



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Herb Cox, Chair
The Battlefords

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Mr. Everett Hindley
Swift Current

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

[The committee met at 08:01.]

The Chair: — Well good morning, everyone. Seeing it is now the hour of 8 o'clock, we will begin. I'd like to begin by introducing our committee here this morning. Sitting for Cathy Sproule, we have Carla Beck. Steven Bonk is here this morning. Everett Hindley is here this morning, and Greg Lawrence is substituting for Nancy Heppner this morning. So thank you.

I would like to first of all table the following documents: CCA 58-28, Saskatchewan Government Insurance: Responses to questions raised at the June 27th, 2018 meeting; CCA 59-28, Ministry of Energy and Resources: Responses to questions raised at the May 22nd, 2018 meeting; and CCA 60-28, Crown Investments Corporation of Saskatchewan: Report of public losses, April 1st, 2018 to June 30th, 2018.

And I would just like to advise the committee that pursuant to rule 145(1), the following documents were permanently committed to the committee. And I'd just like to also acknowledge that Lisa Lambert has joined us this morning as well.

Okay, so Saskatchewan Gaming Corporation 2017-18 annual report; SGC Holdings Inc. financial statements for the year end of March 31st, 2018; Power Corporation superannuation plan 2017 annual report; NorthPoint Energy Solutions Inc. 2017-18 financial statements; Saskatchewan Power Corporation 2017-18 annual report; SaskEnergy 2017-18 annual report.

Please bear with me, folks. This is a long list here this morning. SaskEnergy Inc., TransGas Ltd., and Bayhurst Gas Ltd. financial statements for the year ended March 31st, 2018; SaskWater 2017-18 annual report; SaskTel 2017-18 annual report; Saskatchewan Telecommunications financial statements for the year ended March 31st, 2018; Saskatchewan Telecommunications International Inc. financial statements for the year ended March 31st, 2018; Directwest Corporation financial statements for the year ended March 31st, 2018; SecurTek Monitoring Solutions Inc. financial statements for the year ended March 31st, 2018; Saskatchewan Telecommunications Pension Plan annual report for the year ended March 31st, 2018.

Saskatchewan Auto Fund 2017-18 annual report; SGI Canada 2017 annual report; SGI Canada Insurance Services Ltd. 2017 annual report; Coachman Insurance Company 2017 annual report; Saskatchewan Government Insurance Superannuation Plan 2017 annual report; Saskatchewan Opportunities Corporation 2017 annual report; Saskatchewan Transportation Company 2017-18 annual report.

The Crown Investments Corporation of Saskatchewan 2017-18 annual report; Crown Investments Corporation of Saskatchewan, CIC Asset Management Inc. financial statements for the year ended March 31st, 2018; Crown Investments Corporation of Saskatchewan, First Nations and Métis Fund Inc. financial statements for the year ended March 31st, 2018; Crown Investments Corporation of Saskatchewan, Gradworks Inc. financial statements for the year ended March 31st, 2018; Crown Investments Corporation of Saskatchewan, Saskatchewan Immigrant Investor Fund Inc. financial

statements for the year ended March 31st, 2018; Capital Pension Plan 2017 annual report. And that concludes those reports.

That was a great start to the morning.

All right. And I'd also like to acknowledge that Glen Hart has joined us this morning as well as a member of the committee. Thank you, Glen. Good morning . . . [inaudible interjection] . . . I thought you were an old farmer. Get up in the morning. We might be here until 8 o'clock tonight. Who knows?

Okay. Let's get down to business. This morning the committee will be considering the Provincial Auditor chapters and annual reports and financial statements of SGI [Saskatchewan Government Insurance], SOCO [Saskatchewan Opportunities Corporation], and SaskGaming.

Before we begin, I would like to take a moment to explain the format that we will be using today. For the consideration of the Provincial Auditor chapters, I will first recognize our Provincial Auditor, who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once completed, I will recognize the minister to introduce their officials and respond to the chapters under consideration. After all the auditor's chapters have been reviewed for the Crown corporation under review, I will excuse the auditor and then move on to consideration of the annual reports.

Any questions about that process? Seeing none, I will now turn it over to Ms. Ferguson to introduce her officials and make her presentation on the 2017 report volume 1, chapter 26. Ms. Ferguson.

Saskatchewan Government Insurance

Ms. Ferguson: — Thank you very much. Good morning on a Monday morning after 8 there. So thank you, Chair, Deputy Chair, members, minister, and officials. Our presentations are actually quite a bit shorter than the list that was presented here this morning.

So on my left-hand side, I've got Jason Shaw. Jason was the principal that led the work that's on our agenda this morning. And behind is Ms. Kim Lowe. Kim is our committee liaison.

We're going to present the chapters in the order that they are listed on the agenda, pausing between each presentation to allow for deliberations of the committee. Both of the chapters are follow-up chapters, so that means there's no new recommendations for the committee's consideration. So without further ado, I'm going to turn it over to Mr. Shaw here.

Mr. Shaw: — Thank you, Ms. Ferguson. SGI, through its vehicle inspection program, helps ensure vehicles . . . Or sorry, first I'll present chapter 26 of our 2017 report volume 1, starting on page 263.

SGI, through its vehicle inspection program, helps ensure vehicles on the road are safe. This chapter reports the follow-up of six recommendations we first made in 2015 relating to SGI's processes to monitor that certified vehicle inspection stations

operated consistent with regulatory and internal policy requirements.

By April 1st, by April 2017, SGI implemented all six recommendations. SGI developed experience requirements for motorcycle technicians. It developed a risk-based monitoring plan based on its assessment of risks related to its vehicle inspection program. In addition it better documented the results of its inspecting certified vehicle inspection stations. And lastly, SGI periodically reported to senior management on the results of its vehicle inspection program.

That concludes my overview of this chapter. Thank you.

The Chair: — Minister Hargrave, would I ask you now to please introduce your officials and make any opening comments that you may have.

Hon. Mr. Hargrave: — Thank you, Mr. Chair. I have a number of officials joining me today for the three SGI items, and I'll just introduce them now. To my right, Andrew Cartmell, president and CEO [chief executive officer]; Jeff Stepan, chief financial officer; Penny McCune, chief operating officer of the Auto Fund; Kwei Quaye, vice-president of traffic safety services; Meghan Moomann, director of driver programs; Ron Foord, director of commercial and vehicle safety services; and Kim Hambleton, senior director of corporate affairs.

SGI is responsible for the provincial vehicle inspection program, a program that ensures vehicles are roadworthy and helps to keep unsafe vehicles off of Saskatchewan roads. As the auditor has outlined, SGI accepted all the recommendations from the auditor's report, and all were subsequently implemented. Given that, we're happy to answer any questions from the committee.

The Chair: — Thank you, Minister. Are there any questions from the committee? I recognize Ms. Beck.

Ms. Beck: — Thank you, Mr. Chair. Thank you to the auditor and her staff as well as the minister and those officials from SGI who are with us today. As has been noted, this is a follow-up chapter and I believe what . . . I have the *Hansard* in front of me here from December 1st of 2016, was the last time that we had an opportunity, I believe, in committee to talk about some of the recommendations and the implementation from this chapter.

So just to confirm with the follow-up, there were no outstanding items. I'm looking back to 2016, and I believe that there was an outstanding item with regard to reporting. And I believe you said in your comments that periodically there were reports that were being provided to management with regard to monitoring. I'm just wondering, how often are those reports presented to management?

Hon. Mr. Hargrave: — Yes, those reports are provided quarterly.

Ms. Beck: — And of those reports that are reported, there were a number of categories, I believe, a satisfactory unaudited, an audited satisfactory, and then there were two other classifications that . . . Perhaps they were audits that had some

concerns, or a completely unsatisfactory audit. I'm just wondering, of those categories, first of all, how many inspections were made and how many of those inspections fell into those four categories, or three categories.

Hon. Mr. Hargrave: — For 2017, there were 746 done. We do not have the breakdown by category with us, but if you'd like, we can provide that.

Ms. Beck: — So of the inspections, is there a ballpark number of how many were completely satisfactory, how many had concerns? And then a follow-up question to that is, if there are concerns that are noted in that inspection, what is the process for ensuring compliance with any recommendations that are made?

Ms. McCune: — Penny McCune. We don't have the actual percentage of how many are failed, and we can certainly provide that. But it is a fairly low percentage, and the process is that they can go through and it's an escalating kind of practice to follow up with them. Some of them can go on probation. Very rarely do we suspend operations, but we look at the results and, like I say, we follow an escalated process and keep monitoring until we see the improvement.

[08:15]

Ms. Beck: — If I recall correctly from last time we discussed this in committee, the inspections . . . There's a risk assessment that's done and those stations that would have, deemed to be higher risk for a number of reasons would be visited more frequently. I believe you noted, Minister, that there were 746 inspections. Was that in a one-year period?

Hon. Mr. Hargrave: — That's in 2017.

Ms. Beck: — Okay. And that there are, in total, about 930 inspection stations. Of those 746, those would include repeat inspections of those stations that maybe were deemed higher risk or were found to have problems. I'm just wondering how many of the stations — not how many visits, but how many stations — were inspected in the last year.

Ms. McCune: — Again we don't have the exact numbers, and we don't want to guess, so we'd like to provide those for you. A lot of the follow-up is done by correspondence, and then the more serious ones are done with personal visits. And as soon as we get the numbers, we'd be happy to provide them.

Ms. Beck: — Again I recall the last time that we had discussion of this chapter, the recommendations, there were some outstanding parameters around motorcycle technician inspector qualifications. And I'm just wondering — so I see that that has been implemented — first of all, the number of those specially trained technicians, how many we have of those in the province; and how the criteria was arrived at, how that fits in with criteria in other provinces, for example.

Ms. McCune: — We have 21 motorcycle inspection stations in Saskatchewan. The requirements to be certified is they have to have access to a standard set of motorcycle technician tools; they shall be employed full-time by the inspection facility; and they have a number of other conditions they have to meet. They

can't certify vehicles owned by the inspection technician or immediate family members.

They have to be a journeyman in the applicable type of vehicle. If it's a non-journeyman, they have to be able to demonstrate his or her knowledge and capability of repair for that applicable type of vehicle or system, and they have to demonstrate they've been working on that type of vehicle or system for a minimum of three consecutive years. They have to, with any of their applications, supply a resumé of work experience including company name, contact person, and phone number. They have to supply transcripts of any available training courses that they've taken. And they have to be able to process and complete all forms required by the inspection program.

We are fairly on the level with some of the other jurisdictions, but some of our requirements vary somewhat.

Ms. Beck: — Thank you for that answer. So they have to have access to tools specific to motorcycles and they have to be a journeyman or journeyperson. Do they have . . . There's no requirement for specific training for motorcycles, only a demonstrated ability and the general journeyman's certificate. Is that correct?

Ms. McCune: — Yes, that's correct.

Ms. Beck: — Just out of curiosity, is there a specialized training course available for those technicians to take? Or is it just something that they generally learn on the job?

Ms. McCune: — The training comes through the journeyman program and we also look at years of experience.

Ms. Beck: — Thank you. I'll skip through to the recommendation as noted on page 266 of the 2017 volume 1. This is with regard to the recommendation that SGI report to senior management the results of its risk-based monitoring plan activities for its vehicle inspection program.

So there's been some opportunity now going back to 2016 with this template process, and a number of reports — quarterly, I believe you said — that have been presented. I'm just wondering about trends that have been made apparent by the review of those reports. Are there any concerning trends, or encouraging trends even, that you're seeing with regard to those reports coming back from those templates?

Ms. McCune: — We haven't noticed any specific trends, but what we are noticing is that our resources are more focused on where the problem areas are and we have better documentation.

