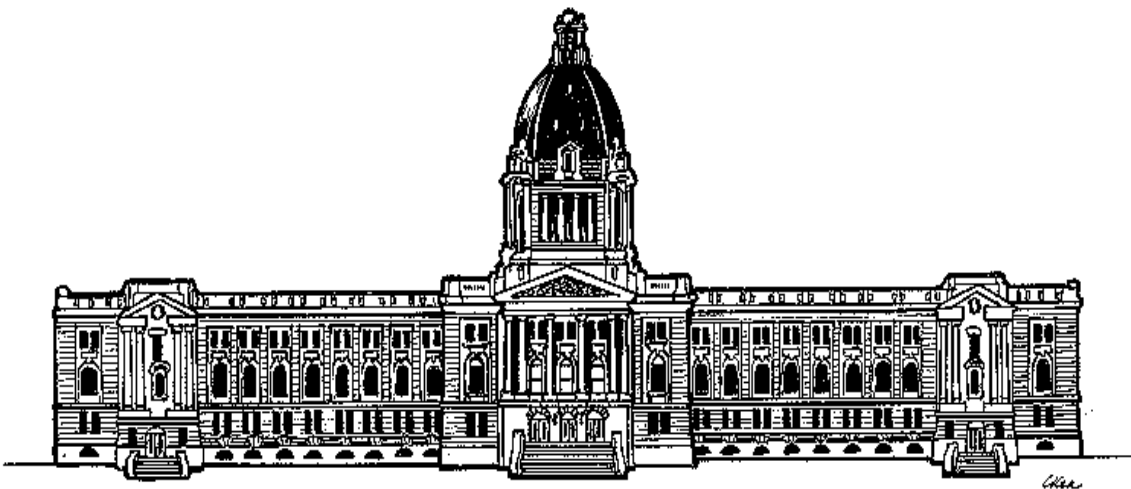




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Greg Brkich, Chair
Arm River-Watrous

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Bob Bjornerud
Melville-Saltcoats

Mr. Darryl Hickie
Prince Albert Carlton

Mr. Gene Makowsky
Regina Dewdney

Mr. Scott Moe
Rosthern-Shellbrook

Mr. Roger Parent
Saskatoon Meewasin

[The committee met at 14:59.]

The Chair: — I want to welcome everybody to the Crown and Central Agencies meeting this afternoon. I see there are no substitutions. Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

Before we do that, we have one document to table today. It is CCA 99/27, Crown Investments Corporation, report of public losses, January 1st, 2013, March 31, 2013 for CIC [Crown Investments Corporation of Saskatchewan] and subsidiary Crown corporations dated May 6th, 2013.

This afternoon the committee will be considering the estimates and supplementary estimates, lending and investing activities for Saskatchewan Power Corporation, SaskEnergy Inc., Saskatchewan Telecommunications Holding Corporation, Saskatchewan Liquor and Gaming Authority, Saskatchewan Water Corporation.

The committee will start with examination of the estimates and supplementary estimates, lending and investing activities for Saskatchewan Power Corporation. We will begin the discussion with vote 152, Saskatchewan Power Corporation, loans, subvote (PW01).

I welcome Minister Boyd and officials. And I will ask the minister if he will introduce his officials and if he has some brief opening remarks. Thank you, Minister.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

Subvote (PW01)

Hon. Mr. Boyd: — Thank you, Mr. Chair, committee members. Good afternoon. I'm joined here this afternoon by Robert Watson, president and CEO [chief executive officer] of SaskPower, on my right; on my far left, Sandeep Kalra, chief financial officer; beside me on my left, Mike Marsh, chief operating officer; on the side is Donna Dressler, general manager of strategic relations.

We've had estimates once already. I haven't any additional opening comments, Mr. Chair. We can go right directly into questions.

The Chair: — Okay. The floor is open to questions. Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair. Thank you, Mr. Minister. And thank you to the officials for coming in today. I think I'd like to focus my questions today on the statutory authority for loaning that the corporation has and just take a look at some of the activities over the last few years of how that fits in with this year and maybe some questions about the loan repayments, if I may.

So I'd start off with just noting that this year's statutory allocation is almost \$600,000 for loans. If the minister or staff

could explain what those funds are allocated for and why there would be a drop, I guess, of \$28 million from last year. But I notice over the last few years there's quite a variance in the amounts, and if the minister could explain that.

Mr. Kalra: — So the expected borrowings for the next year are 596 million. And that's based on the cash generated by the business, which is \$585 million. And that depends on the net income of \$140 million in non-cash items, mainly depreciation of 375 million and other items of 70 million.

So that gives us operating cash flow of 585 million. Out of that 585, we need to invest 1.1 billion for capital expenditures, 97 million for debt repayment, and we would get 36 million from sinking fund redemptions. That leaves a shortfall of 596 million, which needs to be borrowed to fund the investments of the corporation during the next year.

Ms. Sproule: — Now there was a number of figures given there, and I wasn't able to capture them all in writing. Could you table the document you're referring to or make a copy? Is there any way I can get a copy of that?

Mr. Kalra: — Sure.

Ms. Sproule: — Okay. Perhaps while we're waiting for that photocopy . . .

Mr. Kalra: — So the column which is shaded, that's the estimates for 2013-14. And the number at the bottom is 596 million, which is the net number that needs to be borrowed. So if you start from the top, the expected net income for next year is \$140 million. There are two non-cash items which have been added there. One is depreciation, 375 million.

Ms. Sproule: — I don't have it with me right now.

Mr. Kalra: — Sorry. Okay.

Ms. Sproule: — Just hang on a second. All right. Thank you. I've got a copy now.

Mr. Kalra: — Okay. So if you look at the first column, the number at the bottom is 596 million. That's the net borrowing that's expected for next year.

And starting from the top, the expected net income for the year is 140 million; depreciation, which is a non-cash item added back to it, 375 million. Other has lots of things, but mainly it's changes to working capital, 70 million. So that gives cash from operating activities of 585 million.

And below that there are uses of that cash. The single biggest one is capital expenditures of 1.1 billion — 1,120. Also there is debt repayment of 97 million. And from sinking funds, there is a redemption of 36. So that gives us the expected borrowings for 596 million for next year.

Ms. Sproule: — Thank you very much. So let's just take a look at some of these items separately, if we can. In terms of other, that's \$70 million, which to me is a lot of money. So could you break that down a little bit in terms of your revenues?

Mr. Kalra: — Yes. The 70 million, if you look at the line just above that table, includes debt retirement fund instalments, gains or losses, and changes to non-cash working capital. So this is accounts receivable, accounts payable, inventory — so changes to that, year over year. So that is the inventory and working capital is coming down. That's where you get the 70 million from.

Ms. Sproule: — Would that be considered a significant source of revenue this year? I see in the previous years it was a net loss, or last year I guess.

Mr. Kalra: — Yes. That's the change, year over year. So for example the receivables, net receivables, go up from let's say 100 million to 110 million. That additional 10 million would be use of cash. That shows up as a negative.

This year the expectation is that the overall working capital will be a little bit lower. That's why the amount is positive. So it's just the assets which are changing from one year to the other, and it's a net change in assets. It's not an income statement item. It's a balance sheet movement for working capital.

Ms. Sproule: — Could you . . . In terms of debt repayment, it indicates \$97 million in debt repayment, and yet you're using a loan to pay back debt. How does that work?

Mr. Kalra: — Debt repayment depends on the maturity. So it's only 97 million expiring. This is the long-term debt maturing during the year which needs to be repaid. So that's cash out. But you need to borrow to fund the investments and debt repayments because the operating cash flow of 585 is not enough to fund our ongoing capital expenditure, which is quite substantial. That's why you need to borrow the rest. So it's in and out. It's a repayment but at the same time you're borrowing more to fund the capex [capital expense] and to repay 97 as well.

Ms. Sproule: — In terms of the sinking fund redemption, can you explain what that is and why it's 36 million this year?

