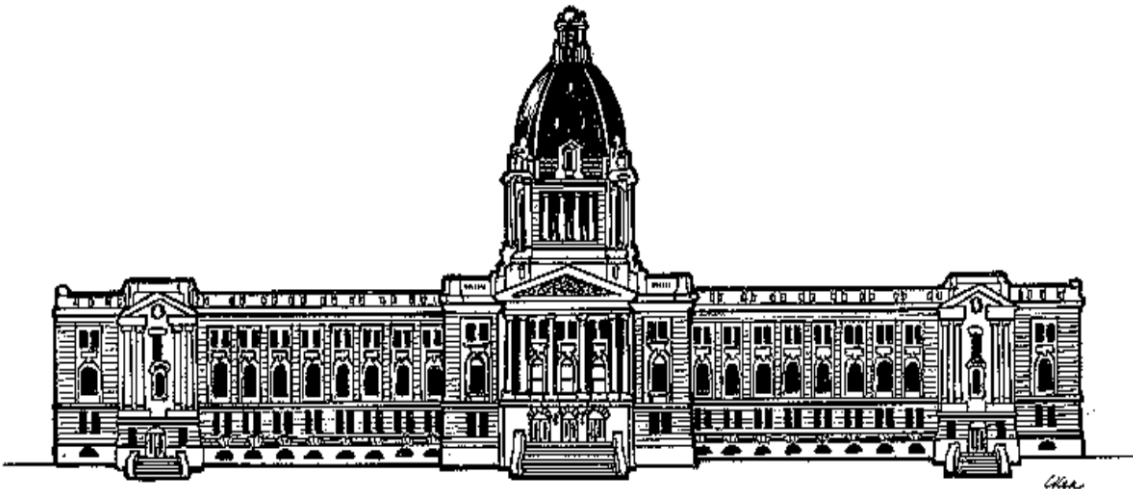




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair
Carrot River Valley

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Greg Brkich
Arm River-Watrous

Mr. Wayne Elhard
Cypress Hills

Mr. Rob Norris
Saskatoon Greystone

Mr. Kevin Phillips
Melfort

Mr. Randy Weekes
Biggar

[The committee met at 20:59.]

The Chair: — Well good evening, everyone, and welcome to the Standing Committee on Crown and Central Agencies. I would like to welcome our members: Rob Norris, Randy Weekes, Kevin Phillips, and Greg Brkich, plus on the opposition side, Buckley Belanger and Cathy Sproule.

We have one document to be tabled. It is CCA 146/27, Crown Investments Corporation, report of public losses, July 1st of 2014 to September 30th of 2014 for CIC [Crown Investments Corporation of Saskatchewan] and subsidiary Crown corporations dated October 31st, 2014.

Pursuant to rule 148(1), the following supplementary estimates were deemed referred to the Standing Committee on Crown and Central Agencies on November 27th, 2014: supplementary estimates, vote 150, SaskEnergy Inc.; vote 152, Saskatchewan Power Corporation; vote 195, Debt Redemption.

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

Subvote (SE01)

The Chair: — The committee will be considering supplementary estimates — November, leading and investing activities for SaskEnergy Inc. We will now begin our consideration of vote 150, SaskEnergy Inc., loans, subdivision (SE01). I would like to ask Minister Reiter for any opening remarks and to introduce his officials.

Hon. Mr. Reiter: — Thank you, Mr. Chair. First of all, my officials. Behind me is my chief of staff, Angela Currie; and also with me is Doug Kelln, president and chief executive officer; and Christine Short, vice-president of finance and chief financial officer.

I do have some brief remarks that I'd like to read into the record, and then we'd be happy to answer any questions. SaskEnergy remains in a solid financial position, which includes maintaining a healthy debt-to-equity ratio. We're in a very good position by industry comparisons across North America.

I know the committee would like to discuss SaskEnergy's debt management plan, a plan approved annually by the corporation's board of directors. Members of the committee will recall that SaskEnergy was here earlier this year and received approval for a debt requirement of \$88.9 million for 2014-15. This helped finance capital investments and integrity programming and support the customer growth that we're continuing to see across the province.

As reflected in the supplementary estimates, SaskEnergy has an additional short-term borrowing requirement of \$63 million. Together with the amount approved earlier this year, SaskEnergy's total debt requirement for long- and short-term debt to \$152 million. There's been long-term debt repayment of

\$50 million. The remainder of just over 100 million has helped fund SaskEnergy's capital spending and operations, which totalled 300 million in 2014.

The corporation is meeting the needs of its customers across Saskatchewan and, in doing so, fulfilling the priorities our government outlined for Crown corporations. Saskatchewan's population growth is reflected in SaskEnergy's customer base. The corporation is expected to add close to 6,400 new residential, business, and industrial customers in 2014. SaskEnergy's customer base will surpass the 379,000 mark by year-end, its highest level ever.

Capital investment related to growth has been important. This fall we completed one of our longest pipeline projects in many years, of 132 kilometres from Bayhurst to Rosetown at a cost of \$80 million. This project will increase the amount of transport capacity to meet growth requirements in the North Battleford and Saskatoon areas. As part of its commitment to safe and reliable service, SaskEnergy dedicated \$100 million to system integrity activities in 2014, the highest investment in the corporation's history. This is another example of how SaskEnergy's top priority is the safe operation of its pipeline infrastructure in Saskatoon.

And, Mr. Chair, my officials and I would now be happy to answer any questions.

The Chair: — Thank you. Are there any questions? Mr. Belanger.

Mr. Belanger: — Yes. Thank you very much for the information. And I've got a number of questions here, and obviously I'm taking a bit of interest in the pipeline expansion to Rosetown. Is there another expansion being planned similar to that project?

Hon. Mr. Reiter: — Not for the next few years.

Mr. Belanger: — And I'm just wondering in terms of the actual project. And the reason I'm asking the question is obviously it was a significant expense for SaskEnergy. How does one go about — obviously I have a self-interest here — but how does one go about approaching SaskEnergy for expansion of a project that large? I think you said 132-kilometre expansion. Like how does that . . . What's the process to be able to achieve that?

Hon. Mr. Reiter: — I'll get Doug to walk through the procurement process.

Mr. Kelln: — Yes. We go through a procurement process, and it's dependent on the length or the size of the project, so that's a very large project. So we look for potential pipeline contractors that are interested and also have a qualification resumé that allows them to compete for that kind of project. So that happened in the 2013 time frame, and then we sent out the RFP [request for proposal] in early 2014, awarded, and then had it constructed in 2014.

Mr. Belanger: — Okay. And I can appreciate the process needed to have companies actually build a pipeline, but I'm just

going to go back a bit in the sense of how the decision was made to bring the pipeline into Rosetown. Like was there preliminary discussions with the communities along the way? Was there a . . . I'll assume a business case had to be made. Was there contributions necessary for different businesses or homeowners? Like how does that process work?