Ms. Beck: — Thank you. Thank you for the answers, and with that I will conclude my questions on that chapter.

The Chair: — Thank you, Ms. Beck. Any other questions from the committee? Seeing none, the 2017 report volume 1, chapter 26 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Ms. Lambert has moved that we conclude consideration of the 2017 report volume 1, chapter 26. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So we'll move on now to the 2018 report volume 1, chapter 27. Ms. Ferguson, please make your presentation to this chapter if you would, please.

Ms. Ferguson: — Mr. Shaw will make the presentation.

Mr. Shaw: — Thank you. Chapter 27 in our 2018 report volume 1, starting on page 281, reports our first follow-up of five recommendations we made to SGI in 2016 regarding its processes to confirm only qualified drivers remain licensed to operate motor vehicles. SGI is responsible for issuing all licences to eligible drivers and confirming they remain qualified. At any given time, about 800,000 drivers hold driver's licences in Saskatchewan.

By January 2018 SGI implemented four and partially implemented one of our recommendations. It gave its staff written guidance about time frames to enter driver, traffic offence, and medical information; grant extensions to drivers to complete required driver courses; and complete manual reviews of driver information for high-risk drivers. It updated its IT [information technology] system it uses to administer driver's licences consistent with legislation in effect. However we found at times SGI entered driver information it received into its IT system later than expected. Delays in entering the traffic offence information can delay the commencement of SGI's disciplinary processes for unsafe drivers.

That concludes my overview of this chapter. Thank you.

The Chair: — Thank you. I will turn it over to Minister Hargrave for your comments, please.

Hon. Mr. Hargrave: — Thank you, Mr. Chair. SGI is responsible for driver licensing in Saskatchewan as well as for monitoring the driving records of both new and experienced drivers. When a driver demonstrates poor or risky driving behaviour, SGI may apply escalating sanctions up to and including suspending the driver's licence.

Again in the case of the audit on ensuring only qualified drivers are licensed, SGI accepts all of the auditor's recommendations, which were subsequently implemented. Again we'd be happy to answer any further questions.

The Chair: — Are there any questions from the committee? I recognize Ms. Beck.

Ms. Beck: — Thank you, Mr. Chair. So again, we discussed these recommendations initially in committee in December of 2016, and at that time I had the opportunity to ask some questions about the scope of the issue and what some of the concerns were that were brought forward. Now just to refresh and to confirm with you, Mr. Shaw, a large bulk of this concern was around entering data from outside jurisdictions into the SGI computer system. Is that correct?

Mr. Shaw: — Yes, that's correct.

Ms. Beck: — And the risk that was assessed at that time — and continues — was that there would be drivers, potentially, with

that delay who should have their licence suspended or some parameters put on their suspension that would continue to drive until the time that those were correctly updated in their file. Is that correct?

Ms. Ferguson: — Not quite. Really what we're saying is that it's . . . that's information that needs to initiate their disciplinary process, right? So it might not be suspension and to that, you know, to that degree. Really where we're at is that if a person has a driving offence, whether or not it occurs in the province or outside of the province, it should be treated similarly in terms of getting that information in the system and using that data to initiate the oversight process that occurs here.

Ms. Beck: — There were some concerns that, for example if I remember correctly, with regard to criminal offences. Those were updated automatically and electronically. But this would be driving demerits, for example, in other jurisdictions or information that came in not electronically or weren't updated daily. There was also a concern that there were no time frames necessarily with regard to how long it could take for those items to be entered. Is that correct?

Ms. Ferguson: — That's absolutely correct. You know, I think that's the key aspect. We've got information coming in to SGI differently. In some cases it's coming in automatedly, you know, and so that just updates the records. So in this case the information's not coming in in an automated fashion, right. So what were looking at from an auditor point of view is, do the staff know how fast to enter that information, have clear guidelines? Because what we found in the initial audit, it was just dropping down in terms of their priority list because they had been given clear guidance on a number of other things.

And so in the follow-up, we're finding that they have set time frames, but they're just not at the stage where they were following that on a consistent basis. You know, we recognize there will be times in terms of work steps and flows that you may not meet your target, but just to reinforce that as you go along.

SGI has recognized that it's hard to meet those time frames, you know, and so they were looking at, at the time we were doing the follow-up, alternative ways to figure that all out, you know, to meet the targets. So for us it's that overriding, you know, that no matter where the offence occurs, you treat the thing similarly, right. So that you initiate the process and to . . .

The Chair: — To the minister — excuse me, Ms. Beck — to the minister: have additional steps been taken to ensure that this is being done?

Hon. Mr. Hargrave: — Yes, we have. Now that process is done twice weekly and additional staff are assigned to it if necessary. But that process, the progress lists and the facts folders and all that, is done twice weekly.

[08:30]

Ms. Beck: — And when was that implemented? Those measures, when were those measures implemented?

Hon. Mr. Hargrave: — March of '18 that was started and

enhanced again in June. And our internal auditors are quite positive that the system is fully operational and running along as it should be.

Ms. Beck: — So there was . . . Again I believe the initial recommendation came in 2015, and there were some steps that were taken. Were there any identified barriers to the implementation? Was it a workload issue? Was it a staffing issue? I understand that there now is the ability to bring staff in if it's required. Was this identified as a workload issue?

Ms. McCune: — We had established the guidelines, and then we found that some of the staff weren't complying with the guidelines. So that's why this extra step was put in to monitor the work lists twice a week and make sure that the work was distributed among resources.

Ms. Beck: — Were there reasons stated for non-compliance?

Ms. McCune: — So it was more a combination, I guess, of a test and learn on the length of time that it took. So it was a new process for employees. There was a bit of back and forth in establishing what those timelines should be. Sometimes there's errors or incomplete information that we have to follow up on, and that had to be taken into account. So when that happens we are now documenting when there's errors just so we can keep an eye on why the timing wasn't able to be met.

Ms. Beck: — When you say errors, are you referring to . . . there's incomplete information for example in the information that's coming to SGI?

Ms. McCune: — The police, we sometimes have to follow up with the police to clarify the information and the ticket information.

Ms. Beck: — So this wasn't identified as a workload issue. It was a lack of clarity . . .

Ms. McCune: — The process needed to be improved, and we needed some time to make sure it was accurate and that we were documenting, when we weren't able to hit the timelines, why.

Ms. Beck: — So it wasn't the case that there was too few people and too much work, doing this. It was simply they weren't aware or weren't complying with the guidelines.

Ms. McCune: — Correct. It was just a process improvement issue.

Ms. Beck: — Okay. Okay. Thank you. I believe with that I will conclude my questions on this chapter.

The Chair: — Thank you, Ms. Beck. Are there any other questions from the committee? Seeing none, the 2018 report volume 1, chapter 27, has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Mr. Hindley has moved that we conclude consideration of the 2018 report volume 1, chapter 27. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our consideration of the Provincial Auditor chapters related to SGI. I would just take a brief moment to excuse the Provincial Auditor.

We will now move on to consideration of the 2017-18 annual reports of SGI and its subsidiaries. And this includes the 2017-18 Saskatchewan Auto Fund annual report, the 2017-18 SGI Canada annual report, 2017 SGI Canada Insurance Services Ltd. annual report, the 2017 Coachman Insurance Company annual report, and the 2017 SGI superannuation plan annual report. Minister Hargrave, if you have any new officials to introduce and make your opening comments, please.

Hon. Mr. Hargrave: — Thank you again, Mr. Chair. Jeff Stepan is the chief financial officer for SGI and so he'll be joining the front table. I introduced him earlier though.

SGI Canada is the competitive arm of the corporation, selling property and casualty insurance in five provinces — Saskatchewan, Alberta, Manitoba, Ontario, and British Columbia. The Saskatchewan Auto Fund is a public insurance fund for motorists. It also administers driver's licences and vehicle registrations for the province.

I'll start with SGI Canada, which I'm happy to say had another good year. In 2017-18 SGI Canada achieved \$59.4 million in profit. These strong results enabled SGI Canada to benefit the owners of the company, which are the people of Saskatchewan, by returning a dividend of \$35.8 million. SGI had premium growth of 8.7 per cent, which is especially impressive compared to the industry average of about 3 per cent. SGI Canada grew in all five provinces where it does business. In total, SGI Canada wrote almost \$803 million in premium and it is on track to achieve its goal of \$1 billion in premium by 2020.

Spreading business risk geographically is important to the future of the company. When a company is diversified geographically, losses in one area can be offset by profits elsewhere. This is especially helpful for storm claims. Of course Alberta and Manitoba can be affected by the same weather systems as Saskatchewan. One particularly bad storm system can lead to losses in all three provinces. So that's one of the reasons that SGI Canada wants to grow its business in Ontario and BC [British Columbia].

Now on to the Saskatchewan Auto Fund. The Auto Fund also had a strong year. In 2017-18 the Auto Fund strengthened its rate stabilization reserve by \$210.1 million. The rate stabilization reserves' healthy position means the Auto Fund is well positioned to deal with increases in claim costs or a downturn in the investment markets. And I'm proud to say Saskatchewan has the best-performing auto insurance system in Canada. When you look at other provinces like BC, Alberta, Ontario, their insurance regimes are experiencing significant challenges. By contrast, the Auto Fund is financially strong and rates are stable. Saskatchewan still has amongst the lowest insurance rates in Canada.

In addition to keeping rates low, traffic safety of course remains a top priority for SGI and for our government, and it is something that I personally feel very passionate about. We're happy to see that our efforts to improve safety on Saskatchewan roads are starting to take hold. We have a long way to go, but

I'm cautiously optimistic that we're seeing the start of sustained change. Thank you, and we'd be happy to answer any questions.

The Chair: — Thank you, Minister. Are there any questions from the committee? I recognize Ms. Beck.

Ms. Beck: — Thank you, Minister Hargrave, and thank you to your officials for being here with us this morning. And I will have some questions. I think I will move systematically first through the SGI Canada annual report and then we'll move on to the Auto Fund and the subsequent reports. Some of my questions may not fit as succinctly as that. There's some that might straddle both, but I will try to keep my questions clear as we move through.

One of the things that you mentioned, and I know this is something that's always reported on, is that 1 billion target by 2020 for premiums. I believe we're — I think it's in here — just sitting over . . . The goal this year was for 800 million. What was achieved in the last year was slightly over that. The target for the upcoming year being slightly under 900 million in direct premiums written. I know it's a small amount, but why was that target not 900 million? It's slightly under just in terms of target out to 2020. It gives us one more year for 2020.

Mr. Cartmell: — Andrew Cartmell. The target is built up line of business by line of business and province by province, based on what we think the opportunities are in each jurisdiction. It takes into account where we see the market going, how competitive it's going to be, the rate changes we're planning on making. So rather than just picking a number out of the air, it is mathematically derived. And we are trying to target between about 9 and 11 per cent increase each year in order to hit that billion-dollar target. Turns out it came out just below 900 million.

Ms. Beck: — But still with confidence that the 2020, 1 billion will be met. What are some of the factors across Canada in this case that you're seeing that are impacting that just slightly below 900 million target?

Mr. Cartmell: — I wouldn't say there's anything negative in terms from a growth perspective. In fact it's in Ontario and Alberta for automobile insurance, given the challenges with profitability on those two lines, currently we're . . . We likely could grow a lot faster but prudence would say no, we have to be careful of making sure that when we do grow, we have a reasonable chance of profitability. So in fact, if we wanted to, we likely could grow much, much faster in this fiscal year than we're planning on. We're trying to be prudent.

Ms. Beck: — So some of the factors that are impacting that, the product is seen as very desirable in those markets. Is that what's contributing to that confidence in the ability to grow in those markets?

