward into the '50s, the '60s, and the '70s, that was 3 per cent.

So the municipal payment that you're seeing — which again, as the minister characterized correctly as a complete flow through

— is really the collection of those 3 and 5 per cent payments on the total natural gas bill which is flowed through to the municipalities.

Mr. McCall: — Well this is very exciting. We've got an expert here.

Mr. Podbielski: — I can go longer if you'd like.

Mr. McCall: — And I do. I guess, what was the cut-off between those that were in for 5 per cent and those in for 3 per cent?

Mr. Podbielski: — I've not specific memory on all of the individual arrangements. I know most of the initial ones were 5 per cent, and most of the major communities that came on first — you know, the Reginas, the Saskatoons — those would have come on in sort of the late '50s and early '60s.

I know the formula as it rolled out, and I believe there's about 109 communities as a total that get either the 3 or the 5 per cent municipal payment that is some of . . . As they rolled out to some of the smaller communities, some of those communities were 3 per cent. And again, you know, SaskPower would have conducted those negotiations at that time. And I don't know what the distinction would have been, but that was just the negotiated amount.

Mr. McCall: — And again this practice has been in perpetuity, so was there a point at which — you'd referenced 109 communities — was there a point at which this used to be the practice?

Mr. Podbielski: — No, I guess the only distinction is when, in the 1980s, we undertook a rural service extension program, and that was really the program which today, the minister referenced, we have one of the widest networks in Canada. We serve over 23,000 farms, and that was done in the 1980s. And really because there was an extensive cost with that program, some of those municipalities, the decision was — and in return for natural gas service being provided to those rural municipalities — there wasn't a municipal payment put in place. So it was effectively a zero per cent.

Mr. McCall: — But would have been more negotiated thing at the time?

Mr. Podbielski: — It would have been negotiated, yes, would have been discussed.

Mr. McCall: — In terms of the 109 communities involved, was there any sort of criteria in terms of size of community be it, you know, from city to town to . . . Was there any sort of distinction like that that is made?

Mr. Podbielski: — No, I think it's just important to remember that constitutionally, as I understand it, the natural gas franchise rights rest with the municipalities, did not rest with SaskPower. So the negotiations had to occur in those circumstances to ensure that the utility would receive the rights.

Mr. McCall: — Okay, so for example as it regards to the expansion to La Ronge, how does that impact the situation with

the good folks of La Ronge?

Mr. Podbielski: — I would have to endeavour to collect that information. I don't have that in front of me.

Mr. McCall: — I guess by extension of the 109 communities, are there . . . I know that we've got 52 First Nations with natural gas service. Would that number of 109 include any of the 52 First Nations that are serviced by SaskEnergy?

Mr. Podbielski: — The answer is I don't know specifically. The First Nations, you know, those communities have come on over time, and it may be dependent upon their location to a community that may have been connected earlier in the network. So certainly we can get you that information, but I don't know that specifically.

Mr. McCall: — Thank you, Mr. Podbielski, for that undertaking, and I guess we'd look forward to that information being provided. And certainly we had an interesting discussion this afternoon about the natural gas service being extended into the good city of Prince Albert with my colleague from Lakeview.

Another question I'd have is the administration of the EnerGuide program. And as changes are made on the federal level, how is that impacting what SaskEnergy is providing for the people of Saskatchewan? And in terms of the changes there, how does that impact the offering? How is that planned for by SaskEnergy?

Hon. Mr. Cheveldayoff: — Thank you very much for the question. Certainly we were disappointed when the federal government made their decision to cancel their program on March 31st. What we're doing right now is looking and working with other provinces to communicate what they are doing going forward, and we want to have a best practices model where provinces are coming up with alternatives.

This was a very popular program in Saskatchewan, some 12 per cent penetration, and that is amongst the highest in the country. So you know, many were able to take advantage of the program. I'm sure there would still be some that would want to continue with it going forward, but right now we're working with our colleagues in other provinces, and I'm going to be addressing the issue in due course.

Mr. McCall: — Was there any representation made on behalf of the province of Saskatchewan by SaskEnergy to the federal government concerning the decision they made to discontinue their portion of the EnerGuide program? And I'm sensing from the minister's comments the relative folly of that decision.

[18:00]

Hon. Mr. Cheveldayoff: — SaskEnergy had a very good relationship and continues to have a good relationship with Natural Resources Canada, and in the time of the operation of the program, much discussion happened back and forth. But unfortunately there was no notification from the federal government given to SaskEnergy or the provincial government in any way. So the concern was expressed through Natural Resources Canada, NRCan, to the federal government that

indeed we were disappointed with their decision in this regard, and you know would be working with other provinces to see how we could try to maintain as many benefits as possible for our residents.

Mr. McCall: — Thank you, Mr. Minister. With that, I'd cede the floor to my colleague from Regina Dewdney.

Mr. Yates: — Thank you very much, Mr. Chair. I'd just like to, one follow-up question. SaskEnergy over the last number of years has provided various programs to assist homeowners in making their homes more energy efficient, I think have been well accepted by the population and, I would argue, used wisely by the citizens of the province. Are we anticipating any new programs or any new measures taken by SaskEnergy which may even result in some increased debt to deliver programs to the people of Saskatchewan?

Hon. Mr. Cheveldayoff: — Thank you very much. And the member is correct that certainly there have been many programs over the last number of years that SaskEnergy has led the way on and provided leadership and has been recognized, both provincially and nationally, for the Share the Warmth program, the home energy efficiency project that the member has indicated. Approximately 1,950 homes in 40 different communities in five years have been addressed, and those homes have been made more efficient because of this program in a very efficient way of doing things. One hundred and eighty-eight stories were done by media outlets in 2009, so not only does the actual work take place, but through an education process, others are made aware of the program and made aware of the need to invest in their homes and in energy efficiency.