Mr. Kelln: — It's really a multi-year process. We go through routing of a pipeline and that starts out with consulting potential landowners along the pipeline, but also consulting with First Nations community and Métis community on potentially lands that are territorial relative to that project.

We then go through an environmental scan process of making sure that our routing does not really create some issues from an environmental point of view. Put it all together, it was going to Rosetown because we have a large compressor station there. So we have a number of pipelines leaving and coming into Rosetown, so it acts as a bit of a terminal point for us. And looked at the different options and came up with connecting from the Bayhurst area or Leader where we have an existing storage facility and pipelines, and connecting that to Rosetown.

Mr. Belanger: — So actually when you look at the discussion around the connectivity of all the other lines and the central storage aspect, were those the larger determining factors when you looked at the expansion of this line or was there also a lot of consideration given for local and business and regional consumption of natural gas?

Mr. Kelln: — Certainly a bit of both. The objective of that pipeline is really to serve the North Battleford and Saskatoon area and the growth that's around it. So you have the enhanced oil recovery projects that are occurring in North Battleford area. And you have both residential, commercial, and industrial activity in the Saskatoon area.

Mr. Belanger: — Okay. How would you characterize the value of both the aspect of the networking and storage versus the demand for local needs for natural gas in terms of the viability of the project overall? Is it a 50/50 or a 60/40? How would you characterize the ratio of interest that persuaded SaskEnergy to invest in this particular project?

Mr. Kelln: — Well it's really trying to make sure that we're able to serve the northern part of the province, but at the same time we want to be sensitive to particular routing requirements of the local communities, and that matches with our protocol that we go through with any new pipeline.

Mr. Belanger: — Okay. And you probably know where I'm going with this in terms of the argument and discussion that have been central on many fronts, is in terms of the expansion of natural gas pipeline and in terms of providing natural gas to the Northwest. I'm talking further north of Meadow Lake, which is probably a 250-kilometre expansion. What would something of that magnitude cost SaskEnergy? Have you done any preliminary discussions or business case scenarios?

Mr. Kelln: — Historically we have. We have met with communities over the last 15 years at different points. The challenge we have is the amount of volume or load that's required in the communities is very small. So the challenge is,

it's so much distance to go, very costly relative to the individual, serving the individual customers.

Mr. Belanger: — Yes. And that's the reason why I asked about the percentage of — how would I explain it? — determining the viability of the project on the networking and storage perspective versus the local demand. Like how would you characterize it? Is it 50/50? Is it 60/40? That's the reason I asked the question.

Mr. Kelln: — Just to give you an idea, just on a volume basis, that new pipeline would move the equivalent of what 150 Rosetowns will use at minus 40 degrees Celsius. So the community of Rosetown itself is just a very, very small amount of volume needed. And this is to serve industry and the growth in the Saskatoon area.

Mr. Belanger: — You know, and it's great for, you know, for Rosetown. I applaud that service being extended to them. It's a great opportunity for them. We're just trying to see how we would characterize an argument from our perspective in terms of coupling a possibility of a connection into Alberta from the Northwest, further Northwest, and also providing service to a number of communities along the Saskatchewan-Alberta border. These are some of the arguments and discussions we've had over a number of years and that's kind of where I was trying to get some relevant information. What was the cost again on that particular project?

Mr. Kelln: — That was an \$80 million project.

Mr. Belanger: — \$80 million. Okay. The other question I have is that, how much of the \$63.3 million will be used to pay for capital expenditures? Is there a breakdown of that cost?

Mr. Kelln: — The \$63 million, certainly part of it covers the capital program that we have in place, but our original plan had to accommodate a lot of that. It's really due to reduced cash flow, and a couple of reasons for that. The price of natural gas through the extreme winter went up and that caused the fact that we were charging customers the same and the cost of the natural gas was higher. That produced some increased short-term borrowings, so that was one aspect of it. The other aspect was the last winter actually exceeded what our design criteria was for winter and our view was we were going to prepare for that kind of winter again this year, so it caused us to create some additional capital expenditures. So there is a bit of capital, but there's also some cash flow related to expenses.

Mr. Belanger: — And how has the . . . I guess it's kind of an awkward question for you, but obviously SaskEnergy does a lot of weather analysis in terms of the harsh winters versus mild winters. And how is that science being developed or determined at SaskEnergy?

Mr. Kelln: — Well we did give . . . Correct. We do spend a lot of time staring at the history of weather, and it has a shape to it if you can add them up. We add up all of the severe days, so we look for a very, very cold day but we look for a combination of a number of days. And last winter you not only had some pretty cold days, but you had many of them. So Saskatoon's to have 12 days of sort of a continuous minus 30. It had 32 days. So that duration is what really exceeded the design, and we've adjusted

our design to accommodate that into the future.

Mr. Belanger: — So some of the dollars asked for today was a result of the modelling around the changing weather pattern. I'm not trying to get you into any kind of difficulty here, but do you see the longer, colder days as a continuing trend upward or is it levelling off? Like what's the history teaching SaskEnergy?

Mr. Kelln: — Well I think it's always challenging to try to predict into the future. But I think it's lessons learned, that if we've seen it happen once, we felt it was prudent to assume it'll happen again. And that's, through our board of directors, that's something we got approval to prepare for.

Mr. Belanger: — The other question I have is that you spoke briefly of the increase of the number of customers. How much of this 63 million is being used to pay for new customer hookups?

Mr. Kelln: — In our original plan, we had planned for growth that is there. So a good portion of that was already in the original plan. Now we've seen a very strong year again, which was really good news that we had to adjust a bit to. But predominantly that's following the sort of level we've been at the last couple of years.

Mr. Belanger: — In terms of the actual . . . I want to go back a bit to the whole modelling perspective. Is there going to be an increased focus on the weather patterns, like the changing weather patterns? Is SaskEnergy anticipating it to a point where you've actually got a group of people that are in a room together talking about what they can anticipate? Or has it come down to the fact that we're just doing this every year at this time based on past number of years history? Or are we going to really formalize the weather pattern challenge that SaskEnergy is facing?

[21:15]

Mr. Kelln: — We're going to follow an existing practice of leaving the forecasting to the weather experts because they're better at it than we are. But it's really tracking, as every day you go into the winter, tracking how much people are using versus what we consider to be a design. And the way to manage that is you bring in additional supplies.

If you remember last winter, we brought in, on top of the fact that the prices went up, we brought in some significant extra volumes to make sure everybody had natural gas. That would be the process we follow again. So it's really following that historical practice of tracking where things have gone.

Mr. Belanger: — How much of the \$63 million is being used to pay for SaskEnergy's smart gas meter program?

Mr. Kelln: — The automated metering infrastructure program was part of our budget previously, so it was built into the original plan. And it has followed that existing budget level or expenditure level.