Mr. Cartmell: — Yes, we distribute our products through brokers, and in our market basically we need to have a competitive price and a competitive product, and then it comes down to service. And today in Canada the majority of consumers still go to a broker to have the broker advise them on, you know, the best coverage, the best product for them. And

it's a combination of price, product, and service. And for a customer, the service from our end is generally claim service.

And so we rely on a broker's recommendation to recommend our company and our products to the customer. We spend a lot of time and effort building strong relationships with brokers. Currently I would say we're differentiating ourselves because we are a broker-only company in terms of sales distribution. We don't sell direct to the customer, so the brokers appreciate that from us. Many of our competitors will sell through brokers but also direct and, you know, brokers are in some senses thinking that their insurance companies are undercutting them to some extent.

Our approach has been to work with brokers, tell them that they're our sole distribution system, which they are; use technology to make that distribution model more effective, which we're working on; and at the end of the day, we listen to our brokers. When they phone us with questions, we answer the phone. We respond promptly. And to this day insurance is relationship business, and brokers — not only in Saskatchewan but in the other provinces that we operate in — I think, appreciate the level of service that we provide.

As a result of that, brokers tend to recommend us more often than perhaps some of their other companies that they have access to. And as a result, we're growing about 9 to 10 per cent a year, depending on the market, whereas the entire industry overall is growing about 3 per cent a year, which is just basically the economic growth and asset growth within Canada.

Ms. Beck: — So looking at three times the national average with regard to growth.

Mr. Cartmell: — Correct.

Ms. Beck: — You did mention something that has been brought up as, I believe, a bit of a concern with regard to the broker and the ability of insurance companies to undercut. Are there advantages that insurance companies selling directly to consumers have that brokers are encumbered by different rules? Is that the case with regard to group pricing, for example?

[08:45]

Mr. Cartmell: — I would say no, there aren't different rules. For example, auto insurance in every province has a regulatory oversight arm over it. If it's Alberta or Ontario for example, any insurance company has to file rates and get them approved. You have to file your underwriting rules and get them approved. Yet there are rules around the factors that you use in terms of rating customers. It all needs to get approved.

So I would say there's a level playing field on the product price side of insurance. It makes no difference whether it's a broker company or a direct company. The difference is probably more around brand advertising and marketing. And there are pros and cons to both distribution models.

The direct side, if you're selling direct to the consumer, you tend to spend a lot more on advertising and marketing and branding. You have to be constantly out there on the airways, whether it's radio, television, social media. You have to be top

of mind. So when a consumer decides that they need auto insurance and they go online, you have to come up on the top of the list in order to, you know, improve your chances of them actually going to your website to select your product.

For us as a broker-based company, we pay brokers a commission, and we rely on them to do sales, service, marketing in their local area. So it's a different model. I wouldn't say there's an advantage of one over the other; they're different. The cost structures, at the end of the day, there used to be a cost advantage for direct companies, I would say, in terms of the overall expense component of the product. But with the level of marketing and advertising and branding done today, I would say there isn't a cost advantage anymore.

Ms. Beck: — So with that model, it comes necessarily with an increased portion of spending going towards marketing and PR [public relations].

Mr. Cartmell: — Much more so, yes.

Ms. Beck: — Okay. Thank you for that. And I wanted to just spend an minute on, you just spoke to the importance of the customer experience rating, that being an advantage. There were some targets there were set around a customer experience index score with a goal towards 80, I believe it's by 2020, or the long-term goal of achieving that. What were some of the factors that are measured with regard to that index score? I'm looking now on page 10.

Mr. Cartmell: — Sorry, could you just repeat your question so I can make sure I answer it properly?

Ms. Beck: — I'm just wondering what's being measured. Assuming, within that score out of a hundred, I would assume that there's an index score. Who is being evaluated with regard to customer experience, I guess would be the first question. And what's being measured with regard to those customer experiences there within that measure?

Mr. Cartmell: — So we contract with a company called Forrester that runs a customer experience survey. Many of our competitors use them as well. And basically they approach Auto Fund and SGI Canada customers with survey questions, and there's a broad range of questions that customers are asked. And the gist of it is, is we're trying to understand what are the pain points in the levels of service that we're providing to our customers. What's easy for them to do? What's more difficult for them to do?

Internally when we started down this journey we came up with, using Forrester's help we came up with an internal program called Care, Cover, and Connect. So for both the Auto Fund and SGI Canada, what we're trying to do with the results of the survey is understand how we can care for our customers more effectively, particularly when you think of the Auto Fund here in Saskatchewan and no-fault insurance and injury benefits. We want to make sure we're providing the right level of benefits and we're providing them fairly and efficiently. So we measure that.

Coverage is . . . Are we providing the right products to our customers to make sure that they, you know, if they experience

a loss, they are covered? Again that applies both to SGI Canada and the Auto Fund. And Connect has to do with how easy is it for our customers to interact with us or with our brokers. So there are a series of questions that get at all that. What we get back from Forrester are examples of what we do well and what we don't. And as a company, what we do then is focus on the areas where we need to improve.

So a good example of that was a few years ago in running the survey, it came back that our websites weren't easy to use. It was difficult to find information, that sort of thing. So we then internally had a program to update the Auto Fund's websites, the SGI Canada websites, to make them mobile friendly, to make the information easier to find, to work on the language that we use on the website so that it's more customer friendly and less insurance jargon, as an example. So that was one example of feedback we got from the survey.

We also got a lot of feedback with regard to our claims service and how we provide claims service and what customers were looking for. So we've embarked on a substantial initiative in our claims division to essentially empower our front-line claims staff to really live and breathe this Care, Cover, Connect approach that we're trying to do with our customers.

Ms. Beck: — I believe I recall reading measures towards specialization for some of those adjusters; for example, in the instance where there's been a loss, a death, that you would have someone who would be specially trained to deal with people who were dealing with grief and those concerns. Is that where some of those initiatives came from?

Mr. Cartmell: — Yes, that's a great example of it. You know, thank goodness we don't get that many fatalities in any given year, although it's of course more than we would like to get. But we came up with the idea that if we had a centre of care where our claims adjusters had a particular skill and empathy that would help them connect with the grieving families, we thought that would be a way to improve the level of care and compassion that we can help our customers with, particularly here in Saskatchewan with the Auto Fund, which is a no-fault system.

So we asked if there was interest amongst our claims adjusters because it can be a pretty tough job to do. But we've basically piloted it. We called it test and learn. So we implemented it, I can't remember exactly when. I think it was just in advance of the Humboldt tragedy. So they had an opportunity there to see what we could do with that particular circumstance, and we continue to learn from it. And we have a number of examples like that where claims aren't as common as you might think, where a level of expertise would help the customer through that experience and actually provide a better level of service. Our fatality centre of care is one example of that.

Ms. Beck: — There are other specializations as well. I can't recall them off the top of my head now. With regard to those specializations, and I guess particularly with those who would be dealing with traumatic losses, is there extra training that's available? And then is there extra follow-up care for those who might be, you know, dealing with that for employee care?

Mr. Cartmell: — Yes we do have extra training for our staff,

both from a technical perspective and making sure that they understand the legislation and are up to speed on the nuances of that area of specialization. But we also provide mental health training for them as well if the job or if particular circumstances in dealing with a particular customer are particularly difficult for them. So we have both aspects of both technical and mental health training.

Ms. Beck: — Thank you. I'm just going to pay a little closer attention to the time now. I think we've got about half an hour, so I'm going to move a little more quickly through these questions.

One thing that was just mentioned with regard to safety, and in particular the tragedy in Humboldt, something that's come up subsequent to that and a little bit before that was the commercial driver and road testing. And I'm wondering if you could provide a bit of an update with regard to where we're at in terms of anticipated changes with regard to commercial driver training and testing and inspection and regulation in the province.

Hon. Mr. Hargrave: — Yes, I would be happy to answer that question, actually. You know, under Saskatchewan's leadership there's a Western Canadian committee being established. In fact we're meeting again this week to finalize a number of things with truck driver training with all its aspects. We're looking for a more standardized curriculum, both for the truck drivers and for truck driver training. So we hope to have something finalized in the very near future that we can roll out right through Western Canada so that we'll be more consistent. In the past, it's been province by province by province. And we're hoping to have that finalized.

Like I say, officials are all meeting again this week. And they have had several meetings. We have been working on truck driver training for some time now, long before the tragedy. But the co-operation from other provinces now, in ensuring that this training is enhanced and that truck driver training schools are better certified or better qualified, has really risen, and every province has jumped on board in making sure that this happens.

And so we're looking forward. We've had great meetings to date, and we look forward to finalizing a good agreement in the very near future.

Ms. Beck: — Glad to hear that. Just with regard to some details, so I believe that I heard you say, Minister, there are discussions around standardization, one being around curriculum for truck drivers. Is that the case?

Hon. Mr. Hargrave: — That's right.

Ms. Beck: — Okay. Is there a view toward standardization of mandatory entry-level training?

Hon. Mr. Hargrave: — That's part of the discussion, is mandatory training. It's part of the discussion. It's not necessarily part of the agreement, but that's part of our discussion in that committee.

Ms. Beck: — Okay. And pre-entry requirements for commercial carriers, is there any talk of standardizing that

process?

Hon. Mr. Hargrave: — Yes. We've been working with the industry, with all the trucking industries for the Western Canadian provinces. And so, you know, everything is on the table. And the trucking industry is on board with having everything on the table, as are the provinces with our working group. So we expect that there'll be significant enhancements to standardization in every facet of that industry.

[09:00]

Ms. Beck: — Including testing? Are there any anticipated changes to the way testing is completed?

Hon. Mr. Hargrave: — That's all part of our discussion and that could form part of it as well, more standardized testing, training, testing. So yes, we're optimistic with what has been happening and how the committee's been going. And so we, like I say, we expect really good changes coming up in that industry and we've had . . . All the players on board are in agreement that changes are necessary and they're all looking forward to making these positive changes.

Ms. Beck: — What is the current minimum level of training required for a driver, a commercial driver, in the province?

Hon. Mr. Hargrave: — Training as far as testing or as far as road?

Ms. Beck: — Both.

Hon. Mr. Hargrave: — Both? Well that's one of the issues. Currently if a person can come and they can take the written test, the road test, and a medical, and if they pass them they can get their licence. So that's why we're . . . In the committee we're looking at that process of changing, enhancing that.

Ms. Beck: — Is it the case that those who provide training are also able to conduct testing? Is that currently the case in Saskatchewan?

Hon. Mr. Hargrave: — Well everything, everything has been . . . We've been reviewing for well over a year now, or over a year now anyway, every facet of that whole industry and of the training and of the testing. There are a couple of schools in a program that we have that can train, and they have very few of their students that they can also examine. But that's all part of the program that we're reviewing. And to make sure that we get it right and that we get it more consistent across definitely in Western Canada, and we're optimistic that it will roll into all of Canada.

Ms. Beck: — I believe, going back to about 2008-2009, there were some significant changes to how the industry was regulated with regard to testing and training. Has there been an assessment since that time of safety assessments or how that program has . . . the impact of that implementation since 2008 and 2009? Has there been an assessment of those changes and will that be a part of this overall rethinking of that training?

Mr. Quaye: — Kwei Quaye, SGI. Ms. Beck, we're not aware of the programs. If you could be more specific with regard to

the program you're talking about.

Ms. Beck: — Sure. The recognized authority and the changes that were made with regard to the training that used to be available through the polytechnic for commercial driver training.