Mr. Kalra: — A certain percentage of the long-term borrowing is reinvested. So every year some amount is taken aside, it's invested in the capital markets, and over time the idea is to build up some corpus which can be used for repayment of this debt. This 36 million is just part of that sinking fund which is being redeemed, a part of that. The total amount is over 300 million now. The sinking fund is between 300 and \$400 million, the total amount now of the sinking fund on the balance sheet.

Ms. Sproule: — So would you have a schedule then for when those funds are planned to be used? Is that all projected? Or does it depend on the individual year and the needs of that particular year?

Mr. Kalra: — Depending upon the return on the funds and, you know, when they mature.

Ms. Sproule: — Okay. On page 148 of the Estimates, there's a schedule of lending and investing activities. And on that page it shows that SaskPower would be making a loan repayment of \$97 million. So that's the item you've indicated on your chart. I

see now the connection between the two. I was going to ask about that. Okay.

So just some basic questions then. I noticed in part of your costs last year were an investment of \$735,000 into a company called Aquistore. And that's in relation, I believe, to the carbon capture project down at Boundary dam. Can you indicate how those funds were expended?

Mr. Watson: — Yes. We had forwarded approximately \$700,000 to PTRC [Petroleum Technology Research Centre]. That was for . . . They were going to construct a well, two wells — one a main well and one a research well — down in the Boundary dam area for testing permanent storage of CO₂.

Ms. Sproule: — Aquistore was registered as a Canadian non-profit corporation and has received funds from all kinds of sources to do this work. We note that the directors of the corporation — it's a non-profit corporation — are employees of PTRC. Were you aware of that?

Mr. Watson: — We had lent the money to PTRC. We didn't lend the money to Aquistore. So on the proviso they were going to use the money for the test well.

Ms. Sproule: — So this is a loan from SaskPower?

Mr. Watson: — No, it's a grant.

Ms. Sproule: — Is there an agreement with SaskPower for the deliverables under that grant?

Mr. Watson: — Under the agreement, we had given the money, as you said, with several significant other companies in order to drill this well. We do have the right to inspect how the funds were used for that. However we don't have any misunderstanding that the funds were used for the drilling of the well, purpose of the well, and that we are presently in negotiations with PTRC in order for SaskPower to ensure that we have use of that well when it's completed.

Ms. Sproule: — So basically the \$735 was used for the physical construction of the well as far as you know?

Mr. Watson: — \$735,000, yes. It was thrown in as part of the total project dollars, yes.

Ms. Sproule: — It wasn't directed to that particular thing, but it's your contribution to the entire project?

Mr. Watson: — It was specifically for the project. It was not meant to be spent anywhere else in the organization.

Ms. Sproule: — Do you have any information on the expenditures and the exact expenditures, or will you get any of that kind of information?

Mr. Watson: — We don't have any information right now, but we have no reason to believe that the expenditures were done on anything other than on the well itself.

Ms. Sproule: — I appreciate your trust. I know I was asking Sask Environment the same questions, and they didn't have any

reporting back either, or they weren't able to provide it to me. I mean they are going to provide it to me at some point. But if you have any information, maybe, Mr. Minister, that could be tabled at some point in terms of the funds that were used for that project. Okay. Could I ask the minister for an undertaking to provide that information?

Hon. Mr. Boyd: — Yes, absolutely.

Ms. Sproule: — Okay, thank you. Recently we noted in the news and from reports from constituents that there's been a number of brownouts and blackouts, particularly in the communities of Wollaston and Ile-a-la-Crosse. And that's certainly raised concerns in those communities. They heavily rely on, obviously, on a stable power source. A number of people have lost stocks and supplies that were frozen — frozen meat, for example. So is there any sort of information we can share with the people in terms of those brownouts and blackouts and what SaskPower is doing to ensure they won't happen in the future if possible?

Mr. Watson: — Well no, I can't ensure that they won't happen in the future. They do as a matter of course. I know that we at SaskPower track our number of outages and our frequency of outages and the length of the outages. The number and the length of the outages, we track them on an active basis, quite frankly, and we do a comparison against industry on that. And we're very comparable to industry.

Part of the problem we have as a utility that's the geographical size of Texas, we have as much transmission lines as Ontario has for their population. And a lot of these lines are single lines that go into communities as a single, only line. So therefore if there is either a problem with it due to nature or something beyond our control, I think our teams are as good as anybody in the world at getting them repaired.

So part of the ongoing infrastructure cost that you see, the \$1.1 billion . . . And as we mentioned last time, is that we have an actual dollar amount that we assign every year to now upgrading the grid that has not been properly looked at for 20, 30 years. So we assigned money to do that so that we can upgrade it. But a number of our outages have not been over industry standard.

[15:15]

The length of the outages, quite frankly, last year were a bit higher, and it's only because of the serious storms that went through the province in July. Other than that, we're fine. So we do look at every outage seriously. I can tell you that the teams are on them right away. Anybody who has a claim, we look at the claim and see if there's a problem. There was a couple of complaints that came out of those areas. However we didn't feel that there was any significant issue out there from the complaints.

Ms. Sproule: — Okay, thank you. Moving on to a couple of more questions. The cogeneration project with P.A. [Prince Albert] Pulp that was projected to be on stream in May, if that's correct, of this year? What's the plan for starting up that project? What day will it start?

Mr. Watson: — We're in discussions with the P.A. pulp mill now for their plans to get us started up. We do have an agreement for them. As far as we're concerned, we're ready to work with them and to getting it started. But they have not given us a set schedule as to when they're going to start it up, but we are doing preparations to assist them in getting it done.

Ms. Sproule: — Will that include any investment on the part of SaskPower, cash?

Mr. Watson: — No investment that we wouldn't do. We of course have to upgrade the transmission facility, but we would do that with any sort of supplier.

Ms. Sproule: — I think just one more short question, and that's a concern on billing that's been raised. In particular, condos are being assessed fees. I just have to find the figures here. They pay one bill per month for the entire building.

And there's one particular condo that was asking the question, and they're concerned about the basic fee of \$20 for each unit where SaskEnergy only charges one basic fee for the entire building. So for example, 83 suites at \$20 is a monthly fee of \$1,600. SaskEnergy charges one basic charge of 30. So there's a large difference and there's a concern that this is quite punitive. So any comment on that?

Mr. Watson: — No, I have no comment on it. We're happy to look into it, however. Our fees are charged to recoup our costs, and we look at the entire rate base all the time. Our business is different than SaskEnergy's, so we're not the same. So I've not had this complaint. I will be happy to have a look at the complaint and deal with it.

Ms. Sproule: — Thank you very much. Mr. Chair, that's the extent of my questions for SaskPower's officials.

The Chair: — Thank you. Seeing no other questions, we will have a very brief intermission while we're changing, I believe, ministers and officials.

[The committee recessed for a period of time.]

The Chair: — Okay, I want to welcome the committee back again. Next the committee will examine the estimates, lending and investing activities for SaskEnergy Incorporated. We will begin the discussion with vote 150, SaskEnergy Incorporated, loan subvote (SE01). I welcome Minister McMillan and his officials here today. I will ask him to introduce his officials and, if he has some opening remarks, he may make them now. Minister McMillan.

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

Subvote (SE01)

Hon. Mr. McMillan: — Thank you, Mr. Chair, and thank you for the committee for reviewing these estimates this afternoon. I don't have a lot of opening remarks, but I would like to introduce my officials. To my right is Doug Kelln, chief

executive officer of SaskEnergy, and to my left is Dennis Terry, chief financial officer.

I understand you're reviewing all of the Crowns here this afternoon, so we'd be pleased to answer any questions you might have.

The Chair: — Thank you, Minister. Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Mr. Minister, and welcome to the officials. We seem to be spending a lot of time together this spring.