Mr. Belanger: — So none of these dollars are being used for that.

Mr. Kelln: — Well in the base amount there was \$30 million that's been spent to date related to the automated metering infrastructure program, but it's on target relative to what we plan to spend.

Mr. Belanger: — And the overall plan to spend, to improve not only services but capacity, bringing in new customers, what kind of new customers or new lines are being proposed over the next two or three years?

Mr. Kelln: — Well we're seeing growth around the province, which is very, very good. We'll continue to see that, both in small communities and of course the larger centres. You know, that's something again, we respond . . . If customers are interested in service, we establish what the cost is. We determine what our investment is. And then that falls out of it, what the customer contribution is for them to consider accessing natural gas.

Mr. Belanger: — If you were to look at the province of Saskatchewan, what market concentration or penetration do you have in terms of the potential customer base out of all the province? Like looking at the province as a whole, are we at 90 per cent saturation, or are we 95? How would you characterize the percentage?

Mr. Kelln: — Ninety per cent would be a good characterization. There are still pockets of farms that are unserved and there are some northern communities that are unserved.

Mr. Belanger: — So the last 10 per cent would constitute the northern communities and pockets of farm communities along some of the major routes.

Mr. Kelln: — Sure, yes.

Mr. Belanger: — Would you give us a basic idea of some of the farm communities that would be outside of the service area? Like which areas would . . .

Mr. Kelln: — You know, it tends to spread around the province. It's really where the density of the farms is a lot lower. So over the years they've chosen to use other fuel sources to meet their needs because it was more costly because we had to travel further to reach them.

Mr. Belanger: — And again the question around the 63.3 million, is there any safety systems or integrity projects that you're going to undertake in terms of improvements or demands or any areas that are of concern in terms of safety?

Mr. Kelln: — Well as the minister indicated, our integrity program this year is the largest we've had in history. It was \$100 million. It covers a lot of things. It's right from the service lines that are in people's backyards — we do some integrity work there — right back to our major transmission lines and compressor stations.

Mr. Belanger: — Just on the actual price itself, if you could explain the history of how you . . . Obviously SaskEnergy does a good job of doing the best it can, given the market conditions and all, but you buy gas at market price, right? And how do you

negotiate the market price? Do you do it on a semi-annual basis or an annual basis? Do you do it for two- or three-year time frames? Because obviously, looking at the history of SaskEnergy there's been some very good practice in the past, and we're not disputing that. But just for the record and for greater understanding from our perspective, how do you, given the markets themselves are so unstable and unpredictable, how would you best describe in simple terms how you purchase gas on behalf of your customers and sell it back to them?

Mr. Kelln: — Well every year we first establish how much volume the customers are going to need, and that's the starting point. We strike commitments with Saskatchewan producers as well as we bring in some supply from Alberta to make the difference up. And then the majority of those producers want to use a market price for their price which the purchase will occur. So that's the starting point.

From there we go and establish some price protection relative to that. So some producers are willing to strike a longer term pricing arrangement which provides certainty to the price. So we don't have all of the prices locked in, if you want to put it . . . We haven't established all those longer term relationships at the start. But gradually as we approach a winter, we try to have the vast majority . . . and this year we were at about 87 per cent of the gas had the price firm so that you have some price protection. When winter cold comes, usually prices respond.

Mr. Belanger: — Talking about the 10 per cent that remains outside of the sphere of influence of SaskEnergy, are the principles the same? For example if a community wanted to go into a wood biomass project or a small cluster of businesses wanted to go into a propane heating system, are the principles the same in terms of the design of the system that SaskEnergy undertakes now as a service provider and pipeline and home connections?

Mr. Kelln: — Well we provide the natural gas option. There are different options out there. Certainly if you go to Creighton, you will see a propane distribution system that's offered by a private firm in that community. So you know, I think consumers who are choosing whether to consider natural gas, they do compare it with propane, with fuel oil, with electricity. And you know, there's different ways — or biomass — or different options for them. But we really make that certainly their decision.

We just try to provide the best price we can, and we use a process that's consistent across the province. So it's establish the cost, determine what we can invest, which is based on how much they'll consume, and that produces the customer contribution.

Mr. Belanger: — Right. And the whole point I guess I'd raise is that you provide natural gas service, but you also own some of the pipelines that serve these communities, right? And is it right to their home that you own the connection? Is that how it works?

Mr. Kelln: — For the natural gas distribution network, yes that's the case.

Mr. Belanger: — Okay. So my question was that in the sense

of if there's alternative energies, like say for example wood biomass, some community wanted to put that together. And would SaskEnergy be in a position to say, look we would come along and give you some technical assistance on how to establish your distribution system. We would tailor our plans in the future that if natural gas were to ever come to the area, we'd be able to fit that within the distribution system. Is SaskEnergy in a position to be able to provide technical advice, design advice to some communities that look at alternative ways, again going back to the 10 per cent, alternative ways to provide cheaper central heating sources? Is that a possibility?

Mr. Kelln: — Well, we'd certainly be open to discussion, but we'd be very careful from a safety point of view, that we would really only certainly be able to provide advice on the things we know, which really tends to be natural gas pipeline systems. One has to be careful when you're mixing different kinds of fuels. It can be challenging.

Mr. Belanger: — Yes, and that's exactly the point that I was going to make, that the options for some of the communities, given the geographical challenges or in many instances that they're many miles off the main line, is there thinking within SaskEnergy that they could perhaps expand from natural gas service to regional distribution of propane to central . . . say, for example, a wood biomass plant. Like is there any of that discussion happening within the corporation itself?

Mr. Kelln: — No, there hasn't because we've been focused on our core expertise. The one opportunity, potential opportunity, is using liquefied natural gas, which is you end up with an insulated tank on the edge of town rather than a pipeline to the town. And we are exploring that because again we understand the natural gas side of things. So we're trying to be very careful around the safety when you're thinking of installing a system, you know, that hopefully that system will work for the community for 100 years, and it has to be safe in doing that. So we're very careful not to be trying to enter into things that we're not experts in.

Mr. Belanger: — No, and that's one of the, you know, I'm glad you mentioned that because we're going to go there next in terms of liquefied natural gas opportunity. And I know a lot of communities, there are some communities in the Northwest that are trying desperately to find ways to find alternative affordable energies. And they look at SaskEnergy as an option to come along and provide natural gas service, but they look at the parameters of the cost and service and assistance and all these factors, and they begin to lose interest in that because the cost factor starts to creep up.

So some of the builders in our community, so to speak, are looking at ways they can regionally or locally provide cheaper heat source for their businesses and for their families. And the whole notion of liquefied natural gas came into the equation, so is there a possibility, has SaskEnergy looked at that option to say, look, in some of the remote underserved farm communities, or in this case the northern communities, is there a market for us to be able to establish the distribution system and a central collection point for natural gas, liquefied natural gas, where you'd transport in, load up the system, and then distribute the gas, and then adapt all that to the eventual gas line expansion to that region, if it happens, so that way we're ahead

of the game? None of that discussion has been happening within SaskEnergy, right?