Mr. Quaye: — Well with regards to the training that was available through the Saskatchewan Polytechnic, we made those changes because of requests from industry that Sask Polytechnic was very slow in being able to meet the demands of industry. Sask Polytechnic at the time indicated to us that they needed a certain number of students enrolled before they could offer a class to industry. But industry demand was throughout the whole year, and they were not able to meet those demands so they decided they were going to get out of the business. And what we did at SGI was to take over the provision of the training for class 1 driver training. So that was in 2008-2009.

We did that more as a way to bridge the gap that was in place to ensure those people were appropriately trained. We haven't reviewed that. As you know, auto training is available. It's not mandatory so not everybody takes training. So this review that we are looking at is looking at everything. I think we've come to the conclusion that what we have needs to be looked at. So we started way back in last year looking at this, and we hope that we'll come out with something that is . . . We know we'll come out with something that is much better than we have right now.

Ms. Beck: — And, Minister, just to confirm then, the issue of mandatory training is still on the table. There was some confusion about that earlier in the year.

Hon. Mr. Hargrave: — No, definitely, definitely it's on the table. We don't know exactly where that's going to fall, but that's part of that discussion that we're having with the Western Canadian provinces is to put everything on the table so that we can have that good open discussion and see where that ends up. So you know, the industry and . . . But again we're talking about their industry partners and the training, the truck driver training people. And whether or not it's mandatory, we'll see where that ends up. We like parts where those discussions have gone so far, and we seem to be all on similar consensus.

Ms. Beck: — Thank you. I'm just noting there's a question that I had that I believe had the opportunity in the briefing, just regard to noting the overall trend of catastrophic storms continues. But I guess that is across the industry at this point.

This year again in British Columbia . . . Of course, you didn't have to travel to British Columbia to understand that the fires were a significant concern. Any future planning or impact with regard to the increasing number of fires and wildfires that we're seeing throughout Western Canada?

Mr. Cartmell: — From our perspective, what we have done is . . . For us it's an assumption-of-risk issue. So we have much better information at mapping where we have rural properties and their potential exposure to forest fires, so we have a much better understanding of where we insure certain properties and therefore what level of risk that they're at. Part of our responsibility is to make sure that if that fire happens and is

catastrophic, that we have sufficient funds to cover it. So for us it's partly a reinsurance question to make sure we've got the protection on our book of business to make sure that, you know, we can cover those losses.

Our industry has been active in various programs that are out there. There is a FireSmart program available in certain communities that our industry has been encouraging, you know, local cities and towns to take advantage of it. And it's things about, if you live in a rural area that's forested, how close trees should be to your property, vegetation maintenance, things like that. There are programs available also for communities where they put fire belts around certain towns to make sure that there's a buffer there, those sorts of things. That's the extent of what we've been working at.

Ms. Beck: — Those things that you can control. Thank you.

The Chair: — I recognize Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. Just following up on these catastrophic losses, and the member from Regina Lakeview mentioned, Ms. Beck mentioned the wildfires. But I'm looking at your report here, and also I just . . . Well actually I have it up, a news release from the Insurance Bureau of Canada. Kim Donaldson, the vice-president from Ontario, was talking about the recent flooding in downtown Toronto, and maybe what I'll just do is quote a part of what he said:

The recent Toronto flood is yet another example of an increase in severe weather events across the country. As a direct result of climate change these flooding events are occurring more frequently and with greater intensity, with escalating costs to both taxpayers and insurers.

So between the wildfires and flooding, I think what I get from all of this and watching what's been happening is insurance companies, and I think the Insurance Bureau of Canada and other people in the industry, have been saying that there is an increased risk because of these catastrophic events. And if you look at your report on page 17, seven of the last 10 years the losses in Saskatchewan were higher than the average, and it appears that, you know, the catastrophic losses are certainly playing a role.

So I guess my question is, overall, how is SGI . . . what is their go-forward plan? I'm sure, you know, you mentioned that you are dealing with wildfires and those kind of things. But it seems to me that — at least here in Saskatchewan — going back to 2009, 2010, the largest losses, I would guess, would have been from excessive water. And so what are you doing to, and what kind of modelling are you using to sort of forecast the future? Because it seems like we've got a growing trend where more of these catastrophic events are happening.

Mr. Cartmell: — So actually for us in Saskatchewan, traditionally our biggest catastrophic exposure would be hail — hail and wind — as opposed to water. We certainly have had a number of water flooding-type events the last few years. So what we're seeing as an industry is certainly property losses are increasing. But generally what we're seeing, other than the odd little blip, is that property insurance is becoming more expensive, primarily because of climate change. Auto

insurance, because there's a trend to fewer accidents, is actually going the opposite way.

So having a balanced book of business is one strategy that we would use between auto and property, and it's kind of reversing on itself. So having a good spread of risk based on the products you sell is one strategy. Another strategy, particularly on property, is geographic spread of risk, which the minister spoke to. So it's pretty rare to have storm events impacting every province in every year. Having said that, we should be careful, I guess, but having a really good spread of risk is important.

[09:15]

On water, which is probably the biggest issue that we face in property insurance across Canada, Canada is one of the only economic countries in the world that doesn't have a national flood program either backstopped by the insurance industry or backstopped by government.

What we do have is disaster assistance that the federal government backstops. And so the federal government has noticed over the last 5 to 10 years that the dollars that they're spending on property flooding and storms has been increasing and increasing and increasing. So there's an awareness now at a federal level that something needs to change. So where they could be helpful of course is to work with the provinces around things like building codes, infrastructure. You know, it's really important not to allow developers to build new subdivisions on flood plains. And it's been lax over the years, and it varies from province to province, but there are things like that that will be part of the longer term solution.

For us at SGI, the industry, again because there wasn't a federal program, our industry decided to start to sell flood coverage for personal property, for homeowners in particular. As a company, if we did not offer that coverage then our brokers could not in good conscience recommend our product to their customers. Once one company moves in a market to offer coverage, then basically everyone has to. So we moved early to offer coverage. And what we wanted to do there is, yes we are collecting extra premium revenue for extra risk, but the important thing from us in order to be profitable about it is to get good uptake on flood coverage from most of our customers and to make sure it's spread widely across not only Saskatchewan but the other jurisdictions.

So we worked with our brokers to design the product and to get the uptake. And generally speaking, today I think we're in the neighbourhood of about 70 to 80 per cent of our customers have what we would call a comprehensive water coverage package. We can't offer it to everyone today. We do a lot of what's called flood mapping, and we use our reinsurance broker and fancy statistical models to predict and simulate storm patterns and, if it rains, where does the water pool and collect. And so about 90 per cent of our customers in Saskatchewan are eligible for flood coverage, and unfortunately today about 10 per cent aren't.

As the flood mapping gets more sophisticated and as our understanding of the risk becomes better, I hope that that percentage will decline. But today about 10 per cent of our customers aren't eligible for flood coverage. Of those that have

selected it though, we're getting really good uptake.

And since we've introduced it we have not had a significant flood event in Saskatchewan. So our timing, by luck, was somewhat good. But we need to have, you know, we probably need to have five or six years of no- to low-flood losses in order to pay for the one year when it happens.

Mr. Hart: — Just a couple of follow-up questions. One, you mentioned that there certainly has been an increase in insurance costs due to climate change. Could you put a number as to what kind of a percentage increase you would say we'd be looking at, say over the last five years or 10 years? Has the industry come up with kind of saying, well we're looking at a 15 per cent increase in insurance premiums because of . . . Or is that number not out there, or no one's made that kind of comment in the industry?

Mr. Cartmell: — Yes, I can't think of . . . I can't put a statistic in my head. I can't say that it hasn't been done. I can say this. It used to be for property insurance the largest, more significant peril was fire: home fires or just generally fires from whatever source. And at one time it would have been upwards of 40 per cent of claims dollars paid.

Approximately now I think it's dropped from that level, I think down probably about in half. So we've got much better building codes. We've got newer homes. We've got good fire protection. More people live in urban areas, so when a fire happens there's usually, you know, fire hydrants and that sort of thing. Rural fire departments are using a soap-water mixture which means they need, I gather, something like 10 per cent of the water they used to need in order to have the same coverage. So there's been great advances and fire's no longer our biggest threat. It is water. And unfortunately I don't have a number for you on that.

For SGI Canada it's also difficult to predict because today we're twice as large as we were eight years ago. So as we grow, obviously we're going to have more storm losses in terms of dollars. So it's difficult to actually say.

Mr. Hart: — Getting back to the flooding issue, as you mentioned, SGI was one of the early companies that moved into that area. I guess just for information purposes, was SGI the first company to include overland flooding, or was there a number of companies that basically moved into that whole area at the same time?

Mr. Cartmell: — We weren't the first. I think we were one of the first, certainly in Saskatchewan. There were two or three companies probably about six months to perhaps a year ahead of us in it, but we were definitely one of the first few.

Mr. Hart: — And also earlier you mentioned that in the past, you know, claims of a catastrophic nature were more from hail and those sorts of things. But now that you're into the flooding, and if we should have a return of what we could call our recent wet years, have you done any modelling as to what kind of losses you may be looking at? Because, you know, I know during those years, there was a lot of PDAP [provincial disaster relief program] claims and so on due to excessive moisture which, you know, because insurance wasn't there. Now you've moved into that area, so what is your modelling? What does it

tell you if we should return to those kind of events?

Mr. Cartmell: — Yes, the modelling that would have been done used historical data. I don't know how many years they went back, but when you're looking at catastrophes you go back as far as there's accurate data. So we would have included dry and wet years for sure in that. And basically the price we're charging today should, we believe, take into account wet and dry years over a very long period of time. The hard part is how much of our rate today is actually predicting an increase in over what we've experienced in the past. It is, but do we have it right?

Mr. Hart: — Time will tell.

Mr. Cartmell: — Time will tell.

Mr. Hart: — Good. Thank you.

The Chair: — Ms. Beck.

Ms. Beck: — Thank you. A couple of questions. One, this is with regard to photo radar, just a recent news article talking about the continuation of what was initially a pilot with regard to photo radar. This is from the *StarPhoenix*, but I think pertains to SGI more broadly. The government in 2018 notes that there was an announcement that the photo speed enforcement program would continue on a permanent basis. Just wondering about that decision. When it was made? What conclusions were you able to reach with regard to the pilot, and what will be the policy with regard to photo radar, going forward?

Hon. Mr. Hargrave: — Yes, that's all still under review. And we've had meetings with municipalities, with SUMA [Saskatchewan Urban Municipalities Association] and with SARM [Saskatchewan Association of Rural Municipalities], trying to get as much input from as many people as we can because it not only affects the pilot areas but affects everywhere else, or potentially could affect everywhere else in the province. So we've been meeting with those, and we hope to have that finalized and, you know, have some announcement in regards to that in the very near future.

Ms. Beck: — Okay, so has there been a decision made about continuing with the program on a permanent basis? Or that is still to be determined?

Hon. Mr. Hargrave: — The continuing program, I mean it's continuing on. The pilot, you know, was scheduled to be over by now and it has continued on. We've seen some very positive results in accidents and injuries throughout the pilot project: very positive, very encouraging, and it encourages me sufficiently to think that we should be continuing on with that. That's one of the reasons why we've had discussions with SUMA, SARM, the cities involved — Moose Jaw, Regina, and Saskatoon — to make sure that everyone's in agreement with it before any final decision is made on it.

Ms. Beck: — Okay so the page on the website that states that in July 2018, the government announced that the photo speed enforcement program will continue on a permanent basis, that's not accurate necessarily. It is still under review. Is that correct?