Just a few questions. I won't be long. In terms of the loan activity of SaskEnergy, I note that this year your loan activity is pretty stable from last year. It looks like you're expecting to borrow about \$145 million. I look back over the previous four years and I see a considerable amount of fluctuation: '08-09 was 53 million; '09-10 was 218 million; '10-11 was 105 million; and '11-12 was only 7 million. So first question is, can you explain the fluctuation in the borrowing of SaskEnergy Corporation?

Hon. Mr. McMillan: — Mr. Chair, the loan number that you see in any given year is predominantly made up of two components. One is gas price has an effect on the amount of borrowing. As we put gas in storage, we have to pay for it. So at \$12 a gigajoule, it can inflate that number or at \$3 you will see the amount coming off.

A very large component as well is the amount of infrastructure being put in place. And in different years, you'll see a different amount of capital infrastructure. And when projects are booked in a given year, some of those projects are very large and those numbers are reflected here as well.

Ms. Sproule: — Thank you very much. Could you explain in general what the \$145 million will be applied to this year?

Hon. Mr. McMillan: — Mr. Chair, of the number reflected, 50 million of that is debt maturity, of debt that matures this year. Ninety-four is the net of operations. Of that operations, that's where you would see reflected about 100 million of customer-driven infrastructure activity, 50 million of integrity programming and gas purchases, as we spoke of, based on the price of gas.

Ms. Sproule: — Okay. My math isn't very good. So are you saying 50 million is for debt maturity and the remainder is net of operations.

Hon. Mr. McMillan: — That's correct.

Ms. Sproule: — Okay. And of that 94 million for operations, you listed a number of things. Could you repeat that, please?

Hon. Mr. McMillan: — The primary drivers of that would be about \$100 million of customer-driven activity — putting in new connections for residential and commercial, new pipelines in the ground to ensure that we have the capacity of gas as we see more of our gas supply coming from out-of-province. Fifty million of it roughly for integrity work, that's the number you would've seen increase dramatically over the last several years

on the safety side. And the gas purchases as well would be, how many gigajoules times \$3?

A Member: — Fifty-five million

Hon. Mr. McMillan: — Fifty-five million gigajoules. And we expect to purchase about 55 million gigajoules of gas this year, the current price in the 360 range.

Ms. Sproule: — Would you add that up for me with the total gas price expenditure?

Mr. Terry: — If you even assume that gas prices will average \$4 in a given year, at 55 PJs [petajoule] or 55 million GJs [gigajoule], you'd get \$220 million worth of gas purchases in a given year. So if you add up all those numbers, including the capital expenditures that the minister spoke of, what you need to offset against that is . . . [inaudible] . . . from operations, as well as any customer contributions towards that capital.

Ms. Sproule: — So the figures you've given me exceed \$145 million?

Mr. Terry: — Yes.

Ms. Sproule: — So that's your total expenditures for the year?

Mr. Terry: — Yes. So the net borrowing would be the 145 million.

Ms. Sproule: — Of all expenditures?

Mr. Terry: — With everything all in. Yes.

Ms. Sproule: — I was asking specifically what the 145 is allocated for, but it would go to your total operation then?

Mr. Terry: — Absolutely.

Ms. Sproule: — I noticed that in estimates there's a repayment of loans for SaskEnergy. You don't have any repayments on loans? Oh no, there they are: 50 million this year? Is that the debt maturity that you've referred to? . . . [inaudible interjection] . . . Okay. Thank you.

One particular question I wanted to ask was about a contribution to a project called Aquistore, which is a deep saline aquifer CO₂ storage project at the Boundary dam power plant. And SaskEnergy contributed \$325,000 to that project. I'm just interested in how that was provided to the project and to whom it was provided and what, sort of, your expectations of the contribution. Who's accountable? Like how you account for that money being spent and whether it's been spent yet or not.

Hon. Mr. McMillan: — Mr. Chair, the numbers the member opposite, the member of the committee speaks about were expenditures in the years 2010-2011. At that point we were part of the Aquistore research consortium. As members will know, that is storing of carbon dioxide for environmental benefits coming off the Boundary dam 3 plant. We felt that with our expertise as a pipeline company that we wanted to be involved to ensure that if there was opportunities for the transportation of the CO₂ product that in fact that we were involved.

[15:30]

Ms. Sproule: — The funds that were provided to Aquistore, was that in the form of a grant? And to whom was it provided?

Hon. Mr. McMillan: — Mr. Chair, it was, as the member characterized it as, a grant. The company would characterize it as a contribution. I don't know if there's a legal term for either, but they would call it a contribution to the Aquistore project which was doing the work around the sequestration at the time.

Ms. Sproule: — In terms of that contribution, are there any outcomes so far? Have you received any outcomes from it on how the money has been spent and whether your goals in terms of, you said, opportunities for pipelines, has there been any outcomes in relation to that?

Hon. Mr. McMillan: — The answer would be that in fact the information that was provided to the consortium partners did include transportation as part of the research work that was being done. There were other transportation or pipeline companies involved in the consortium, but with the information we got back through that work, SaskEnergy has decided that that wasn't a line of business they were interested in pursuing.

Ms. Sproule: — So the \$325,000 was a one-time contribution, and the corporation decided to discontinue their interest in that work?

Hon. Mr. McMillan: — It was made in two separate years, in 2010, 2011.

Ms. Sproule: — I note that Enbridge has provided \$735,000 so obviously, as a pipeline company, that's something they're interested in as well. In terms of the contribution, were there any reporting requirements that Aquistore was to report back to your corporation?

Mr. McMillan: — We're testing our memories here, going back a few years, but there was certainly, there was face-to-face reporting. We believe that there was possibly written reports as well. But we don't, going back three years, remember exactly what report was given.

Ms. Sproule: — Thank you. I'm going to just move on here. What is the debt to capital ratio for SaskEnergy this year?

Hon. Mr. McMillan: — The 2012 debt to equity ratio would be 59/41; 2013, in the estimates we're currently reviewing, it's estimated to go to 61/39. And a report on our current state right now, it's about 57/43. And that number will fluctuate by timing of year as capital is put in the ground and as debt is taken to do that work.

Ms. Sproule: — And in your view, that's an acceptable range?

Hon. Mr. McMillan: — Our long-term target is 57/43, and we think that that's a very healthy level. We compare with industry partners, both private sector and publicly run utilities, and we think that that's an appropriate and healthy level that we will continue to pursue.

Ms. Sproule: — Thank you. Are there any rate hikes projected

for consumers for SaskEnergy?

Hon. Mr. McMillan: — Mr. Chair, the members will remember about a month ago we put an application before the rate review panel on a delivery rate charge. The projected, expected implementation date would be September 1st. And the members will remember that was a two-year staggered rate increase. We put it forward in that regard because we think it's a very transparent and forthright way to move forward so that we will have a level of income that is appropriate to maintain the debt/equity ratio that we think is healthy and allow us to provide the services to the people of Saskatchewan in a way that will keep the economy growing and people served in a manner that they are looking for as well.

Ms. Sproule: — Thank you very much. Thank you for reminding the members of that announcement. Just a general question in terms of your debt load. If interest rates do go up, will that change your debt to equity ratio?

Hon. Mr. McMillan: — The interest rates' potential changing wouldn't have any effect on our debt/equity ratio, but it would make the cost of borrowing more expensive. We're currently in a situation where we're on a fairly regular basis retiring long-term debt that was taken out 10, 20, 30 years ago, and today we're able to replace it with debt — again looking out for longer term locked-in rates — at a far lower rate in general than what was taken 10, 20, or 30 years, putting the company in a healthy position going out for several years.

Ms. Sproule: — Thank you for that explanation. What would be the longest term you're able to lock in borrowing at the current interest rates?

Hon. Mr. McMillan: — Thirty years is generally the length that would be the longest we would lock money in for.

Ms. Sproule: — Thank you. I wish my mortgage company would do that. In terms of the finance and accounting provisions in *The SaskEnergy Act*, are there any changes that the corporation is looking for or does the corporation find that these are generally satisfactory and do facilitate the work of the corporation?