A lot of it has been done by volunteers and certainly, you know, SaskEnergy employees and others that are working a full day's work and then going out and doing this. And I've spoken to many of them, and they just talk about the great satisfaction that they get from going out into the community and doing this. This has been largely done in urban Saskatchewan, just for the practicality of doing it in a concentrated area.

But what is new and what has happened over the last little while is that there have been three pilot projects in rural Saskatchewan. And they've worked out very, very well, where we've gone out and put on seminars and provided the community with up to \$5,000 for community improvement projects.

So we see this as a logical extension of this program, and we will be more aggressive in rolling this out in rural communities across Saskatchewan. It'll be an application process where the communities apply and SaskEnergy will make it a priority, but this is a logical extension and this is where we'll focus our outreach, if you like.

And just to further expand upon it, SaskEnergy won one of three national Imagine Canada Business and Community Partnership Awards for this program in 2009. And I suspect we'll hear some good words about 2010 as well.

Mr. Yates: — Thank you very much. My colleague has some questions.

The Chair: — Ms. Morin.

Ms. Morin: — Thank you, Mr. Minister. I'm wondering if you could just give me a little bit more information on the flare gas operation in Kisbey? I'd like to understand better, well what the co-operation is between SaskEnergy and that particular project.

Hon. Mr. Cheveldayoff: — I think the member from Cannington's probably wanting to answer this question because it's in his constituency, and he's probably quite familiar with it.

But I had an opportunity to travel out to Kisbey and to see the operation of the plant first-hand, so I'll take a stab at it. But it is indeed a true partnership where it's a 50/50 partnership with Atco, a joint venture where it's some \$44 million of investment and \$22 million from each partner. The profits are split accordingly. SaskEnergy provides the pipeline and the capturing facilities and concentration facilities, and Atco operates the plant itself.

And again with this partnership, as with many partnerships with the private sector, you use the expertise of each partner, bring it together to create synergies and to create a business model that provides a profit and an expanded service for all customers of the two entities. So it's working very well. We continue to impress upon Atco, every time I meet with them, I say, is there anything else that you want to do in our province here? Because certainly we would like them to convince their shareholders to spend even more in Saskatchewan. But it's a business model that works well, and it's a partnership that has been well-established, and we continue to want to leverage on it in the future.

Ms. Morin: — Great. And also if you could just expand on the waste heat recovery project. Can you, you know, give us some information on what that project entails, again what the co-operation is with SaskEnergy?

Hon. Mr. Cheveldayoff: — Earlier today we were discussing a bit of this, so I'm happy to go into some of the detail that we covered and then, you know, provide additional information. But basically it's about 45,000 horsepower that it takes to run the pipeline operation of SaskEnergy in Saskatchewan. And that, of course, generates a tremendous amount of heat and a tremendous amount of waste heat if you don't do something with it.

What SaskEnergy has done is partnered with an Italian company, an Italian commercial entity that has the technology to capture this heat and to yield power back onto the SaskPower grid. There is 14 locations in the province that have been identified as suitable areas for doing this. And SaskEnergy has completed two of those locations — Rosetown and Coleville — and will be working with this company to fulfill the 14 stations, with the other 12 coming on in the foreseeable future.

So it's a win-win situation. Again it's something that, as we are all very green conscious and wanting to ensure the best for our environment, we are looking at any type of technology, any type of partnering that we can do to ensure that that heat is not wasted, that it is recycled where possible. And this is an area that, you know, is done very well by SaskEnergy.

Ms. Morin: — Thank you very much. My colleague would like the floor back, so I'm going to concede again and let the member from Regina Dewdney.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you very much. My question to the minister is: are you ready to vote this off?

Hon. Mr. Cheveldayoff: — Am I ready to vote this off? Can I consult on that and come back to you in a few minutes, or can I say yes, right on. Let's do it.

Mr. Yates: — I'd just like to take the opportunity to thank the minister and his officials for coming this evening. We had planned to spend another hour or so. We went a few minutes over that, but do thank you for your time and your diligence in answering our questions.

Hon. Mr. Cheveldayoff: — Thank you. Mr. Chair, if I may, thank you to the members. Certainly I appreciate their questions and the professional manner that they were posed. I thank the officials for coming with me, somewhat unexpectedly here in the last little while, but nevertheless I find every time we do this, I learn something. And I think all members involved have an opportunity to learn more about SaskEnergy and the service that it provides. So thank you once again and, Mr. Chair, thank you for the opportunity.

The Chair: — Thank you. Seeing no other questions, we will vote this off. We will start with Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 and 3 agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 105, *The SaskEnergy Amendment Act, 2009*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I would ask a member to move that we report Bill No. 105, *The SaskEnergy Amendment Act, 2009* without amendment. Mr. Weekes has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Well with that, we're completed our work in front of us this evening, so I would also like to thank the minister and his officials and the committee members for their work here tonight. I will now entertain a . . . [inaudible interjection] . . . Go ahead, Ms. Morin.

Ms. Morin: — I'd like also to thank the minister and the officials for appearing before the committee this evening on such short notice and for answering all our questions. As the

minister has already stated, it's always very informative for us to be able to ask the questions that come up in committee and some of the information that comes up in committee, so we very much appreciate your time this evening. Thank you very much.

The Chair: — With that I would ask for a motion to adjourn. Mr. Bradshaw has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee now stands adjourned.

[The committee adjourned at 18:13.]