Hon. Mr. Hargrave: — It's technically still under review. Like I say, it's my personal belief — and our belief, officials with SGI — is that it should continue on. But we do need the agreement. We're looking for the agreement of all the municipalities as well. We think that the results are that positive. I mean, can we just automatically say, yes it's going to continue on? Yes we can. But that's why we want a discussion with other stakeholders and to make sure that they are on board with that as well.

Ms. Beck: — So with regard to the stakeholders that you've noted, have they in discussion generally been supportive of that program continuing, or do they have significant concerns with continuation?

Hon. Mr. Hargrave: — All the communities like the fact that it enhances safety. And the revenue that's generated from it, that's going towards safety features in the municipalities. They are very much in favour of that. So really there is no pushback about enhancing it, but we just wanted to make sure that we're all good. And we're optimistic that we'll have an announcement in, like I say, in the very near future as to the full scope of photo radar.

Ms. Beck: — 9:30 has almost come upon us more quickly than . . . We always underestimate how long this is going to take. But I do have . . . On page 12 of SGI Canada's annual report, there is a bit of an update on bargaining at that point. I'm just wondering if there's any further progress to report and clarification with regard to the 3.5 mandate — if there's any update on either of those items, please.

[09:30]

Hon. Mr. Hargrave: — Negotiations with our unions are still ongoing, and in relation to the three and a half per cent I can mention, as the Finance Minister stated the other day, she said:

Unlike the 2017-18 Budget, the 2018-19 Budget did not include a 3.5 per cent total compensation reduction. The target in the 2017-18 Budget does not exist in the 2018-19 Budget. Each table is unique. We are still in a deficit and we expect all parties to arrive at fair and equitable agreements.

And that's what we're hoping for with our unions in relation to the unions regarding SGI.

Ms. Beck: — Thank you for that. I think owing to the hour, I will conclude my questions.

The Chair: — Thank you very much, Ms. Beck, for those questions, and thank you to the minister and his staff. I would now ask that a member move that we conclude consideration of the following annual reports and financial statements: the 2017-18 Saskatchewan Auto Fund annual report, the 2017-18 SGI Canada annual report, 2017 SGI Canada Insurance Services Ltd. annual report, the 2017 Coachman Insurance Company annual report, and the 2017 SGI Superannuation Plan annual report.

Mr. Lawrence: — I so move.

The Chair: — Thank you. Mr. Lawrence has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. That concludes our business with SGI. Mr. Minister, do you have any final comments?

Hon. Mr. Hargrave: — Mr. Chair, I'd like to thank you and I'd like to thank the members of the committee, all the members of the committee who asked questions and those who didn't, those who sat and listened intently. And as always I'd like to thank Hansard for their great work, and my officials for being here and assisting in answering the questions. I thought it was very productive and I appreciate the questions and I appreciate the quality of the answers given by my officials. Thank you very much.

The Chair: — Once again, thank you. And thank you, Ms. Beck. Some excellent questions this morning. Do you have any final comments?

Ms. Beck: — Only to say thank you again to the minister, to the committee members, to all of those behind the scenes, including Hansard and the committees folks who make the magic happen here very early on a Monday morning. The time is appreciated. And just thank you.

The Chair: — Thank you. Okay we will recess for a couple of minutes while we change officials please.

[The committee recessed for a period of time.]

Saskatchewan Opportunities Corporation

The Chair: — Welcome back everyone and welcome to our SOCO officials here this morning. And for the consideration of the Provincial Auditor chapters, I'll first recognize our Provincial Auditor who'll proceed to introduce her officials and provide a presentation of the chapters under consideration.

Once that's completed, I will recognize the minister to introduce his officials and respond to the chapters under consideration. After all the auditor's chapters have been reviewed for the Crown corporation under consideration, I will excuse the auditor and then move on to consideration of annual reports. Any questions about the process this morning? Seeing none, I will now turn it over to Ms. Ferguson to introduce any officials she may have and to make her presentation on the 2017 report volume 1, chapter 27.

Ms. Ferguson: — Thank you, Chair, Deputy Chair, members, Minister, and officials. With me this morning I've got Ms. Kim Lowe. Kim's our committee liaison. Before I make the brief presentation here, I just want to extend a thank you to the president and the minister and the staff at SOCO for their co-operation that was extended to us during the work here.

So before us is a follow-up chapter. We're pleased to report that the recommendations have been implemented. So the chapter deals with . . . SOCO operates Innovation Place in Saskatoon as one of two of its technology parks. The second is here in Regina. Both are located adjacent to our universities and are

designed to provide space that is suitable for technology businesses. Appropriately maintaining those specialized businesses is key to attracting and sustaining desired clients. Chapter 27 of our 2017 report volume 1, starting on page 267, reports the results of our second follow-up of two recommendations we first made in 2012 relating to SOCO's processes to maintain facilities at Innovation Place in Saskatoon in a sustainable way.

By January 2017 SOCO had implemented both of the two remaining recommendations. SOCO had completed and approved individual asset management plans. In addition, it had incorporated these into an overall corporate maintenance plan and into a capital forecast. This forecast included short- and long-term capital plans for each building and by major building component. Having comprehensive maintenance plans decreases the risks of unexpected costs and/or downtime for emergency maintenance. That concludes our presentation this morning.

The Chair: — Thank you, Ms. Ferguson, and I would just like to make note and welcome Mr. McCall who is substituting this morning for Ms. Sproule. Welcome, Warren. I would now turn it over to Minister Hargrave for any opening comments and introduce your officials if you would please.

Hon. Mr. Hargrave: — Thank you, Mr. Chair, and members of the committee. It is my pleasure to be here today for the committee's consideration of the matters pertaining to the Saskatchewan Opportunities Corporation. Joining me here today are Van Isman, president and chief executive officer; Ken Loepky, vice-president and chief operating officer; and Brent Sukenik, chief financial officer.

The purpose of the corporation is to create, encourage, and facilitate business opportunities in Saskatchewan's technology sector, primarily through the development and operation of technology parks. As you are aware, SOCO operates the research and technology parks in Regina and Saskatoon on land leased from the University of Regina and Saskatchewan respectively. Both facilities are operated under the registered trade name of Innovation Place.

Innovation Place is an economic development tool of government. Our research and technology parks provide a range of specialized scientific and business amenities that are concentrated in close proximity to address the needs emerging in established private-sector technology firms. These firms and amenities then become a draw to attract more firms to locate or start up in the same area.

Collectively the SOCO facilities contain 26 buildings with approximately 1.7 million square feet of office, laboratory, greenhouse, and pilot plant space.

[09:45]

At the present time, SOCO has 140 tenants leasing space; 87 per cent of these tenants are private sector businesses and research organizations, all involved in the technology fields. Innovation Place is focused on clustering tenants in specific areas. Tenants can either work directly in the cluster or provide support and technical services to the cluster. The primary

clusters or sectors of the focus include agritech, health and life sciences, industry services and support, information and communication technology, and natural resources.

During the 2017-18 fiscal year, SOCO generated a net income of \$5.6 million. During the fiscal year, 10 new technology businesses were started within the parks, and I am advised by officials here today that another 36 businesses completed incubation programs in the park.

Since 1993, 161 new technology businesses have started at Innovation Place; 117 or 73 per cent are still in business today, which is more than double the five-year survival rate for new businesses. And of the 117 still in business, 111 are based right here in Saskatchewan.

It is now my pleasure to entertain the committee's questions concerning SOCO. Thank you.

The Chair: — Thank you, Minister. And I guess I would ask your officials to introduce themselves when they answer questions. Are there any questions from the committee? I recognize Mr. McCall.

Mr. McCall: — I guess in the interest of good agenda observation, as you'd outlined, Mr. Chair, I guess I'll have some questions first on the work of the Provincial Auditor and the compliance of the Innovation . . . pardon me, the SOCO folks. Monday morning, I can't imagine what it was like at 8, but here's what I'm doing at this stage of the game. But anyway, you're a hard-working man, Mr. Chair. We get that.

But in terms of what's happening with the recommendations from the Provincial Auditor, I guess what I'd do first off is ask the minister and officials to describe the compliance that is noted by the Provincial Auditor in chapter 27, and perhaps they could indicate where that shows up in the annual report to come, nicely previewing the work that we have to do in terms of consideration of the annual report. But would that be agreeable, Mr. Chair?

The Chair: — Yes. We'll move into the annual reports after we ask the Provincial Auditor to adjourn. Okay?

Mr. McCall: — Okay.

The Chair: — Okay. Go ahead.

Mr. McCall: — In that case, so if you could tell us about the compliance that's noted by the Provincial Auditor and where that shows up in the work of SOCO to come.

Mr. Loepky: — Good morning. Ken Loepky. So we embarked on this process with the Provincial Auditor back about five or six years ago. And since that time we've put in place, we have a system where we do building management assessments every two years on each building. And we look at, I think there's 29 different components and seven different areas within the buildings that we assess. The staff actually do those assessments. That flows into a planning process where we look at the different key risks. So we typically consider key risks to be different types of obsolescence. That's what we're really looking for. And that obsolescence then flows into our

annual budget planning as well as our capital planning.

We also have a process where we have looked at the useful life of the different components of the buildings and then basically looking at a window of 15 years, 7 years, and 3 years. Anything that's within the 7 to 15 years, really we're just kind of keeping an eye on. Anything that's between seven and three, we're taking a little closer look at to see, as the component ages, is it still meeting the needs of the facilities. And then anything that during that seven- to three-year period gets assessed as needing further attention, it drops into our more near-term planning so we can then work it into the budgets — the capital budgets typically — for replacement of a major component.

We have a preventative maintenance program on our buildings that looks in way more detail at every individual major component in the buildings, the operating components. And we perform, whether it be annual or quarterly or monthly inspections, servicing, and maintenance on those components. That information also drives up through our staff to . . . It gives them the opportunity to share that information that they're learning sort of on a day-to-day basis, again into our annual budgeting and capital planning process.

So I think, in a nutshell, that met the requirements. And of course we document all that; we have a plan for each building, a document for each building that captures the information. So that conglomerate of work for the most part was being done in pieces, but what the work with the Provincial Auditor helped us do was to bring it all together and kind of create some flow to it, to push it into our planning process.

Mr. McCall: — Thank you very much for that. Certainly in terms of the work of SOCO around providing specialized infrastructure as part of the offerings that SOCO has on inventory, can the minister or officials describe for the committee, in terms of the 29 different components of the risk assessment that are undertaken, obviously I know there's a greater emphasis on tech and, certainly when it comes to specialized infrastructure needs tech is a place where the pace of change is rapacious, how does the risk planning interact with something like the tech sector? And has that resulted in you stepping up the different sort of offerings that are being made?

And then, by the same token, how has that impacted the other side of the ledger in terms of perhaps infrastructure that you just, you know, backed away from or phased out? I'll leave it to the official or the ministers to describe how that works.

Mr. Isman: — Van Isman. Really interesting in terms of the question that you've asked because of the changing nature of requirements over a period of time. For the purposes of the example, although these exist in a number of our different types of scientific amenities, I'd like to just speak for a moment with regards to our capacity on information technology flow.

And specifically, our bandwidth previously had been — that was provided because we provide this to all tenants — our bandwidth previously had been, I believe it was 300 megabytes in terms of, and I'm not a technical person, but the size of the pipe, if you will, and the ability to send information out and pull information in. One of the things that we've always done is we've made sure that it's synchronous, which means that we

can push out and our tenants can push out at the same rate that they can pull in information. That's not common in most types of situations.