Hon. Mr. McMillan: — In regards to the Act, we have no issues to raise with the committee.

Ms. Sproule: — All right. Mr. Chair, that's the extent of my questions for SaskEnergy.

The Chair: — Seeing no other questions, I want to thank the minister for appearing, his officials, and for the questions being asked. So now we will adjourn consideration of estimates, lending and investing activities for SaskEnergy Inc. And we'll quickly have a quick turnover of another minister and officials, I believe. Would you say a few words, Minister?

Hon. Mr. McMillan: — Yes. I'd just like to thank the committee for their questions and thank my officials for their prepared nature today. Thank you.

The Chair: — Next the committee will examine the estimates, lending and investing activities for Saskatchewan

Telecommunications Holding Corporation. We will begin the discussion with vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01). I welcome the minister here today and officials, and I will ask the minister if he has any brief opening remarks and to also introduce his officials.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

Subvote (ST01)

Hon. Mr. McMorris: — Thank you, Mr. Chair. It's always a privilege to be here representing the Government of Saskatchewan. I'll begin by introducing the SaskTel officials in attendance today. On my left is Ron Styles, president and CEO; and to his left is Darcee MacFarlane, vice-president of corporate and government relations; and on my right is Mike Anderson, the chief financial officer.

I want to thank you for the opportunity to make a few remarks — they'll be very brief — on what SaskTel has been up to, as we had appeared before the committee not too long ago. So we dealt with a lot of the issues at that time.

I do want to reiterate my comments I made at that time and indicate that SaskTel plays a vital role in our province and has done an excellent job providing the people of the province with technologies and services that are industry leading. An example of this is the current fibre program that is under way in Saskatchewan.

SaskTel is completing extensive network programs while remaining fiscally strong and well positioned in a competitive marketplace. So with that, I am here . . . or the officials, I should say, are here to answer any questions the committee may have as we move forward. Thank you.

The Chair: — Thank you, Minister. We'll open the floor to questions. Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair, and thank you, Mr. Minister and your officials, for coming in today. I have just a few questions about the lending and investing activities in relation to SaskTel. And initially I guess my first question is just around the estimates for this year. I understand the statutory loans we're looking at are \$123 million. That's down \$60 million from last year's estimates. And I note a certain amount of fluctuation over the years. I've looked back to '08-09 which was 158 million; '09-10, 150 million; '10-11 was a big jump of 317 million; and then '11-12 was 93 million; last year, 183 million.

So maybe in general if you could explain the fluctuation over those years, why this goes up and down. And then in particular, if you could describe to me the necessity for that level this year for loans.

[15:45]

Mr. Anderson: — Sure. So the cash flow generated from the

business, cash flow from operations in previous years has generally been — and I'm going back probably about 10 years — has generally been enough to fully self-finance SaskTel in terms of our capital programs. But in the last probably five years, we've had some of the most significant capital programs that the corporation has ever faced. We are investing in all facets of the business. All of our network technology is being upgraded. All of our back office operational support, business support systems are being upgraded. And even, in some cases, our physical infrastructure like our buildings are being upgraded.

So we're looking at significant capital investment, particularly in the last couple of years. Cash flow from operations has been not enough to fully fund that, so the shortfall. We've had to go to the capital markets to borrow money.

Ms. Sproule: — Do you have a breakdown for this year's estimates in terms of your general outlook and where the 123 million fits in? Like, what's your cash flow? What other sources of revenue do you have, like from your . . .

Mr. Anderson: — The revenue all comes from products and services that we sell to customers throughout the province. So I can provide a cash flow statement if the member would be interested in that. I probably have 2013 here with me. So in terms of 2013 . . .

Ms. Sproule: — Is that '12-13?

Mr. Anderson: — 2013.

Ms. Sproule: — 2012-13 or 2013?

Mr. Anderson: — Sorry. 2012-2013, I have that statement with me and have a forecast for 2014. Cash flow provided by operations in 2012-2013 is \$280 million. And it does increase for 2013-2014 to \$300 million. Cash used in investing — so this is primarily our capital programs — 2012-2013 is \$280 million; and 2013-2014, \$394 million. And of course the borrowing is used to fund the difference.

Ms. Sproule: — Now I don't know if you could explain . . . I don't know if I can characterize my question properly. But in terms of the statutory provisions for financing the operations and getting these loans, I know there's certain guarantees that the Government of Saskatchewan provides. How is that comparable to, I would say, private telecommunications providers? How advantageous is that, and can you give me an idea?

Mr. Anderson: — So our money is all borrowed through the province. We do not go directly to the capital markets, so we do have the advantage of, you know, the large borrowings that the province makes. They get very favourable interest rates relative to probably what we would be able to generate on our own. Because we do not go to the capital markets, I can't really give you a sense for that differential.

Ms. Sproule: — Okay. I guess we could just know that it's advantageous then, the best you . . .

Mr. Anderson: — Absolutely, yes.

Ms. Sproule: — Okay. In terms of the statutory requirements I guess for finance and accounting — it's Part IV of your Act — are there any issues with respect to the Act? And I can't remember if this session, if there's a bill to change borrowing limits. Is that correct? Presumably that came at the request of the corporation.

Are there other concerns with the statute, the statute itself and the legislation in terms of the finance and accounting provisions? Have you any other wish list for the minister?

Mr. Styles: — The primary reason for the Act change is simply to extend the term of borrowing that we can put out into the market or retain the market. So in the past we've been limited to 30 years. Markets now have lengthened a fair bit, and if you go back even 10 years there wasn't much chance of getting 30-year money, much less 40-year money. At the present time you can go into the markets and get 35 and 40 years. So we want to take advantage of that.

Interest rates remain very, very low, very stable. And so again, it's about making sure our borrowing matches up with our asset lines. And again we've got some great opportunities going forward, so we want to change the Act to reflect those opportunities.

Ms. Sproule: — You just said something and I didn't catch the term. It was borrowing is equal to asset . . .

Mr. Styles: — We'd like to match up to the extent possible, okay, the term of the borrowing to the kind of assets that we're building. Right now we've got quite a large fibre to the prem play, as an example. Fibre is a long-term asset. It's not a short-term asset. And so if you can borrow to match up to a certain extent with the assets that you have out there, it's preferable.

Ms. Sproule: — So what is the long-term for fibre?

Mr. Styles: — Well I mean, fibre is the future. You can look to just about any telecom across Canada right now, they're all involved in fibre plays. It starts with Bell Aliant on the far, far edge of Canada — again, the Maritimes — and into Ontario and Quebec. Manitoba Tel is doing some fibre deployment right now into a number of communities in Manitoba. We're doing it. Telus is doing it. So right across Canada.

We may be one of the more aggressive right now; I mean, we're pushing pretty hard. We're working in Regina and Saskatoon, plus on top of it, we're going to start running fibre into people's homes in Moose Jaw. And we'll extend that to other communities over the next number of years as well.

We're also employing a lot more fibre into our transport network. So we have the ability to move a lot more data between points A and points B. So wherever you want to put up a tower, as an example, to handle wireless, you need a fibre backbone to be able to move that amount of data. So in the long run, I would hope maybe within 10 years or 12 years, we would primarily be a fibre network and we would have almost no copper, probably some, somewhere, but very little copper.

Ms. Sproule: — I'm not familiar with all the lingo. When you

say fibre play, what exactly do you mean?

Mr. Styles: — Well you can use fibre in a lot of different ways in your network. So we're using fibre to our towers, as an example, okay. We're using fibre to the premises, so to individual's homes. We're starting to move fibre into businesses as well, so a fibre to the business program is under way.

We've also been working with the federal government and we've run a large program that has taken fibre on-reserve. And so schools and health facilities on-reserve are receiving fibre and that gives them more bandwidth and more capacity as well as greater speeds. It gives them the kind of opportunities that you're seeing right now through CommunityNet throughout the remainder of Saskatchewan.