Mr. Kelln: — From a liquefied natural gas point of view, it's just at the start. And I know we've briefed the minister on it, that it's brand new. I think some of the things that are being done in British Columbia right now might be helpful to that. So we are certainly looking at it because I think it does provide another option when the travel distance is large.

So it's something we're looking at. And you know, if communities have some interest, we're pleased to sit down with those communities and talk through the opportunity with them.

Mr. Belanger: — The other question I have is in reference to the debt ratio of SaskEnergy. How does these new monies affect that ratio? Are we seeing any increase in the debt ratio, and how will this increase the debt ratio?

Hon. Mr. Reiter: — That puts the debt ratio at about 59 per cent I believe, which has been pretty constant to where it's been over the last number of years and is also sort of right in line with industry standards across North America.

Mr. Belanger: — And what would you say the net worth of SaskEnergy is now in today's dollars, the distribution system, the customer base? What would be the price of the corporation itself? The value of it, sorry.

Ms. Short: — It would be about 2 billion in terms of the net worth of the organization.

Mr. Belanger: — And that's with all the improvements and all the expansions that are being undertaken now?

Ms. Short: — That's correct.

Mr. Belanger: — Okay. And what's the breakdown of businesses versus private homes in terms of the expansion, the numbers that you talked about earlier?

Hon. Mr. Reiter: — It would be roughly 10 to 15 per cent would be commercial, and the balance would be residential.

Mr. Belanger: — And in terms of the — I hate to use the phrase — but the net worth to the corporation, which are their more valuable customer? Are they the business community or the consumer?

Hon. Mr. Reiter: — The rate review panels, for want of a better term, make sure that everyone pays their share. So it would probably be sort of on an equal footing.

Mr. Belanger: — Now this \$63 million as requested by SaskEnergy, obviously there's a good business case for it. And we talk about safety; we talk about expansion; we talk about improvements to the system; we talk about the new customers coming online or on stream. How does this \$63 million position SaskEnergy from the financial perspective in terms of new revenues and increasing its bottom line and its net value? Is it a huge boost in the arm because it is a significant increase in borrowing in the sense of this \$63 million request?

Hon. Mr. Reiter: — I think, you know, I just want to clarify that that's sort of bundled, that some of that's operating and some of it's capital. So I think you'd be speaking more to the capital side, which I would say, as I mentioned, that the corporation's in very good financial shape. And like I said, the debt-to-equity ratio, which I think is very important, has remained constant and overall with industry standards. So I think the future financially for the company is very good.

Mr. Belanger: — I want to spend just a couple more minutes, if I can, on the Meadow Lake project. As you know that there is, I think it's the First Nations Power Authority or the Aboriginal power authority. Mr. Ben Voss is working on some of the projects around the Meadow Lake area that involve supply of natural gas to their power generation project. Are you familiar with that project?

[21:30]

Mr. Kelln: — Not specifically. I know that there's some discussion, as there are with customers when they request natural gas, and I believe that's ongoing. But I don't know the specifics of it.

Mr. Belanger: — Yes and I just, in the final few minutes, I just want to implore SaskEnergy to look at some of the options that the northwest communities have always advocated for. There's a number of businesses and families that on a continual basis are asking. Certainly I know from my office that we get constant requests of these particular people that are saying, look, when is natural gas coming our way? Are there discussions? Are there meetings? Because when we sit here and talk about \$63 million, it's a great investment and I'm not disputing that.

I think SaskEnergy is a Crown corporation that we're all very proud of. I want to see it strengthened and one of the points is that once you get the customer base of the last 10 per cent, the last frontier so to speak, that you're going to have a lot of good, satisfied customers and consumers that will embrace SaskEnergy's future for years to come.

So they're really, really trying to encourage SaskEnergy to look at expansion to the Northwest because it's so viable and valuable to all of us. And right now they're doing a myriad of discussions around which potential projects are good — wood biomass complemented by liquefied natural gas or is it a propane distribution heating system? Is there power generation opportunity somehow in terms of, like in the example of Black Lake they're doing this power project, trying to see if they can contribute to the grid.

There's all kinds of ways in which they're trying to look at energy as a good support for businesses, but more so SaskEnergy to heat their homes and their businesses. And I'm just trying to encourage you to continue looking at the Northwest as a viable and valuable option.

Hon. Mr. Reiter: — I would just say that our SaskEnergy officials are certainly . . . do a very good job in meeting with communities. And you know, if there are specific communities that you have in mind, if they contact our folks, they're always willing to meet, provide information, and consult as much as

possible.

Mr. Belanger: — Okay. I'll certainly take that invitation to do so and we'll set up a meeting.

The Chair: — Are there any final remarks from the minister?

Hon. Mr. Reiter: — I would just like to thank the committee for being here tonight. I'd like to thank Mr. Belanger for his questions, and I'd also like to thank Doug and Christine for being here tonight as well. Thank you, Mr. Chair.

The Chair: — Well thank you, Minister. This vote 150, SaskEnergy Inc., is a statutory vote. So loans, subvote (SE01) in the amount of 63,300,000, this is statutory.

I'd like to thank the minister and the officials. And we will have a short, very short recess.

[The committee recessed for a period of time.]

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

Subvote (PW01)

The Chair: — Good evening and welcome to the Crown and Central Agencies vote on ... The committee will be considering supplementary estimates — November, lending and investing activities for the Saskatchewan Power Corporation. We will now begin our consideration of vote 152, Saskatchewan Power Corporation's loans, subvote (PW01). I would like to ask the minister, Minister Boyd, for any opening remarks and if he'd please introduce his officials.

Hon. Mr. Boyd: — Good evening, Mr. Chair, committee members. This evening I'm joined by Mike Marsh, the acting president and CEO [chief executive officer] of SaskPower. On my left is Sandeep Khalra, chief financial officer. And behind me on my right is Troy King, senior director of corporate planning and controller.

On behalf of SaskPower I'm pleased to be here to discuss the corporation's borrowing requirements for the 2014-15 time frame. I want to note that before I begin, that SaskPower's fiscal year is based on the calendar year, January to December of each year, whereas the Government of Saskatchewan's budget cycle is April to March. SaskPower officials have made the necessary adjustments to reflect the borrowing required over the '14-15 cycle from April 1st, 2014 to March 31st, 2015.

We are here tonight to discuss vote 152, lending and investing activities of \$262 million for SaskPower. This will consist of additional capital expenditures of 135 million as well as 128 million in additional borrowing that was to occur last fiscal year. Work was deferred on some projects and therefore occurred in the '14-15 fiscal year, as was the borrowing activity.