But perhaps more importantly to this is, because a number of the research organizations and businesses in the parks are dependent on that large bandwidth on a continuous basis, we have what we refer to as a high-availability network. Now we used to use the word redundancy, which has a somewhat negative context, but it is not a negative context in this term. And what that means is that we actually are piped into not only SaskTel, who is our principal internet service provider, but other service providers as well, by way of example, Shaw as well as the scientific networks through Canarie and SRNet [Saskatchewan Research Network Inc.]. And we have some very expensive components that basically switch things over. And so if there is an outage on one of those pathways onto the internet, it flips over to a different internet service provider seamlessly, and so there is no loss of transmission or data in or out.

Similarly, we also need to ensure that the computer and critical systems that are being utilized within our buildings have uninterruptable power if there is a power outage. So there is a UPS [uninterruptible power supply] or uninterruptable power source that initially kicks in, which is effectively a battery that lasts for a moment or two. But then we have backup power generation capacity in each of our buildings. I think they're almost all now run off of natural gas — there might be one or two that are still diesel — that cuts in. And it doesn't run all of the systems in the building, so the lights might go out, but their computer systems are not going to go out.

So again those upgrades, we've just needed to upgrade some of the capacity in terms of our backup power generating systems. That's quite critical because you can't allow somebody to lose the research they've been doing over a number of years. So those types of things are areas where — in terms of bandwidth, power generation capacity, redundancy for the high availability network — where we've really had to increase our capacity, up our game as technology demands have increased. I hope that answers your question.

Mr. McCall: — It certainly does in part, and I guess the other side of the ledger of course in terms of risks being identified. And then, you know, strategy is always not just deciding what to do but what not to do. Is there an example of something that's sort of fallen off the side in terms of something that SOCO has decided not to do?

Mr. Loepky: — So it may be a good example of what you're looking for. In our planning process, we had one roof that we'd identified that needed replacing in 2018-19 and one that we'd identified that needed some further study work done on it in '18-19. And as we got into the beginning of the year, information came forward through the process of discussing it that actually in the last previous season we'd had a number of issues with the one roof that we were just going to study. So we kind of accelerated the work on that, and it became apparent that we needed to actually do the roof replacement sooner than we'd thought.

So that was a good example of where we had actually

accelerated due to the process. And I would say the roof that we were actually planning to do, or planning and are doing this year, was one that we'd looked at a couple of times and delayed just to try to manage the asset to its full useful life. Those are probably two examples: one of accelerating, one of trying to manage the time.

Mr. McCall: — Thanks for that. I don't know if the Provincial Auditor has anything to add in terms of the experience working on this, lessons to be applied across the rest of the sector.

Ms. Ferguson: — I think the questions that you are asking are really good because really what we're trying to do in this audit, when looking at maintenance, is really making sure that the organization is doing life cycle maintenance, that they're fitting it into what they're doing organizationally — as opposed to just looking at a building and maintaining it — trying to make sure that it fits into what the strategic priorities are of the organization, you know, so it's not done in isolation.

And that's, you know, as management indicated earlier, we didn't find that they weren't doing maintenance; it's how did it fit into that larger picture, making sure that they're doing the things that they need to do to make sure it fits into the larger picture. So I think any organization that has a lot of infrastructure and that's infrastructure-driven, it's to think in that whole life cycle aspect when they're thinking about maintenance.

Mr. McCall: — Well thank you for that. I have no further questions on this particular point, Mr. Chair.

The Chair: — Thank you, Mr. McCall. The 2017 report volume 1, chapter 27 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Mr. Bonk has moved that we conclude consideration of the 2017 report volume 1, chapter 27. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our consideration of the Provincial Auditor chapters related to SOCO. I will excuse the Provincial Auditor and her staff, and we will now consider the 2017-18 annual report of SOCO. Minister Hargrave, do you have any further comments?

Hon. Mr. Hargrave: — No, I don't have any additional comments.

The Chair: — Thank you, Mr. Hargrave. Do any of our committee members have any questions? I will recognize Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. I do have some further questions certainly. Again welcome, Minister, officials, committee members. And good to be here to discuss annual report 2017-18 for the Saskatchewan Opportunities Corporation. At this rate it feels like we've got sort of a quarterly checking-in dynamic going with SOCO so, you know, whatever I don't cover in this particular meeting, I look forward to getting in three months. We'll see how that schedule continues to evolve.

[10:00]

But I guess first off in terms of using the discussion we had with the Provincial Auditor as a bit of a jumping-off point in terms of the work of SOCO and the identification of the tech sector as a main focus for the corporation going forward, certainly the discussion we've had just now talks about the decisions that SOCO is making to support that strategic objective.

And I guess this is part of the joys of spending too much time in committee maybe, but I'm also interested in how that work is coordinated with an instrument of government such as Innovation Saskatchewan. What sort of work of coordination is undertaken? How is that directed? How do you bring together the different certainly capital resources and specialized infrastructure that SOCO brings to the table, but how does that partner alongside the dollars that an instrument like Innovation Saskatchewan brings to bear?

Mr. Isman: — Thank you for the question. I'd like to preface my remarks by indicating that I work very closely with Wes Jickling, the president and chief executive officer of Innovation Saskatchewan, on a number of files, and I worked with Jerome Konecni, Wes's predecessor. Had an excellent working relationship. As you are likely aware, their offices in Saskatoon are based at Innovation Place and I believe they recently have taken some space here in Regina as well from us.

We've found that there's a number of areas that we collaborate on. And I'm going to suggest to you that there are times, and I need to speak at a high level here, and there are times when they'll come to us and indicate that there's such-and-such a company that maybe they'd like to talk to with us in terms of having them locate in one of our facilities to help bringing them along, which is nice to see. And we collaborate in that regard.

But also from a strategic perspective: I was working very closely with Wes, and when they decided they wanted to support the development of a technology business incubator in Saskatoon and we said, well it logically should be located at Innovation Place. And so we talked about not just where it would be based but how it would operate and how we could contribute to the success of that. So accordingly, we worked with them in terms of the development of an operation that's now referred to as Co.Labs in Saskatoon.

We have made a financial commitment to Co.Labs by way of space that is provided to them, only for the operating cost on the space but not so much for any type of rental income, and so we typically don't do that type of an arrangement. But this is, from our perspective, it's got a lot of good reasons in terms of helping move things forward — not only in terms of the development of the tech sector but also in terms of, if you'll excuse the expression, but manufacturing future tenants for us. And so that's worked quite nicely.

But it's more than just dealing with space. As I believe you may be aware, we do a lot of programming in terms of knowledge transmission to our tenants and their employees. As a matter of fact, in the year that just ended, we did 156 such programs that were run between the two locations. And what we found is that we are really working to integrate a lot of that programming

with what Co.Labs is doing to enrich their offerings that they are providing to some of the people that are going through their incubation program, so that they don't have to learn afresh in terms of how do you protect intellectual property, or deal with human resource management issues, or things of that nature that are knowledge areas that we're currently covering.

So it's been very symbiotic in terms of the melding of our programming offerings and their needs. And vice versa, I might add, because there's been some program areas that have come out of the incubator that we've said, hey you know, maybe that's something that would be interesting for some of our tenants to learn about. And so that's enriched some of our offerings.

So it's worked quite well in terms of the collaboration with Innovation Saskatchewan. And it's not just myself and their CEO, but also at an operational level we're collaborating on a daily basis, although we are obviously concerned that we're not replicating efforts. But it's more so in terms of they have a set of tools that they use to achieve things; we have a set of tools that we utilize. How can we use those together to achieve the outcomes that we're both looking towards? I hope that answers your question.

Mr. McCall: — It does, and I guess it also begs further questions. But certainly, I guess, one question that interests me and certainly if you look back over the work of SOCO over the years, and certainly you know, I'm not saying that I have. I'm sure that my colleague from Moosomin has, in terms of his study.

But in terms of the emphasis that's been placed on a cluster focus for many years now — certainly tech has been one of the clusters identified under SOCO and then the way that that impacts the work of the research council or certainly the university campuses or the various iterations of Innovation Saskatchewan throughout the years — what is new about the current approach?

In terms of like, you know, what is the difference with Co.Labs versus, say, five years before where tech was identified as a cluster and a focus of the work for both SOCO and government through various of its entities? What is new about the approach now?

Mr. Loeppky: — Thank you for the question. I think really there's not a lot has changed in the approach. As Van was saying, the opportunity to have to work with Innovation Saskatchewan, to have an incubator in the park, is really just bringing together two tools. We always looked at Innovation Place as an incubator in its own right in the sense that it was a place that companies could come and could scale up and grow, whether they were 2 employees or 10 employees. We always looked at them more from the viability point of view, that they were viable when they came into the parks.

The part that the work with Innovation Saskatchewan has allowed us collectively to do is to take a little bit more of a . . . support a little bit more of a focus on the quote unquote non-viable companies, companies that are just in that really early start-up stage. It's given them the opportunity to come into the environment, and it's given us the opportunity to

provide some services to them that we weren't equipped to do before.

So I don't think much has changed. It's just we're now looking at things with Innovation Saskatchewan more at a micro level, where what I'd say is sort of the non-viable . . . they're not operating businesses yet, are incubating and scaling up. And where we capture them, and traditionally have always captured them, is when they're in their scale-up stage and they're actually starting to generate revenues and be viable.

Mr. McCall: — Well thank you for that, and certainly we wish you much success in that important work. And again one of the things that's always intrigued me about SOCO and the different ways it's manifested through the years is that commercializing of knowledge that goes on and how do you get the idea to market. It's a fascinating process and certainly something that SOCO has a fairly proud track record of being a very helpful partner in over the years.

In terms of the annual report in general, I'm just paging through it. Page 15, supporting tech opportunities, oddly enough. What you've described with Co.Labs I'm thinking bears a resemblance to this, but there's a referencing of 2017-18 . . . 27 per cent of tenants benefitted from flexible lease terms atypical of traditional landlord-tenant relationships. Could you expand on that, please?

Mr. Sukenik: — Thank you for the question. Brent Sukenik. The flexible arrangements, we have various arrangements in place that exist to help our tenants. Some examples of what's included in the 27 per cent, there's obviously the rental rates. We might take flexible rental rates lower than market rates just to support, as Van mentioned, the Co.Labs. It would be one of those arrangements.

We also take a flexible approach to rental arrears, so managing the rentals arrears. So rather than evicting tenants as they get into arrears, we work with them to help them manage through that. It's usually just a short-term issue, so we work with them to manage that situation.

We also have flexible lease arrangements. Several of our leases have early-exit clauses. So for our tenants, a lot of our tenants, their funding . . . so their ability to pay us rent is based on their funding arrangements. If their funding arrangements go away, they don't have the ability to pay us rent. So we have built into the leases for some of our tenants an exit clause based on if their funding was to go away, they could get out of their lease. So there's the various ways that we have arrangements with our tenants.

Mr. McCall: — Is there any way to quantify the dollars involved in the various approaches entailed in this flexible arrangement?

Mr. Sukenik: — We've never quantified it. We do manage the risk through one of our balanced scorecard measures. We do actually set a maximum limit of 35 per cent, so we manage within the 35 per cent of our leases. We, of course, we always try to match the lease terms with the tenant's ability to pay rent. So just because they're included in here as a reduced rental rate, that might be \$2 below market rate or what we set as our

targets.

But we don't have . . . We don't quantify that dollar amount because it's very difficult. Market rates fluctuate year to year especially in our current situation. And in the market situation of high rental or high vacancy, we see push on the target rates. So it's difficult to quantify that because it is a moving target.

Mr. McCall: — And again this pertains to specialized infrastructure. It's not like you're competing against the vacancy rate in downtown Regina for commercial space. You know, I think we know the answer to that, but it's always good to get these things on the record.

Mr. Isman: — We like to think that all of our space is technical space, whether it's some of the IT capacities that we spoke about before or whether it's relating to mining technology or agritech or health and life sciences. Quite frankly the type of space that we're offering for lease is largely not available elsewhere.