So we're using fibre for a lot of different purposes. We have an existing fibre backbone that allows us to transport data around the province or transport voice around the province. We're going to continue to build and strengthen that. So we're using fibre as a transport mechanism as well, so again in a lot of different aspects of our overall network.

Ms. Sproule: — Thank you. As the minister is familiar, we have presented a number of petitions in the House regarding cellular capacity in the North. And I'm just wondering if the officials could comment on long-term plans in relation to cellular accessibility for remote and rural areas.

Mr. Styles: — We've essentially completed our deployment of wireless, I guess, in the southern part of the province and even, to a certain extent, into the northern part of the province from an economic perspective, so the size and the capacity of network that's required to ensure our customers have the kind of services that they demand and that they value.

From here we'll start to fill in, in certain places, okay, within the province geographically, identify those that are important for our customers and that have economic value to the corporation. In the North, we're still working with a number of northern players to, you know, be able to assess where it might be economic. As an example, we have discussions under way right now with a number of bands on the west side of the province. They may decide that they want to contribute some dollars to the development of a tower and in putting up the wireless which would maybe make the business case.

We've recently done that with the local band, PBCN [Peter Ballantyne Cree Nation] up at Southend. And so we contributed money to the tower. The band did; the local health district, if I remember, did. Two of the companies — I believe Cameco and Areva, I think — contributed to it as well. So it took a situation where we couldn't justify it from an economics perspective. It made it into something that was justifiable economically. And we've now got a tower in Southend that serves both the community itself as well as the band that's there.

So we're continuing to look at lots of different options. Our recent announcement last week that the minister made with Cameco is a good example of a type of initiative that supports those developments. It'll take fibre from the southern part of Saskatchewan up to the mines, but along the way it'll be hitting

a number of communities as well. And that will give us the necessary fibre backbone to potentially extend wireless to communities on the east side of the province in the far North. So we're looking for the right opportunities, but economics will dictate the rate of expansion.

Ms. Sproule: — I noticed you commented on a number of First Nation reserves. There are a number of northern communities that are not located on-reserve. And are those the ones that you're finding that are more difficult to finance because they don't have access to other sources of funding?

Mr. Styles: — I would say it's equal. I don't think it's one or the other. Again we've done something in Southend for instance, which is a, you know, a community itself. So I don't think it's one or the other. I think, again there's a challenge for any isolated community in the isolated settlement that might be out there. And again it comes down to the number of people that are going to have devices and the cost of the tower and the fibre backbone, etc. You can be into 1 million, 1.2 million, 1.3 million. And so it's a lot of money to put in, and you need to be able to generate the appropriate amount of revenues to pay for it.

Ms. Sproule: — Thank you very much. I haven't had the benefit of looking at the estimates and the comments that were made in that committee hearing. So I apologize if I'm repeating questions that were raised there.

Last year I was reviewing the comments from this committee and the lending and borrowing, investing activities. And one of the questions that was asked then was in relation to the call centre and staffing. And I think it was on page 94, which I may not have directly with me, but I'm just wondering if the . . . At that time, you indicated there was some temporary workers that were filling in to keep up with volumes for certain activities. Is that continuing? Are you still using temporary workers for the call centre?

Mr. Styles: — It was a . . . As we said at the time, it was a temporary arrangement to help us with a major system conversion. We implemented a new customer relationship management system. As we pulled our own staff in to be trained on the system, we needed to have some capacity to be able to handle the calls coming in from our customers. We used it on a temporary basis. The system was implemented, if I remember correctly, around July 1st last year. And that was the end of using that particular outside-Saskatchewan call centre.

We do from time to time and as other, you know, system developments occur over the next couple of years, I would anticipate we might do the same thing. But again it's always on a temporary basis, and it's to give our staff enough time to be able to get the kind of education that they need to be able to use new systems that we're bringing in.

Ms. Sproule: — Are there any other projects where you're reusing temporary workers in the upcoming year?

Mr. Styles: — You know, not that I'm aware of off the top of my head. There might be some small things, but not on a large scale that again that occurs to me at this point.

Ms. Sproule: — Thank you. What is the current debt to equity ratio for SaskTel Communications?

Mr. Anderson: — It's currently around 42 per cent. It's projected to be 46.5 per cent by the end of the year.

Ms. Sproule: — And is that something that . . . Well I guess you're comfortable with it, but what's the target range? Like where would you like to be with that? Are you comfortably within that range?

Mr. Anderson: — The target, which is loosely kind of based on industry average for us, is at 50 per cent. So we are well below our target.

Ms. Sproule: — And what's the borrowing you're now currently engaging in? And maybe within the next five years, are you still seeing significant borrowing in relation to your infrastructure upgrades?

Mr. Anderson: — Not significant. Not to the same levels as we have seen last year and this year. There will be some borrowing over the next five years but probably, over the five years, probably equivalent to what we'd be looking at this year. Still the forecast is for our debt ratio to stay below the 50 per cent target.

Ms. Sproule: — I note that, in terms of loan repayments, on page 148 of the Estimates, SaskTel is making a loan repayment of \$42 million, \$42.7 million, for this estimates. How does that work when you're borrowing 123 million and you're paying back 42 million?

Mr. Anderson: — The 42 million is short-term notes payable. So we borrow short-term money from the province until we get to a sizable enough amount of money that we think we have enough to secure long-term debt.

At that point, we'll get long-term debt and we'll repay part of the short-term notes payable that we've got.

[16:00]

Ms. Sproule: — Sorry. Could you explain that just a little bit more for me. So why wouldn't you just do long-term debt right off the hop?

Mr. Anderson: — Because the rate's higher than the short-term. So it's more cost-efficient for us to use a short-term debt until we get to certain levels where, you know, it would basically, for us, anywhere between 125 and 150 million, when we start to get up into that range, if it looks like it's going to be sustained over a longer period of time it makes more sense to go long term.

Ms. Sproule: — But if long-term is more expensive, could you not just continue with the short-term rates?

Mr. Anderson: — No because again there's thresholds where you don't want to drive notes payable up too high. So we keep our short-term, like I said, we try to keep our short-term notes payable under 150 million. We have capacity to go above that but going much beyond that for us . . . It is really long-term

money that we need. As Ron mentioned, you're investing in assets that have a 20-, 30-year life. It makes more sense to fund those with longer term money.

Ms. Sproule: — Would that be because short-term could be on demand? I'm not sure I understand why long-term is more desirable. I'm sorry. I need some education here.

Mr. Anderson: — Well just because over a number of years . . . Like so in our case, we borrowed 150 million last year, looking at another 120 million this year, potentially another 100 to 150 next year. At some point you're getting beyond the capacity for the corporation in terms of our legislative authorities to stay with short-term debt. So at some point, we've got to off-load some of the short-term into long-term.

Ms. Sproule: — Okay. So let me go back one more then. The loan payment this year, the loan repayment of 42.7 million, is that short-term debt or long-term debt?

Mr. Anderson: — That's short-term. We'll be using the long-term debt to repay some of the short-term.

Ms. Sproule: — And where would I see the payback for long-term debt? Have you made any payments on that yet?

Mr. Anderson: — No. Sorry. The first tranche of long-term debt that we have that comes due for payment is in 2020. We do have a provision for a sinking fund where we put money aside each year towards the repayment of the debt, but we don't have any debt callable until 2020.

Ms. Sproule: — What is the amount in your sinking fund right now?

Mr. Anderson: — 101 million.

Ms. Sproule: — And how much will be put in, in this fiscal year, into the sinking fund?

Mr. Anderson: — Well it's generally 1 per cent of the outstanding debt.

Ms. Sproule: — So just as a matter of course, that's the annual contribution? Is SaskTel expecting any rate hikes this year?