Over the long term the company will spend about \$1 billion per

year to renew and expand SaskPower's aging generation, transmission and distribution, and infrastructure, while meeting increasing electricity demand across the province. Renewing the system and providing world-leading customer services are priorities for SaskPower. SaskPower will continue to balance the economic, environment, and social needs of Saskatchewan while providing a reliable and affordable and sustainable product.

With those comments, Mr. Chair, we are happy to take questions.

The Chair: — Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Mr. Minister, for those comments. Just if we could have a quick breakdown. I think you gave some numbers in your opening comments, but how that number of \$262 million is broken down?

Mr. Khalra: — So 262 million is additional borrowing. That is as a result of additional capital spending over the fiscal year of 134 million, and the difference in the borrowing timing. So the timing was different. Instead of borrowing in 2013-14, some capital expenditures took place in '14-15. As a result, 128 million got shifted from the '14 fiscal year to the '15 fiscal year. So those two things added together add up to \$262 million, which is the additional borrowing requirement.

Ms. Sproule: — And can you give us some further detail on that capital expense of \$134 million? Can you break that down?

Mr. Khalra: — So there are lots and lots of ups and downs. The single biggest item of that is BD3 [Boundary dam 3] project; ICCS [integrated carbon capture and storage] project, \$177 million which was offset by spending on EMI [engineering, monitoring, and inspection] of 46 million; lower spending on other capital expenditures including buildings, furniture, land, IT [information technology] of roughly \$40 million; and additional \$14 million for transmission and distribution — net increase of additional \$14 million. So that all adds up to 105 million, and 30 million is because of additional capital spending in the 2014-15 fiscal year. So 105 plus 30 is 135 million of additional capital expenditure during this period.

Ms. Sproule: — I tried really hard to keep track of what you're saying but I just want to make sure I have it right. So on ICCS, it's \$170 million more?

Mr. Khalra: — Yes, 177 million. Yes, 177.

Ms. Sproule: — And then EMI was \$46 million more.

Mr. Khalra: — \$46 million less.

Ms. Sproule: — Less. And then \$40 million less on — you said something but I didn't catch it.

Mr. Khalra: — Yes. It's buildings, furniture, land, IT investments, net reduction of \$40 million.

Ms. Sproule: — And then 14 million for transmission.

Mr. Khalra: — 14 is incremental on transmission and distribution capital expenditure.

Ms. Sproule: — And is that an increase or a decrease?

Mr. Khalra: — That is an increase of 14.

Ms. Sproule: — Okay, so there's . . .

Mr. Khalra: — That adds up to 105 million. So that's for our calendar year ending in December 2014.

In addition, \$30 million relates to capital expenditure for our fiscal year, for calendar year 2015. But we've taken one-fourth of that which would be the additional spend by the end of March 2015. So that 30 million in addition to 105 million adds up to an additional capital expenditure of 135 million.

Ms. Sproule: — And can you talk a little bit about that 30 million additional capital expenditure?

Mr. Khalra: — Sure.

Ms. Sproule: — What does that represent?

Mr. Khalra: — So our total capex [capital expense] spend in 2015 was expected to be \$1 billion. Now it'll be 1,120, roughly 1,120. So that's an additional \$120 million spread over 12 months. Because of the start period, we've taken one-fourth of that and taken . . . \$30 million is expected to be spent, additional spend in the first quarter on lots of different projects.

Ms. Sproule: — Lots of different projects.

Mr. Khalra: — That's right.

Ms. Sproule: — Okay. Any ones you can speak of in particular?

Mr. Khalra: — Nothing. I think the single biggest one that's going on is the QE [Queen Elizabeth] repowering which would be our, probably the single biggest project.

Ms. Sproule: — Could you say that again?

Mr. Khalra: — QE repowering.

Ms. Sproule: — Oh QE. Okay.

Mr. Khalra: — Yes. Yes. That's our gas plant. And the other big project that's going on, which would be through 2015, will be I1K transmission line. Those would be probably two biggest, single biggest projects.

Ms. Sproule: — Is there more activity on Elizabeth Falls this year? Is that going forward?

Mr. Khalra: — There is some preliminary work going on in terms of feasibility, in terms of . . . [inaudible] . . . environmental studies, preliminary design. No construction is going on and no contract has been signed.

Ms. Sproule: — Okay. On the 46 million for AMI [advanced

metering infrastructure], why is that decreased by 46 million in this fiscal year?

Mr. Khalra: — Our expectation was that we would be investing or spending \$70 million on that project. We ended up spending \$24 million net. It is net of \$24 million that is expected to be received from the supplier of the meters. So net investment of 24, budget approval was for 70, so we'll be spending \$46 million.

Ms. Sproule: — And that's where maybe some of my other questions are going to come in here because that is in relation to the smart meter project?

Mr. Khalra: — That's right.

Ms. Sproule: — And so we know there's been some additional expenses this year and yet you say it's going down 46 million? So I'm not sure how that . . .

Mr. Khalra: — That's correct. Initially we were, you know, when we were going down, according to our initial plan, we would have probably rolled out 200,000 meters or so by the end of, by the end of the fiscal. Since the program was stopped and some meters are being removed, and we kind of stopped the program, the spend is lower. The additional spend on removing and installing the new meters is included in this amount.

Ms. Sproule: — And how much was that?

Mr. Khalra: — It's expected to be \$12 million for the calendar year.

Ms. Sproule: — Okay. I had a chance to take a quick look at the third quarter financial report. I believe it was just released. And just wanted to get some clarity from you on some of the comments there because I think they're related to the changes we're looking at tonight.

There's a reference, well actually in the second quarter report, there was a reference that was released . . . I don't know when it was released, but there was a reference in the second quarter report that said that there was an impairment loss as a result of a decision to replace all AMI meters with legacy meters. Now this second quarter report is for the six months ended June 30th.

Mr. Khalra: — That's correct.

Ms. Sproule: — Did SaskPower determine before the end of June that you were going to replace the AMI meters with legacy meters?

Mr. Khalra: — This was, I believe it was right after the quarter end, but the financials had not been finalized. So it was after the quarter end before the financials are, you know, approved by the board, which there's roughly 60 days time period. So within that time period the impairment, you know, became obvious and, as a result, a charge was taken in Q [quarter] 2 itself.

[21:45]

Ms. Sproule: — Because I think the public announcement was in July.

Mr. Khalra: — That's correct.

Ms. Sproule: — Okay. And can you just explain the term impairment loss. Like for me, impairment really talks about . . .

Mr. Khalra: — So impairment is a sort of an accounting term. What it means is you have value of an asset in your books, whether the asset is still worth that or not, and it's basically saying if the cash flow derived from that asset would be enough to cover the cost of the asset. In this case, since we had decided to remove those meters, there was loss of value. Basically that's what it means by impairment.