Mr. McCall: — Thanks. You'll think I'm a broken record, but thanks for getting that on the record.

Whipping along through the annual report, in terms of one of the variations on the new tech support focus, page 18 talks about "Another initiative relating to the development of an Agricultural Technology Business Accelerator has been temporarily suspended until the proponents finalize their financing." Could the minister or officials update us as to what's happening in this circumstance?

[10:15]

Mr. Isman: — We're working with an organization of which the principal was based in Saskatoon but there was a lot of American-based interest in terms of supporting some of this technology and seeing it develop. And they had come forward with, I believe it was about 25 million US [United States] that they were going to be utilizing in what you can think of as being an accelerator to take maybe proven ideas that weren't fully developed commercially yet and allow them to . . . We talk about being able to run fast and move ahead very quickly, and there was a number of businesses that we thought were potentially ready for that here in Saskatchewan, as did the principal behind this organization.

But his American-based financiers were quite insistent that there be a fairly substantial amount of local investment that would go into their fund as well to the tune of about \$10 million, and they had quite a bit of difficulty in terms of getting there. And quite frankly, without that local investment . . . And they didn't want it from government. They were very clear. They wanted it from private investors. Without that money at the forefront being invested into this, they didn't want to put their money on the table either.

Accordingly what had transpired is we thought we were on the verge and we actually had space ready to go for this agricultural technology accelerator. Without having that money readily available, they said, well look, let's take a step back from this. We need to do our homework and see if we can't appropriately secure that 10 million of local investment which will leverage

the 25 million of American investment to come and help develop those businesses. So I don't want to say that the idea is dead because it's not. I would suggest to you that it's on hiatus until the principals can secure that money.

Mr. McCall: — Any anticipation as to when it might be resurrected?

Mr. Isman: — At this point in time, no.

Mr. McCall: — Okay. Thank you for that. Carrying on through the annual report in terms of page 19, efficiencies, wherein it stated Innovation Place has reduced its staff complement by 21 per cent over the past four years. What does that entail in terms of overall FTE [full-time equivalent] reduction, and what does that mean in terms of work that had been done by the corporation previously that is now perhaps being done, not being done, or has been contracted out? Twenty-one per cent's a fairly significant number, and if you could tell us a bit more about how that was accomplished and the impacts thereof.

Mr. Isman: — Thank you for the question. In just a moment I'm going to turn this over to my colleague, Brent Sukenik, to address some of the numbers. But the largest share of that number, in terms of the reduction of our staff complement, was when we actually divested of a particular initiative, the Bio Processing Centre in Saskatoon.

We didn't really shut it down. We were unfortunately not making money at it, which was an impetus for us to look at doing something differently. But what we actually did is we turned it over to another one of our tenants, POS Bio-Sciences, who actually took over the operation of that facility and actually assumed the employment of, I believe it was about 14 people. So in terms of our overall staff reduction, that was one of the larger ones because we were able to actually take it out of our organization and pass it off to another.

I'm going to ask Brent to speak to some of the other efficiencies that we had garnered.

Mr. Sukenik: — Yes. Just before I start that, our FTE count for last year was just over 93. So that's down; if we go back to 2013, it was 115. So that's the decrease.

We mentioned the Bio Processing Centre. Some of the other things that we've divested of is we used to do third party management for not the general public, but for a couple of buildings owned by the university. So we managed those properties on their behalf. We've gotten out of that. We no longer manage those properties. Similarly we also did project management services for the university. We are no longer doing that as well. And then of course in Prince Albert, with the sale of the Prince Albert building last year.

Mr. McCall: — Thank you for that. In terms of again carrying on through the annual report, and again lots of great information in the annual report, just referencing back to the risk analysis that we'd talked about with the Provincial Auditor here, are those documents available publicly? And what impact do they have on the annual report as a whole?

Mr. Sukenik: — The reports themselves are not published, or

they're not available to the public, but we do reflect the results of those assessments in our balanced scorecard. So if you turn to balanced scorecard measure no. 17, we do our building condition score. So the average score is reflected and reported through our annual report.

Mr. McCall: — Okay. Thanks for that. Page 43, supporting tenant growth, referencing the work that was done with the SRC [Saskatchewan Research Council] Environmental Analytical Labs moving into the East Atrium Building, if you could just tell us a bit about the project status and also the sort of dollars involved in that board.

Mr. Isman: — Thank you for that. Approximately four years ago, we had a discussion with the SRC, who were utilizing their environmental analytical lab in the building at 422 Downey Road, which is a building that is owned by the Ministry of Central Services. And there was some capacity issues in that building. They'd largely outgrown it, and it needed some major capital investment in terms of being able to achieve what they wanted to do. So there was a rather interesting opportunity, and it was talked about through government, executive government, as well as through the Crown sector of collaborating and allowing us to take some space in the East Atrium Building. Now that wing in the East Atrium Building was built in 1997 and it was built to very high laboratory types of standards, but it was largely being utilized for non-laboratory purposes. So it was underutilized, if you will.

And they came forward, the Saskatchewan Research Council came forward and they had a number of different aspects that they needed to see addressed as far as the modification of that building. So we put together a proposal which they moved on and they accepted. It had the blessing of treasury board as well as the Crown Investments Corporation, and we went forward in terms of developing the movement of the analytical lab, or relocating it.

Now there were certain things that had to be done that the building needed some major modifications to. By way of example, not only in terms of airflow and air handling to meet standards that exist in the year 2018, but also things like a dedicated elevator for the purposes of moving samples in the building. And so when you start adding elevators on to three-storey buildings and the like, it can become quite costly.

So we undertook the project. We broke it down into a number of different components, and we actually saw an overall allocation of \$32.7 million for two components. The second component has not been undertaken yet, and it's something that may happen in the future, but that's something that we'll work with SRC on. The first component though, in terms of where we were going forward with this, was a total project in the area of \$33.4 million, and I'm doing some rounding on this.

I'm pleased to advise that we actually brought the project in at approximately \$30.8 million, which is in that \$2 million realm of being able to bring it in under what the original estimate was. And so overall we're quite pleased that we were able to bring it in with that sort of magnitude.

Now typically when you hear about projects coming in under budget, you know, you wonder if there were corners that were

cut or something of that nature. That was not the case here. I would suggest to you, because of the technical nature of this particular project, we planned it out using technical expertise to the maximum. And that's why, when there were not those contingencies that were encountered and those change orders that typically impact whether you come in on budget, under budget, over budget, because of the amount of planning that went in, not all of the contingencies had to be utilized.

Mr. McCall: — Well thank you for that. Always good to see further confirmation of the principle, you know, measure twice, cut once. But in terms of the two phases or the two sort of components to the project, if you could talk a bit more about the second and what is anticipated in that regard.

Mr. Isman: — This involves the geoanalytical labs that SRC is in need of seeing some significant upgraded capacity and work on. And as you're probably well aware, there has been some downturns in terms of commodity prices, which has certainly impacted a lot of the resource extraction sector. So accordingly, it's not particularly a good time from SRC's perspective to see that additional investment being made, and accordingly we've held it in abeyance.

Mr. McCall: — So on hold for the foreseeable future.

Mr. Isman: — Yes.

Mr. McCall: — Okay. Well thank you very much for that, Mr. Isman, officials, Mr. Minister. I note the time, Mr. Chairman. I could talk about this stuff all day, and I'm sure my colleagues would look forward to that as well, but I guess that I just thank Mr. Isman, officials, Mr. Minister, for the consideration of the work of SOCO. See you in three months or so, and thank Mr. Chairman and colleagues for this opportunity.

The Chair: — Thank you, Mr. McCall. I will now ask a member to move that we conclude consideration of the 2017-18 Saskatchewan Opportunities Corporation annual report. Ms. Lambert has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with Minister Hargrave and his officials today. Mr. Minister, do you have any final comments?

Hon. Mr. Hargrave: — Again, Mr. Chair, I'd like to thank you and your committee members, and especially Mr. McCall for his good questions, and my officials for their being here and the quality of their answers, and of course, always Hansard for their good work in keeping track of it all. And you know, I thank you very much, Mr. Chair.

[10:30]

The Chair: — Thank you, Mr. Minister, and thank you to your officials and thank you to Mr. McCall for your questions, and thanks for enduring the last two and a half hours, Mr. Minister. I've taken a lot of heat for this 8 o'clock Monday morning meeting.

So next Monday we'll meet again. Oh no, just kidding. Thank you and we'll take a five-minute recess while the officials come in for Sask Gaming Corporation, please. Thank you.

[The committee recessed for a period of time.]

Saskatchewan Gaming Corporation

The Chair: — Welcome back, everyone, and welcome to the officials from SaskGaming. Just before I begin — and I know this is kind of repetitive for those who've been here this morning — but I'd just like to advise Minister Tell and her officials of the format we will be following this morning.

For the consideration of the Provincial Auditor chapters, I will first recognize the Provincial Auditor who will proceed to introduce her officials and provide a presentation of the chapters under consideration. Once completed, I will recognize the minister to introduce her officials and respond to the chapters under consideration. After all the auditor's chapters have been reviewed for the Crown corporation under consideration, I will excuse the auditor and then move on to consideration of the annual reports. Are there any questions about this process?

Seeing none, I will turn it over to Ms. Ferguson to introduce her officials and make her presentation of the 2017 report volume 2, chapter 26. Ms. Ferguson.

Ms. Ferguson: — Thank you, Mr. Chair, Deputy Chair, members, Minister, and officials. I'm joined this morning by Ms. Charlene Drotar on my left here — Charlene led the work that's on the agenda this morning — and Ms. Kim Lowe. Kim is our committee liaison. Ms. Drotar's going to present the single chapter that's on the agenda here this morning here.

So before she does that, I just want to draw to the attention that there's three new recommendations for the committee's consideration included in this chapter. And also I'd like to extend our thanks to the president and the officials at the corporation for the co-operation extended to our office in the course of this work.

So without further ado, I'm just going to turn it over to Ms. Drotar.

Ms. Drotar: — Good morning. SaskGaming employs about 800 people at its casinos in Regina and Moose Jaw. It has identified employee absenteeism as a continuing challenge. From 2013 to 2017, the time of our audit, its overall rate of absenteeism ranged between 9.5 per cent and 8.3 per cent which, although that rate is decreasing, it did not meet SaskGaming's annual targets. Effective processes to manage absenteeism contribute to effective service delivery to the public, minimize costs, and support the well-being of employees.

Chapter 26 in our 2017 report volume 2, starting on page 193, reports the result of our audit of the Saskatchewan Gaming Corporation's processes to minimize absenteeism for the period from August 1st, 2016 to July 31st, 2017. We found that SaskGaming had effective processes to minimize employee absenteeism, other than in three areas where we made

recommendations. I will now highlight each recommendation and then explain why we made the recommendation.

On page 201 we recommend that Saskatchewan Gaming Corporation provide its staff with clear guidance for documenting the reasons for not referring eligible employees to attendance management programs. Saskatchewan Gaming offers mandatory attendance management programming to support staff with absenteeism concerns. It gives managers of those staff discretion in not referring staff into this programming. We found SaskGaming did not require managers to provide timely documentation of reasons for not referring eligible employees to attendance management programming. It did not set deadlines for when managers must give human resources this documentation. Not having clear guidance increases the risk of not giving employees with absenteeism concerns timely support to help them minimize their absenteeism.