Mr. Styles: — We're a little different than the other Crowns. We have a variety of products and services where they might have one, two, three services in effect, okay? We have a whole variety. So depending upon whether or not they are the regulated services that we have oversight, through the CRTC [Canadian Radio-television and Telecommunications Commission], those ones are all driven through the CRTC. And again there are certain guidelines for each one as to how often you can increase it, the size of the increase, etc.

So where they are unregulated products and services, okay, those are decisions taken by the corporation. And we do make frequent changes to match up with what's going on in the markets. So if one of our competitors decides to reduce the price of a particular cell plan, we'll try to match up to that as well. So again it just depends on what happens in the market generally.

Ms. Sproule: — Thanks for that. Can you give me an example of two or three unregulated types of products or services that you have?

Mr. Styles: — An example would be Max. You know, that would be one, probably one of the best ones from my perspective. Wireless is not regulated as well, so any of our wireless products from data sticks to cellphones, you know, the cell plans themselves, okay, all of those are unregulated. So those are some. Well SecurTek would be another. Again we have quite a variety of different services, okay, that are unregulated. The number of price points and services that we have would number in the hundreds and so it's quite an extensive variety.

Ms. Sproule: — I know that from experience, trying to figure out the wireless plan. So the regulated portion, is that really just the land lines? Is that mainly what CRTC . . .

Mr. Styles: — It's a little bit more than that. My apologies. Little bit more than that. Some of the data services, legacy data services for instance, okay, they're also regulated. So that if somebody comes to us and wants to be able to move data from point A to point B using our copper system, etc., okay, then a lot of that is still regulated as well. So there's quite a number of services that fit into that.

Ms. Sproule: — Seems unusual that CRTC isn't expanding their scope, but I know that's probably not something you want to think about so . . . [inaudible interjection] . . . Pardon me?

Mr. Styles: — I guess I could offer my view on that, definitely.

Ms. Sproule: — That's okay. I think we're getting close to the end of our time, so I would like to thank the minister and his officials for their answers this afternoon. And that's the extent of my questions, Mr. Chair.

The Chair: — Thank you, Ms. Sproule. Does the minister have any remarks?

Hon. Mr. McMorris: — I'm glad we didn't get Ron's views on that because we could have been here for a little while. Anyway, thank you to the committee members and the leadership from SaskTel. Thanks.

The Chair: — Thank you, Minister, and thank the officials for appearing. We will move on to our next set of estimates. We'll just be changing ministers and officials.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Liquor and Gaming Authority
Vote 142**

Subvote (GA01)

The Chair: — Okay. We will resume. Next the committee will examine the estimates, the lending and investing activities for Saskatchewan Liquor and Gaming. We will begin the discussion with vote 142, Saskatchewan Liquor and Gaming, loans, subvote (GA01). I welcome the minister here today, and her officials. And I will ask the minister if she wants to

introduce her officials and if she has any brief opening remarks.

Hon. Ms. Harpauer: — Thank you, Mr. Chair. Joining me here today from SLGA [Saskatchewan Liquor and Gaming Authority] are, to my left, Mr. Barry Lacey, president and CEO; and Mr. Warren Fry, senior director of gaming partnerships. And to my right is Mr. Kent Paul, the director of financial services.

SLGA's 2013-14 estimated financing requirements are presented for your consideration in vote 142, the amount of \$125 million. The financing requirement related to capital projects initiated last year, the most significant of which included the replacement of the province's network of video lottery terminals or VLTs along with the VLT central operating system, and the replacement of slot machines and the slot machine central operating system located in the Saskatchewan Indian Gaming Authority casinos. The financing requirements this year are 21 million less than the 146 million noted in last year's estimates, primarily due to lower than anticipated costs related to the replacement of the VLT system and a smaller number of slot machines replaced last year at the SLGA casinos than was initially anticipated.

So with that, I will open the floor to questions.

The Chair: — Thank you, Minister. And we'll open the floor to questions. Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Madam Minister. Just to start off with, I went back a few years to get a sense of the type of loans that SLGA has looked at in the past few years. It doesn't appear that this is something that the authority does on a regular basis. I found one, a loan in 2010-11 for 7 million. Last year was the highest. It looks like 146 million. And this year, as you indicated, it's down 21 million to 125 million.

Just in general, if you could describe to me the loan . . . or sorry, the financing plans for the corporation or the authority I guess and why there are years where no loans are required.

Hon. Ms. Harpauer: — Generally because SLGA generates revenues, they finance their own capital projects, which is generally upkeep of their different facilities. Replenishing the entire VLT system however was a significant amount of money, and that's why this was borrowed. And again last year it shows up as 146 million, but this year it's reduced, simply because the cost of the replacement was less than anticipated. So that's why you see the reduction this year, but it is the same loan as what you saw last year.

Ms. Sproule: — Thank you. Would that be something that will go into the future? Or is that going to be wrapped up by this year?

Hon. Ms. Harpauer: — The anticipation is to pay it over the length of five years, so it should be reduced each year going forward.

Ms. Sproule: — When you say reduced, is this the total amount of the loan, or is that what you're planning to borrow this year — 125 million?

Hon. Ms. Harpauer: — The total amount of the loan is 125 million.

Ms. Sproule: — So when I look back on page 148 of the Estimates, there's a reference to loan repayments, and there it shows 125 million. So we are voting \$125 million. I'm sorry, I don't understand because last year we would've voted off a loan for 146 million. This is not additional money, 125 million?

Mr. Paul: — When you're looking at the estimates, the 125 repayment relates to the fact that we currently have a short-term loan. And that, we'll be repaying that and then taking out 125 million in a long-term loan in the current year. So it's just a conversion from short-term to long-term debt.

Hon. Ms. Harpauer: — The . . . [inaudible] . . . amount from last year would be more, it's higher, is that was projected what would needed. It wasn't actually borrowed.

Ms. Sproule: — Okay. What's the total amount of debt currently for the authority, short term and long term?

[16:15]

Mr. Paul: — The total amount of debt for the authority is projected at 125 million.

Ms. Sproule: — And according to the estimates, that will be repaid this year. So your debt next year would be zero? I'm misunderstanding, I'm sorry. Please.

Mr. Lacey: — If I could — sorry — if I could perhaps . . .

Ms. Sproule: — Give it a whirl.

Mr. Lacey: — Give it a whirl. Correct. So essentially, currently the debt's in a short-term loan format. And then once you get to a certain amount, our loan is managed through the Ministry of Finance. They'll go to the markets and get us a long-term loan. And when we obtain that long-term loan, essentially that funding that you obtain through the long-term loan is used to pay off the short-term loan. So it's like having a line of credit in your household that you build up your line of credit, and then you go out and you take perhaps a longer term loan with better terms, and you use that loan to pay off your line of credit.

Ms. Sproule: — So right now it's currently in the form of a short-term loan, and you are converting it to long term this year?

Mr. Lacey: — The funds are in the format of a short-term loan, and we anticipate that sometime during the current fiscal year, they'll be converted to a long-term loan format. Correct.

Ms. Sproule: — And that term is five years?

Mr. Lacey: — Yes, that's in anticipation that when we go to market, that we'll be looking for a loan repayment period of five years.

Ms. Sproule: — I think I might understand that. Thank you. In terms of further expansion in the future, are there any large or significant capital plans for any construction, casinos or liquor

stores?

Hon. Ms. Harpauer: — No. Our projection for this year is going to be maintenance of the existing stores.

Ms. Sproule: — And no casinos on the horizon then? Or do you build casinos?

Hon. Ms. Harpauer: — We don't build casinos. That would be . . . I can't say no . . . [inaudible] . . . looking at a few locations but that's not ours to build.

Ms. Sproule: — So in terms of capital assets for SLGA, is it mainly the slot machines? Would that be the large bulk of your capital assets? What other types of assets do you have?

Hon. Ms. Harpauer: — We have VLTs, slot machines. We own some of our buildings, and we own a warehouse.

Ms. Sproule: — And those are liquor stores? That's the buildings that you own? And the warehouse is also for liquor warehousing?