Ms. Sproule: — So 39 million year to date at the end of June, and then when I look at the third quarter report, it's dropped down to 16 million. Can you explain the difference there?

Mr. Khalra: — That's correct. So at the end of Q2, the amount was 39 million. Further impairment was booked for, I think, 2.6 million in Q3. So roughly, you know, 41, forty-one and a half million dollars at some point in Q3. In Q3 we reached an agreement with the supplier of the meters that we would return the meters and we would be getting cash back in return. That amount was \$24 million. So 41 minus 24, roughly \$17 million is the net impairment at the end of Q3. So what you're seeing in Q3 is the reversal, but what you saw in Q2 was the gross impairment charge which was taken.

Ms. Sproule: — So where did the legacy meters fit into this? Is that not an additional expense as well?

Mr. Khalra: — The legacy meters are like any meters that we install. We capitalize them. So any time it goes in, or the cost of installation and the cost of the meter itself goes in our books as an asset, and as long as we use those meters, we would be depreciating them. If we, at some point in time in the future, decide to take them out, there may be, you know, some expedited depreciation on that.

Ms. Sproule: — Thank you. I'm just going to try and attempt here to get a sense of the total costs of the smart metering project. And I know you've given us some figures already, but can you tell us what the total cost that has been spent on the project in terms of, I would say, FTEs [full-time equivalent] or internal activities within the corporation? Do you have any sense of that, outside of what the contract with Sensus has been?

Mr. Khalra: — The amount that was capitalized from meters was \$41.5 million. That amount would include the cost of the meters, cost of installing the meters, anything which is directly related for installation. So that's the amount which is the total amount which related to the meters, which has been written off and has been reduced by the amount of the recovery that we expect, so \$24 million.

So the net loss at this stage is 17. If we buy Sensus meters in the future, if we make that decision, we would be given a credit against those meters. We would be, you know, paying a little bit less than what the value is, what the market value is. And as a result, we would be recovering that differential between, you know, of that 17, \$18 million in the future.

Ms. Sproule: — And when will that decision be made?

Mr. Khalra: — I'm sorry?

Ms. Sproule: — When will you decide whether you will be buying those meters in the future?

Mr. Marsh: — We have a long path to go down as we look at a new meter specification and we develop that meter specification in relation to meter standards that are out there. So it's going to take a year, probably a year to 18 months before we're at a point where we're deciding on a new meter.

Ms. Sproule: — Do you have any figures for the total costs that were paid to Grid One for installation?

Mr. Khalra: — We don't have it with us right now, but anything which is paid to Grid One for installation of those meters would be capitalized as part of these costs. But I don't have that number with me right now.

Ms. Sproule: — If you decide, on that long path you were describing, to not go with Sensus, what would happen to that 17 million then?

Mr. Marsh: — If we choose to not use Sensus because they can't meet the specification and we would choose another manufacturer, then that credit would not be available to us. That would be the same as the contract that we were in today with Sensus or any other manufacturer. If we use their device, we take advantage of a credit in the marketplace. If we don't, then we forgo that credit and pay the premium for another manufacturer's product.

Ms. Sproule: — But their product was faulty, or at least that's what we're alleging.

Mr. Marsh: — That's right. That's why we're not locked in to buying from Sensus in the future.

Ms. Sproule: — But we lose 17 million if we don't. That's not good.

Mr. Marsh: — The market price for these meters as we look forward and look at other manufacturers is significantly higher than what we were able to obtain from this manufacturer, and we would be paying the market price. Yes, if we remain with Sensus, we take advantage of a credit in the marketplace.

Ms. Sproule: — I just want to understand. So if you go with someone else, you know you will be paying more because you can't get this credit. But isn't that kind of them holding you over the barrel in a sense, Sensus?

Mr. Marsh: — Well I think, you know, we achieved a settlement where we received the full refund for all the meters that we had purchased. And the additional cost to replace with legacy meters in the interim is, yes, a cost to the company, and we're trying to mitigate that as we go forward. But we're going to make the decision based on safety and based on achieving appropriate technical requirements.

Ms. Sproule: — I just, you know, I can only relate this to my

own experience as a consumer. But if I buy a product from a company that proves to be dangerous, I would want a full refund, and I wouldn't want to have to deal with them in the future. So how is it that you've got caught up with this company and are still stuck with them and not getting the full refund? Because I think in any sort of consumer affairs situation, if you purchase something that proved to be possibly dangerous, you would just want to get out of your deal with that manufacturer and find one that was safer.

Mr. Khalra: — I think we received a refund for the meters, which is 24 million. There are some additional costs, which is what we're trying to recover from in terms of kind of future rebates. But the cost of the meter has been fully rebated.

Ms. Sproule: — Right. But cost of the legacy replacements, we're not getting . . .

Mr. Khalra: — There are some additional costs exactly, yes, which we hope to be, you know, be in a position to recover if the meter proves to be safe.

Ms. Sproule: — Okay. Have there been any other contracts or consultants that have been engaged in relation to this smart meter project outside of Sensus and Grid One?

Mr. Marsh: — Any other contractors or consultants?

Ms. Sproule: — Yes.

Mr. Marsh: — No, those are the two major ones.

Ms. Sproule: — Okay. I have a question about a company, Deep Earth. I know that they had been . . . I think that's the underground thermal development down in Estevan area. Has SaskPower provided any funds to that company for its work?

Mr. Marsh: — Not to my knowledge. We were in negotiations with them up till a few months ago, and to our knowledge they have not come back to us to pursue any development in that area.

Ms. Sproule: — If you were to engage in that kind of I guess power generation . . . Would they generate power? And is that why you were in negotiations with them?

Mr. Marsh: — It's a process where they would extract heat energy from water deep in the earth and bring it to the surface and create steam from that and then create electricity from that steam.

Ms. Sproule: — Is that something that SaskPower's pursuing in the future?

Mr. Marsh: — We're certainly looking at all options for generation. So if a proponent comes to us and it's a viable, economic solution, we would definitely have a look at it.

Ms. Sproule: — Okay. So you don't know why the negotiations aren't going forward with Deep Earth at this time.

Mr. Marsh: — No, we do not.

Ms. Sproule: — Okay. Who's the principal at Deep Earth? Like who's the chairman of the company?

Mr. Marsh: — I'm sorry, I don't know that information.

Mr. Khalra: — I don't have that here with me right now.

Ms. Sproule: — Is that something you could provide?

Mr. Marsh: — Yes.

Ms. Sproule: — Okay. Thank you. The other thing I wanted to ask a little bit about was, in the third quarter report, there's a discussion about the unrealized market value adjustments. The reference there is that they represent the change in the market value of the corporation's outstanding natural gas hedges and natural gas inventory. I'm just wondering if that has anything to do with the arrangement with Northland Power?

Mr. Khalra: — No. We just buy power from Northland Power. The hedges are entered into to manage our exposure — fuel exposure, natural gas exposure — for future years. So we have a mechanistic hedging program. We hedge 50 per cent of our natural gas exposure for one year out, so year-end plus one, and then we drop it down to 45, 40 . . . [inaudible] . . . to 5 per cent.

At any given point in time, you know, we would have a certain number of contracts which would be outstanding for future consumption of natural gas. As the price of natural gas goes up or down, there is a change in the value of those contracts. So if the price, you know, goes down, we would be losing money. If the price goes up, we'll be making some gains. So it's that unrealized gain or loss which gets reflected in our financial statements because we mark those contracts to market on an ongoing basis. So it's a gain or loss which goes up and down.

The only time it would get reflected in our financials as a realized loss would be when those contracts have come to fruition; you know, we buy the gas. But in the meantime you see those ups and downs. So it's activity undertaken with market participants and not with Northland.

Ms. Sproule: — Okay. Further down on the same page there it says, "Fuel and purchased power costs increased \$67 million . . ." And again I'm wondering if purchased power cost is the Northland contract. ". . . increased \$67 million largely as a result of rising fuel prices and increased natural gas generation and imports which replaced less expensive coal generation." Does that have anything to do with the Northland operations?

Mr. Khalra: — The mix depends upon which units are available. So if you have a very good hydro year, you know, we would be using more hydro. It displaces natural gas. Normally coal will be running all the time, but if a coal unit is down for repair or some other reasons, the natural gas kind of fills in, and we use more natural gas. And natural gas at the margin tends to be more expensive than both hydro and both coal.

So as we use more natural gas, you know, we would have more fuel cost. Fuel costs are the same whether we use Northland or whether we, you know, use our own generating plants because we're using the same fuel. We take on the price risk. So it has nothing to do with IPP [independent power producers] versus

us. It has more to do with our fuel mix at any given point in time.

Ms. Sproule: — All right. And I just want to clarify that that \$17 million is not recoupable — right? — in terms of the Sensus, the legacy meters?

Mr. Khalra: — It is if we choose, if we are satisfied that, you know, we would be going with Sensus in the future. We would be buying those meters at a discount. It's not reflected in our books as a receivable because we don't know. There is uncertainty at this stage whether we'll be going down that path or not, so we haven't recognized that as a receivable. But in the future if we do, we would be buying our meters for a lower price.

Ms. Sproule: — But if we don't go with Sensus, it will be gone.

Mr. Khalra: — Then it won't be recoverable.

Ms. Sproule: — Okay. I think that's basically it. Does the minister have anything he wants to clarify or adjust, or does he stand by everything his officials have said tonight?

Hon. Mr. Boyd: — Well we want to make sure with respect to that and check the contract around that because I think there's some interpretation that needs to be evaluated, clearly.

Ms. Sproule: — Okay. Will you undertake to get back to us with that clarification then?

Hon. Mr. Boyd: — Sure.

Ms. Sproule: — All right. Time is basically up. Thank you, Mr. Chair. I have no further questions.

The Chair: — Well now that there are no more questions, we will vote on 152, Saskatchewan Power Corporation, subvote (PW01) to the amount of \$262,000,000. And there is no vote as this is statutory.

I'd like to thank the minister and his officials for being here. And did you want to have any closing remarks, Minister?

Hon. Mr. Boyd: — No.

The Chair: — Okay. Thank you. We're going to take a very short recess.

[The committee recessed for a period of time.]

[22:00]

**General Revenue Fund
Supplementary Estimates — November
Debt Redemption, Sinking Fund and Interest Payments
Debt Redemption
Vote 175**

The Chair: — Good evening and welcome to the Crown and Central Committee. This committee will be considering supplementary estimates — November, for debt reduction. We

will now begin our considerations on vote 175, debt redemption. Excuse me. I said debt reduction. It's debt redemption. Sorry about that. Crown corporation general debt. I would like to introduce Minister Krawetz and Minister Reiter, and I would like them to introduce their officials and make opening remarks, please.

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. Seated next to me is Jim Fallows who's the treasurer of Municipal Financing Corporation. Nothing much in terms of an opening statement other than to indicate to the members of committee that the schedule of debt redemption involves 100 per cent the Municipal Financing Corporation. That's why Jim is here. And it's a number that has to be . . . It's a number of dollars that is being returned to the General Revenue Fund because the amount of dollars that was originally scheduled in the budget is not going to be needed, and therefore the dollars are being returned.

The Chair: — Thank you, Minister. Questions? I'd like to also mention that Mr. Warren McCall is sitting in with us this evening too.

Mr. McCall: — Thanks a lot, Mr. Chair.

Ms. Sproule: — Just one point of clarification, Mr. Chair. When you opened your comments this evening, you referred to this as vote 195, and it's actually 175. But I just want to make that clarification. Just now you said 175, but I was worried and want to make sure the record reflected that.

Just a couple of questions, really quick questions, for the minister. In terms of Crown corporation general debt, are you suggesting that that's all dealing with the Municipal Financing Corporation of Saskatchewan?

Hon. Mr. Krawetz: — That is correct, Ms. Sproule.

Ms. Sproule: — And is that every year is that the case? Like the only time that there would be a Crown corporation general debt is for the Municipal Financing Corporation of Saskatchewan?

Hon. Mr. Krawetz: — No. There are many entities that make up the Crown corporations, treasury board organizations, etc. This specific change is because of what is not occurring at the Municipal Financing Corporation only. And all of it, as you note from the page 9 at the very bottom, if you looked at your chart on page 9, you will note then that the Crown corporation general debt was originally estimated to be 3.7 million. It's now 28, which is the difference of 24.3, and that's the number we're dealing with. And all of that is connected to Municipal Financing Corporation, not any of the other Crowns.

Ms. Sproule: — All right. And perhaps the minister could explain why this \$24 million is being returned.

Hon. Mr. Krawetz: — We'll ask our treasurer who actually will tell you a bit about short-term borrowing, long-term borrowing, and 53.3 million. Because as you see at the top of page — before I turn it over to Jim — as you see on the top of page 9, the Municipal Financing Corporation of Saskatchewan was looking at originally forecasting about \$53.3 million worth

of need. And that's not going to be entirely true. So, Jim, if you would just do a little explanation on why the 24.3 is no longer required.

Mr. Fallows: — Just as a bit of background, the purpose of the Municipal Financing Corporation is to loan money to local governments, so cities, towns, villages, RMs [rural municipality], and such. So it's always a little bit difficult for MFC [Municipal Financing Corporation] to forecast how much it's going to borrow in a particular year because the amount that it needs to borrow in a particular year is really determined by the local governments and how much activity they have.