Hon. Ms. Harpauer: — Yes.

Ms. Sproule: — Okay. Thank you. Just a quick question about community grants. How many . . . amount was distributed in community grants last year?

Hon. Ms. Harpauer: — That's not through SLGA. That's through, I believe, tourism . . . Culture, Parks — and whatever it's called now — Sport.

Ms. Sproule: — Thank you. In terms of the new private liquor stores that are being proposed, that have been announced, how will that impact the cash flows for the corporation or the authority?

Hon. Ms. Harpauer: — We foresee there being revenues from these stores in that SLGA will mark up their alcohol. Then there will be a 16 per cent discount going to these stores, but we won't have the overhead of owning and operating ourselves. So there is a markup. There will be corporate tax on these businesses. And there is still the consumer consumption tax.

Ms. Sproule: — That won't change at all. In terms of the profits though that these private stores will make that will no longer be available to the General Revenue Fund, what percentage of SLGA's revenues would that reflect?

Hon. Ms. Harpauer: — We don't project that we're going to take a loss on this simply because our markup is significant. They get a 16 per cent reduction. But as I said, that is balanced off by SLGA not having the overhead costs, be it the utility bills, the staff, the maintenance of the building, everything that goes with overhead costs. As well as they would have to pay . . . They'll have to pay corporate taxes, which SLGA stores are not paying, and the consumer consumption tax remains the same as well. So like I said, we're not planning this to be a loss.

Ms. Sproule: — So there will be no net loss to the taxpayers, I guess, in terms of not operating liquor stores, these two liquor stores?

Hon. Ms. Harpauer: — We will know more once they're operating and we have a year's numbers to say absolutely no or absolutely we're going to, you know, make more money. We'll see what happens.

Ms. Sproule: — How much are you estimating to pay to the GRF [General Revenue Fund] this year?

Mr. Paul: — SLGA's budgeted net income for 2013-14 is 491.8 million.

Ms. Sproule: — Thank you. And I see that's gone up significantly — well I guess substantially — from last year. And with the privatization of the liquor stores, your anticipation is that it will remain the same or perhaps may even be higher. You don't know yet.

Hon. Ms. Harpauer: — We don't know yet. Plus these stores won't be operational until late, late into the year, yes.

Ms. Sproule: — Just a couple more quick questions. Online gaming, specifically for Northern Bear online casino, First Nations: what is your approach to developing a position on this issue and what factors are you taking into consideration?

Hon. Ms. Harpauer: — Cabinet had a discussion on this particular issue — I'm trying to remember the month, but it was some months ago — and our position was that we as government were not going to get involved with online gaming. What is happening right now is being looked at by Justice.

Ms. Sproule: — Okay. I think then, Mr. Chair, that would be the extent of my questions for the authority. Thank you very much.

The Chair: — Well thank you. Seeing there are no other questions, does the Minister have a closing remark?

Hon. Ms. Harpauer: — I just want to thank the committee members and the officials for their time, and the official opposition for her thoughtful questions.

The Chair: — Thank you to the minister and officials for appearing here. We will I guess move on to our next item. We will have to change ministers and officials, so it will take a minute or two.

I want to welcome back. Next the committee will examine the estimates of lending and investing activities for Saskatchewan Water Corporation. We'll begin the discussion with vote 140, Saskatchewan Water Corporation, loans, subvote (SW01). I want to welcome the minister here today, and his officials. And I'll ask the minister if he wants to introduce his officials and if he has some brief opening remarks. Mr. Minister.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140**

Subvote (SW01)

Hon. Mr. Cheveldayoff: — Thank you very much, Mr. Chair.

Good afternoon to you and to committee members. It's my pleasure to introduce the officials from the Sask Water Corporation here with me today for the consideration of the 2013-14 estimates and supplementary estimates.

To my immediate right is Marie Alexander, vice-president, business development and corporate services. To my immediate left is Jeff Mander, vice-president, operations and engineering. And . . . Oh, I mixed that up. Immediate right is Trevor Boese, senior accountant.

Mr. Chair, I know that we don't have a lot of time. So I'll dispense with any opening statement but again reiterate that my officials and I would be pleased to take any questions that members may have, or yourself. Thank you.

The Chair: — Thank you, Minister. Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. And thank you, Mr. Minister, and the officials for coming here today to take questions. First question I'll start with is just a general question about Sask Water Corporation's borrowing. I did a quick review from the past few years and see that in '08-09 there was \$12 million; in '09-10, 33 million; '10-11, 17 million; '11-12, 10 million; last year projected 3.4 million, or estimated; and this year it seems to be up again, at 18.785 million, which is up 15 million from last year.

Just generally, if I could ask the minister to provide some comments about the borrowing story of Sask Water Corporation, and then specifically why this amount is being estimated for this fiscal year.

[16:30]

Hon. Mr. Cheveldayoff: — Thanks very much for the question. And the member's correct in her numbers that she has brought forward for previous years.

Any borrowing that takes place generally follows the capital plan and the needs in that particular year. Borrowing in 2012, for example, was estimated at \$3.4 million. However no increase was required as SaskWater reduced its debt by \$1 million in 2012. This was achieved because of increased profitability and cash flows from operations, and capital spending being \$1.4 million less than budget as the expansion of the White City water supply system had been rescheduled to 2013.

18.785 million is expected to be borrowed in 2013 to refinance a \$5 million five-year note that is maturing with longer term funding and 13.785 million is to help finance SaskWater's capital expenditure plan of \$16.564 million.

Despite its increased borrowing, SaskWater's debt ratio is projected to be 57 per cent at the end of 2013 which is still below the 60 per cent long-term target. Thank you.

Ms. Sproule: — Thank you, Mr. Minister. So I need to just review some of these so I understand correctly. The refinancing of \$5 million . . . I guess the first question then is, what is the total debt of the corporation right now?

Hon. Mr. Cheveldayoff: — Thanks very much for the question. In long-term debt, the total is \$43.7 million, and in short-term debt, 16.2, so total debt is \$59.9 million.

Ms. Sproule: — So this 18 million, I guess estimated loans for this year, is some of that going . . . You said 5 million is going to refinance the long-term debt. Is that correct?

Hon. Mr. Cheveldayoff: — Correct. Yes. The note that's expired has to be reissued.

Ms. Sproule: — And then 13 million, I think you extended were . . . you indicated were part of your capital expenditure. What types of capital improvements will that go to?

Hon. Mr. Cheveldayoff: — Thank you very much. We thought you might ask. New systems or new customer connections would be \$2.4 million; expansion of existing systems to support customer growth, \$6.9 million — again the upgrades to the White City water supply system take a large percentage of that category — and \$7.3 million is general assets and upgrades and refurbishment, and that's over a variety of different projects, some ranging in 100,000, some 300,000. And yes, so miscellaneous I guess category, to say that would be 7.3.

Ms. Sproule: — Thank you. Can you give me an indication of what of those projects will be serving industry in Saskatchewan?

Hon. Mr. Cheveldayoff: — Thanks very much for the question. And under the new systems and new customer connections category that I mentioned, \$2.4 million, that's to service the Belle Plaine area, particularly discussions with Yara and discussions that have generally been happening in the region. And so that's \$2.2 million there. And then the other one is Mosaic and K+S have been added as new major customers since the facilities were originally required, and there's been an expansion and the service dollar figure of that is \$1 million. The rest are communities and what is needed to improve services to Saskatoon, Cudworth, Elbow, Pierceland — generally communities across the province.

Ms. Sproule: — Thank you. In terms of the Mosaic and K+S investment and capital investment, is that going ahead this year? Have all the approvals been received from the regulatory side?

Hon. Mr. Cheveldayoff: — Yes I believe in the case of Mosaic and K+S, yes both of those have a full green light to go ahead.

Ms. Sproule: — Can you give me a sense of the size of the capital project? Is there so many miles of pipe? Or what sort of installations and infrastructure will be involved there?