So it's not uncommon for MFC to either underbudget a little bit or overbudget, as is the case this year, in terms of the amount that's going to be loaned. And that's what's happened this year. We've just slightly overestimated the amount that local governments will be demanding in this particular year.

Ms. Sproule: — So at the top of page 9 we see that you had forecasted 53 million. That was your original estimate. There's no change there. And yet there's a 24 million change at the bottom. So why doesn't that show up at the top? Is it just where you borrow it from?

Mr. Fallows: — Close, yes. That's a . . . it's a very good question. So the \$53.3 million reflects the amount that the corporation intended to borrow for the year, and in fact the corporation still intends to borrow all of that money. And by doing so it's taking advantage of some extremely low interest rates this year.

The amount of cash that the corporation is going to have at the end of the year, it looks like is going to be more than it expected to have. So rather than be paying interest on that amount of money, it's paying back some debt as well. So the \$53.3 million is an amount that the corporation is going to borrow, and then the \$24.3 million here is an amount, it's a line of credit. It's a temporary amount that the corporation is paying back.

Ms. Sproule: — It's somewhat confusing if you're borrowing money to pay some back. Now this represents about half of what you were anticipating in this fiscal year. Is that historic? Like do you normally . . . are you off by half? Is that generally the case?

Mr. Fallows: — It can be. It can be. Again, it really depends on how much local governments want to borrow in a particular year. Sometimes it's just a timing thing. Like we'll talk to some of the larger borrowers and try to feel out their intent. And sometimes it's just amounts that are just going to be borrowed a little bit after the fiscal year.

Hon. Mr. Krawetz: — If I might, Ms. Sproule. We've seen a low of \$5 million of projects in one year, and we've seen as high as \$64 million in a year. So it varies, as Jim has pointed out. It's all on whether or not municipalities are moving forward with projects and whether or not they're requesting that Municipal Financing Corporation be their entity.

We have projects, as I identified in the spring budget. You know, there are many communities that take advantage of it. This year we're thinking that the need is going to be about \$30

million. And therefore with the long-term financing as well as that short-term debt that Jim talks about, we're not requiring that debt to be kept there, so it's going to be a repayment of the monies back to the GRF [General Revenue Fund], which is where the monies originally came.

Ms. Sproule: — Can you inform the committee of any major projects that had to be cancelled this year, and that's why the demand isn't as high as you anticipated?

Mr. Fallows: — No, no projects that we're aware of that had to be specifically cancelled or postponed. It's just a lack of local governments coming to us.

Ms. Sproule: — Do you have the sense that perhaps they're borrowing from other sources, or is yours still the best deal in town?

Mr. Fallows: — No, absolutely not. We're still the best deal in town, yes. And we fully expect that this amount that we're paying back, we'll loan that out next year. So it's a timing thing.

Ms. Sproule: — My colleague would like to ask a question.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chairman, ministers, official. Welcome. And I guess, so again the \$53 million number wasn't a nice round number that fit into it. I'm presuming it was based on, a call goes out to the sector. What are you looking at for borrowing activity? What are you looking at in terms of engagement with the fund? Is that not the case, or is there some other means by which the figure is arrived at?

Mr. Fallows: — Yes, that's a piece of it. And then the other piece of it is that was the amount of long-term debt that we had maturing in the year and we wanted to be able to refinance that, partly because we knew we were getting extremely good loans, and then it's . . . or sorry, extremely good interest rates. And then it becomes a matter of, well, will there be enough demand to loan all that money this year? Some years there are, and in this particular year now we're at about 30. So the rest of that that we borrowed, we'll loan that out next year. So that money's been borrowed for five years, 10 years, 20 years at very, very good interest rates.

Mr. McCall: — So again though I guess it's a fairly significant variance in terms of the, you know, 53 estimate, 53 million estimated, and then 24.3 million being handed back into the GRF, which of course is where it should go. And I appreciate the Minister of Finance had referenced the range in terms of activity in the fund overall, but it still seems to me that this is, you know, this is about half the estimated activity in this particular financial transaction. So historically have you got . . . Is this kind of variance where half of the estimate, half of the estimated activity doesn't take place and then you roll it back into the fund . . . or is this an anomaly? Or could you characterize it in terms of what's happened in the immediate past?

Mr. Fallows: — I would say it's not an anomaly in the context of perhaps giving back half the money. That could happen. The

absolute number of the dollars, the \$24.3 million, that would be larger than what was done in the past. And part of it is because the corporation is growing. There's been increasing demand in recent years from local governments for various projects, so the corporation's been a little bit busier and that's . . .

Mr. McCall: — Okay. Again when you arrive at the initial estimated number for the budget, is it the case that you go out to the sector, ask about what's happening for the projects, estimates in terms of the associated borrowing requirements for those, and that's how you come at the figure, the \$53 million? Is that a correct characterization?

Mr. Fallows: — Partly, yes, I mean there are so many potential borrowers. You think of all the RMs, cities, towns. We do talk to some of our more frequent borrowers. So we loan a lot of money to the city of Martensville, for example. So we would talk to them and ask them about their plans. But no, we don't talk to all of the, you know, hundreds of potential borrowers. So most of our loans are very small. But, for example, we've loaned \$20 million to Martensville this year, so these loans can come in in large blocks.

Mr. McCall: — So again though in terms of the 23.4 million being defrayed, or being returned to the General Revenue Fund, that doesn't represent a number of projects that had been estimated but that have been delayed or shelved for the time being.

Mr. Fallows: — No.

Mr. McCall: — Okay. That's it for my questions, Mr. Chair. And I thank my colleague for indulgence, and of course committee members as well, thank you.

Hon. Mr. Krawetz: — Thank you to the questions that you've asked. And thank you to Jim for appearing this late at night to explain to you exactly how the finances do work, and I appreciate that very much. So on behalf of Minister Reiter, thank you to you, Jim, and thank you to the two members for your questions.

The Chair: — Well thank you. Now we'll have vote 175 on debt reduction, Crown corporation general debt in the amount of 24,300,000. There is no vote as this is statutory.

Hon. Mr. Krawetz: — What numbers were read, Mr. Chair? Is it 24,300,000?

The Chair: — 24,300,000.

Hon. Mr. Krawetz: — Okay, thank you. I thought I heard another number. Just like you heard 195, I . . . Thank you, Mr. Chair. Sorry.

Ms. Sproule: — I, too, would like to if I could just thank the ministers and the official for helping us out tonight. So thank you very much. And again, the indulgence of the committee members.

The Chair: — Thank you. Committee members, you have before you a draft of the sixth report of the Standing Committee on Crown and Central Agencies. We require a member to move

the following motion:

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

Mr. Norris so moves.

Mr. Norris: — I so move, Mr. Chair:

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

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Now I would like to ask a member to move a motion of adjournment. Mr. Weekes moves that we adjourn. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 22:15.]