Hon. Mr. Cheveldayoff: — Thanks very much. The Belle Plaine area, the project that I referenced earlier, it's about 20 kilometres of pipe or so. And in the K+S, the \$1 million that I'm referencing here is, you know, for expansion of Regina area services and so it's a smaller amount.

But I want to touch on the larger project that SaskWater has been involved with at K+S. It is indeed an interesting undertaking, and I had a chance to tour it awhile back and to see

the operation and to talk to K+S first-hand and to, you know, ask them about their thoughts and basically how SaskWater did in servicing their needs. And I got a very, very positive response back. So you know, it's done in an environmentally friendly way. The operation is state of the art, and SaskWater has fulfilled their obligations and is certainly assisting K+S in the work that they're doing.

Ms. Sproule: — In terms of the K+S — whatever you want to call it, expansion or infrastructure project — is that the one where water will be drawn from Katepwa Lake?

Hon. Mr. Cheveldayoff: — The water will be drawn from Buffalo Pound. That's the closest area and that's where they'll be drawing their water from.

Ms. Sproule: — I think I'm thinking of Vale, that that was their proposed project at Katepwa. Has that received all the approvals yet for SaskWater to proceed?

Hon. Mr. Cheveldayoff: — No. We had discussions with Vale, and with the situation with the worldwide economy, they said that they're going to slow things down a bit. They're still very much wanting to move forward, but maybe not as fast as they first anticipated. So we're very hopeful that that's going to move forward, but it just might take a little longer, but they have indicated to us that their needs will still be there for SaskWater's expertise.

Ms. Sproule: — In terms of the bottom line for the corporation, is there any sort of marketing plan to develop new customers or do you just basically deal with those that come to you?

Hon. Mr. Cheveldayoff: — Thanks very much. And we certainly do have a marketing department. And I wouldn't call it aggressive marketing per se, but we do keep our ear to the ground and monitor what's happening in the province. We work quite close with the Ministry of the Economy to try to anticipate where the services of SaskWater will be needed and try to be proactive in the sense that we're ahead of, of anticipating, I guess, what we might be asked to do and to be involved with. And same goes for communities across the province. You know, we're in touch. We don't aggressively market per se, but certainly when asked, we're more than happy to provide information or to provide an alternative for communities as they look at their long-term needs going forward.

But in the last few years there's been no shortage of customers, that's for sure. They've been, been coming, asking for SaskWater's expertise and involvement, and that's some of the needs why the capital expansions are necessary.

Ms. Sproule: — You will recall, Mr. Minister, another Crown corporation being discussed earlier in the House and that's Information Services Corporation, and one of the things that they are looking for is an ability to market outside of Saskatchewan. And the minister indicated that there's some difficulties. They're finding they're being rebuffed essentially because they are a Crown corporation, and that's one of the reasons for privatizing. Are there any sort of outside province plans for SaskWater marketing its technology and skills outside the province and are there any concerns about accessing those markets and maybe a desire to privatize?

Hon. Mr. Cheveldayoff: — Thanks very much for the question. And certainly SaskWater's mandate and primary focus is within the borders of Saskatchewan and to ensure that we can service communities of every size, service First Nations where asked, and service the business that goes on here. And you know, we have been kept very busy lately and we don't have any reason or need to look outside the borders at this time, of the province. And there have been no discussions talking about privatizing this corporation in any form.

Ms. Sproule: — Okay. Thank you. Can you tell me about your contracting policy. Are there any untendered contracts and do you have any tech contracts?

[16:45]

Hon. Mr. Cheveldayoff: — Thanks very much for the question. And we don't have any untendered contracts of any size or significance. You know, everything that's untendered would be small amounts using purchase orders. What we do follow is the New West Partnership and the guidelines regarding the goods and services. Anything with the \$100,000 threshold or above is completely tendered. And consulting fees, for example, the threshold is \$25,000. So everything is opened and tendered.

We have a shared services agreement as far as the technology, the information technology goes, and that's with the Water Security Agency. With both being headquartered in Moose Jaw, it makes a lot of sense to combine and to have the shared services agreement. No untendered contracts there, save for a few online web providers that provide information in a direct fashion. Other than that, it's all under the shared services agreement.

Ms. Sproule: — Okay. Thank you. Taking notes . . . Okay. There was a question about the . . . There was a proposed project that SaskWater was going to enter into with the James Smith Cree Nation to provide some sort of hydro services. Was that with SaskWater Corporation? And if so, what's the status of that?

Hon. Mr. Cheveldayoff: — Thanks very much for the question. And I'm somewhat familiar with the project because of previous responsibilities as minister of SaskPower and others, but it has no implications or no involvement with SaskWater at the present time.

Ms. Sproule: — Thank you for that. In terms of the borrowing provisions in the SaskWater Corporation Act, I just pulled it out. It's part IV of the Act. And I'm just wondering if the corporation has any views on the sufficiency of that legislation and are there any sort of perhaps wish list on the part of the corporation for the legislative agenda to maybe improve or change the borrowing capacity of the corporation?

Hon. Mr. Cheveldayoff: — Thanks very much for the question. And when asked if we needed any changes or contemplating any changes to *The Saskatchewan Water Corporation Act*, we examined it very recently and we feel that the borrowing capacity that is contained in the Act is sufficient, and no changes are anticipated or requested at this time.

Ms. Sproule: — Thank you very much, Mr. Minister, and Mr. Chair. At that point, that's the extent of my questions for the corporation. Thank you.

The Chair: — Okay. I thank the minister and officials for appearing.

Ms. Sproule: — I just have a quick question.

The Chair: — For myself?

Ms. Sproule: — Yes.

The Chair: — Okay. Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair. I just had a quick question when I was looking back at other Estimates from previous years, and I noted that there were other corporations that were listed previously: Ag Credit Corporation, Crop Insurance, and Information Services Corporation. Do you know why they're no longer included in the Estimates?

The Chair: — Thank you. This committee examines just what's in the budget book for the year. So whatever is put in the budget book is that comes before this committee. I can always ask after and I can get back to you on the side, but it'll be what's in the budget book for year to year is what this committee actually deals with.

Ms. Sproule: — Thank you.

The Chair: — I see no other questions. We will conclude consideration of estimates of vote 140, Saskatchewan Water Corporation, statutory, loans, subvote (SW01) in the amount of 18,785,000. There's no vote; this is statutory.

That deals with SaskWater, so I believe you're done. Did you want a quick closing remark before we move on?

Hon. Mr. Cheveldayoff: — Thank you, Mr. Chair. Just very briefly, thank you to my officials and thank you to the member for her questions and thanks for the committee for their consideration, as it's an important part of what we do. Thank you.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

The Chair: — Thank the minister and officials for appearing today. We will proceed then. We will go back to SaskPower Corporation, vote 152, Saskatchewan Power Corporation, statutory, loans, subvote (PW01) in the amount of 595,500,000. There is no vote as this is statutory.

**General Revenue Fund
Supplementary Estimates - March
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

The Chair: — We also have to do vote 152, Saskatchewan

Power Corporation, statutory, loans, subvote (PW01) in the amount of 24,000,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

The Chair: — Vote 150, SaskEnergy Incorporated, statutory, loans, subvote (SE01) in the amount 144,095,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

The Chair: — Carry on to vote 153, Saskatchewan Telecommunications Holding Corporation, statutory, loans, subvote (ST01) in the amount of 123,100,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Liquor and Gaming Authority
Vote 142**

The Chair: — Vote 142, Saskatchewan Liquor and Gaming Authority, statutory, loans, subvote (GA01) in the amount of 125,000,000. There is no vote as this is statutory.

I believe that seeing no other business before this committee, I would ask a member to move a motion of adjournment. Mr. Parent has moved. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This meeting is now adjourned until 3 p.m. tomorrow afternoon. Thank you.

[The committee adjourned at 16:55.]