On page 203 we recommend that the Saskatchewan Gaming Corporation develop guidance to help managers analyze absenteeism trends and patterns of their employees. SaskGaming did not give managers sufficient guidance for analyzing patterns and trends in employee absences, even though it expects them to do so. It did not provide guidance for the types of trends and patterns managers are to use in the analysis, or how to carry out, use, document, and share results of the analysis. In addition, Saskatchewan Gaming did not provide a way for managers to share best practices or lessons learned in looking for absenteeism trends and patterns. Without adequate guidance for analyzing absenteeism trends and patterns, managers may not focus their absenteeism management efforts in the right places. Also managers may not have sufficient information to support organization-wide analysis of root causes of absenteeism and the related evaluation of strategies to minimize absences.

On page 204 we recommend that the Saskatchewan Gaming Corporation regularly analyze organization-wide employee attendance patterns and trends to help identify root causes of its employees' absenteeism, and confirm its strategies to address these causes.

[10:45]

SaskGaming did not analyze organizational trends or patterns of employee absenteeism to identify potentially systemic reasons for not achieving its target absenteeism rates. While SaskGaming gave senior management quarterly reports comparing its actual absenteeism to its target, these reports did not identify causes of extended leaves and did not set out systemic absenteeism trends, patterns, or root causes.

In addition, we found SaskGaming's monitoring of employee absenteeism focused primarily on individual employees with excessive absenteeism. It did not attempt to identify potential organization- or department-wide absenteeism trends, patterns, or root causes. For example, it did not analyze trends or patterns of absences over multiple years or by type of leave, department, or location.

While SaskGaming management has assumed some root causes of absenteeism such as shift work, non-traditional work hours,

working with currency and the public, and being a developmental employer, it had not determined whether actual absenteeism data supported those assumptions, nor did it determine if additional unidentified root causes of absenteeism existed.

Analysis of year-over-year data by the types of absences and the departments and locations with higher levels of absenteeism could help SaskGaming direct time and resources to areas with high rates of absenteeism. Analyzing such trends and looking for patterns would help it determine and report to its board whether existing strategies sufficiently address those root causes.

That concludes my overview of this chapter.

The Chair: — Thank you for that. Minister Tell, if you would please introduce your officials and make any opening comments you wish to make.

Hon. Ms. Tell: — Certainly. On my right is Susan Flett, president and CEO. On my left is Blaine Pilatzke, vice-president of corporate services. Directly behind us are John Amundson, senior vice-president of finance and IT; Shanna Schulhauser, director of communications; and Curtis Funk, controller; and of course, my chief of staff, Adam Nelson.

I'll reserve my comments until following the voting off of chapter 26.

The Chair: — Okay. Seeing no comments at this time, I would just ask your officials to introduce yourselves the first time you answer a question please for the record. Are there any questions from any of the members? I recognize Mr. McCall.

Mr. McCall: — Thanks very much, Mr. Chair. I can think of one or two. Certainly again, greetings, everyone joining us for this portion of the committee proceedings.

Can the minister or officials describe what sort of compliance that they're . . . Do they agree with the validity of the points that the Provincial Auditor is making? Are you striving to comply with those points? Do you have anything you could share with us on that score?

Ms. Flett: — Good morning. Susan Flett, president and CEO of SaskGaming. Thank you for that question. Since the audit report was issued we have made some progress in achieving some of the recommendations that the Provincial Auditor has recommended. With respect to the first recommendation, which was require timely documentation of reasons for not referring eligible employees to attendance support programs, we immediately amended our attendance support policy. We have included the requirement to document why employees who are eligible for enrolment have not been offered the services. This has been communicated to all managers and this recommendation has been fully implemented.

With respect to the second recommendation, which was for us to give managers guidance in analyzing patterns and trends in staff absences, we have recently developed a report in-house that helps us identify pattern absences and it is currently being piloted. We have a dedicated resource, an employee relations

consultant, that has been tasked with working with managers to assist them in identifying and analyzing patterns and trends in absences as well as addressing them with employees. So this also has been implemented.

Third recommendation of identifying root causes of employee absenteeism to confirm attendance management strategies address them is a work-in-progress for us. The auditor has stated just some of the reasons why we know that employee absenteeism is higher in our organization.

We seem to have every single one of the attributes that are conducive to higher absenteeism in organizations. Statistics indicate that it is much higher in public sectors than the private sector and certainly more prevalent in larger organizations that have more than 500 employees, which we do. It's also much more prevalent in the gaming and hospitality industry in which we operate. And of course we've talked about the unionized environment. We are highly unionized. We have four different bargaining units representing approximately 78 to 80 per cent of our total workforce. The shift work of course — we're open 363 days a year, 7 days a week, 19 hours a day — it's regular business hours and it's oftentimes physically demanding. And so we know that these are all factors that greatly contribute to the higher absenteeism rates that we do have.

Having said that, we have programs in place. We have something called the attendance support program, and it is for employees with excessive non-culpable absenteeism. It has three stages where initially the employee and the manager would meet and set out attendance expectations. If it fails to be met, it progresses on to stage 2 and then finally there is a stage 3 where a union representative as well as HR [human resources], in addition to the employee and the manager, would work through and discuss those expectations. If it is not being met, the final stage is termination without cause.

We also have a managed abilities program. And this is also a program for employees with excessive non-culpable absenteeism but it's related to medical issues, so for instance injuries or mental health or addictions. And it's a form of early intervention program. We utilize the service of an external provider to help us identify some root causes as well as provide our employees the support that they require.

So there are a number of mechanisms in place to try and help us isolate some root causes over and above some of those systemic reasons.

Mr. McCall: — Thank you very much for that. And certainly I think I was perhaps remiss in not welcoming the minister and officials to the committee. Thank you for the work and, through you, thanks to the men and women of the Saskatchewan Gaming Corporation for the work that you do, through the rain, the sleet, and the snow.

And I'd seen some of your employees out yesterday morning helping people get through the Queen City Marathon and, you know, one more example of the good work, the good corporate citizenship that the Saskatchewan Gaming Corp is well known for. And indeed, even one of your board members was out with the Cowessess First Nation. Chief Cadmus Delorme was out helping folks get through the time. Again it speaks well to Chief

Delorme but also certainly to the Saskatchewan Gaming Corp for having good taste in board members.

But I guess I'm interested in knowing from the Provincial Auditor or officials in terms of what has been outlined here, are we at compliance? Are we progressing towards compliance? What is the opinion of the Provincial Auditor and officials in terms of, you know, are we making progress towards compliance?

Ms. Ferguson: — Thank you for the question. So the general practice of the office is that we do the audit and then two to three years later we do a follow-up to do the assessment of compliance. We haven't done that formal assessment to date, and so at this point in time I'm unable to sort of weigh in on that in terms of, you know, what the office's view is in terms of whether or not they're in compliance or not. I think management's comments certainly indicates that they have taken some actions. So we'll be reporting back to the committee in that regard.

Mr. McCall: — I guess I'd certainly, you know, thank you for getting that on the records and certainly agree with it, and the work is borne out in the analysis provided in the subsequent part of our agenda that we're going to be getting to shortly.

But I guess I would, in terms of an overall trend of having . . . I've had the privilege of representing the Casino Regina as part of the great riding of Regina Elphinstone-Centre. And you know, every MLA [Member of the Legislative Assembly] thinks that they have the best constituency in the province. Many think that, but in my case it's certainly the truth. And in terms of the number of people from Regina Elphinstone-Centre that work at the casino, it's a significant employer in my constituency and, as I've noted, makes a great contribution to the community corporate life of Regina and certainly in Regina Elphinstone-Centre in a lot of different ways.

And one of the things that's always occurred to me over the years was the stability of the workforce at Casino Regina and then by extension at Moose Jaw and that . . . And again absenteeism is one part of this equation. And I know that there's, you know, movement up, movement down even observable between the two annual reports that we'll be talking about shortly.

But 10 years ago, I think that the casinos Regina and Moose Jaw were notable for the stability of the workforce. And again despite all the factors that you've identified, Ms. Flett, and that were under consideration for the analysis, they were remarkably stable despite those factors. And I guess, is there cause for concern that that stability that used to be the hallmark of the Saskatchewan Gaming Corporation in its workforce and in the people that do that work day in and day out, is there any cause for concern that that has diminished and that there's an overall trend line that is observable in things like turnover of staff, absenteeism? Is there any cause for concern in terms of that broader trend line?

Ms. Flett: — So we've been an employer in Regina for approximately 22 years, and 16 years in Moose Jaw, and we had at our peak approximately close to 1,100 employees and we have now stabilized at approximately 800 employees. So I think

over the years of operations, like any business, you become more efficient I think. You adapt technology.

There was one period in our history back in 2013 when we did go through a major restructure and we eliminated 66 out-of-scope positions. We reallocated the duties of those 66 positions to others in the organization. In the unionized environment, what we have seen is through things like automation of parking, it required less parking attendants. When we went coinless with our products, our slot machines, it required less slot attendants because the guests now have the ability to be able to redeem their own e-tickets.

So it's been a function of just the evolving nature of the business, and there is no cause for alarm. But this is a continuing trend. We are at an ideal number of employees and certainly are able to meet our guests' demand.

[11:00]

Mr. McCall: — Thank you. Thank you for that. And I guess in terms of the work that the Provincial Auditor's office does — and again absenteeism being one aspect of larger dynamics that play within an overall workforce for a given organization — are there any pauses for thought that the Office of the Provincial Auditor has in terms of the trend line or the snapshot that you provided in terms of absenteeism, how it compares to other organizations of a similar nature, and in terms of the retention of staff, the retention of human resources for an organization, and the importance of that? Are there any observations that occur to the Provincial Auditor's office from the work you've done and from what you have on display?

Ms. Ferguson: — As Charlene indicated in her opening comments, you know, employee absenteeism is something that's been on the corporation's radar for a period of time. And we think that's appropriate because they are above the public sector average in terms of absenteeism and they are, you know, as indicated in the management's comments, they are in a sector that is more prone to have absenteeism.

In saying that though, what we are looking for is active management on that. And we saw that they were doing a number of things right, you know, and there's some areas that they just frankly need to fine-tune so that people that are working in those environments are sufficiently supported, right?

One of the challenges that we identified was managers not referring people into the programming. You know, for us that's a big thing because you want to make sure the right people get the right help. I think it'll help in terms of documenting the reasoning. Hopefully somebody's following up on that, making sure that the reasoning makes sense, and so that employees are sufficiently supported so that it doesn't impact turnover.

We didn't do specific analysis on the turnover aspect but, you know, that certainly can be a domino effect of absenteeism. You know, it can be turnover.

Mr. McCall: — I guess in the professional opinion of the Provincial Auditor — and again noting that this is related — tracking employee turnover rate, is that a useful thing for a corporation to do or a less than useful thing for a corporation to

do?

Ms. Ferguson: — Tracking turnover I think, you know, frankly that's part of your overall human resource management, so that organizations traditionally track turnover not just in terms of the raw overall number, but to make to sure that they understand turnover in their different areas of their organizations. Like for example, you know, is it turnover in the security area? Is it turnover on beverages? Turnover is important. To understand the reasons for turnover, you know, it could be absenteeism. It could be, frankly, succession management in terms of retirement in today's, you know, different workforces. In some cases you are hitting situations where organizations are hitting that bubble of baby boomers that are finally retiring too. So turnover management is definitely a critical part of human resource management, as is managing employee absenteeism.

Mr. McCall: — Thank you for that. Any further observations that might occur on this front to Ms. Flett, or officials, or the minister at this time?

Ms. Flett: — The only comment I would like to make is that we take employee absenteeism in the Provincial Auditor's report on absenteeism very seriously. We have immediately begun the process of trying to identify these root causes. But we know that we have been effective over the last several years from, as you mentioned, the high of 9.5 per cent, it did decrease to 8.3 per cent. At the time that the report was issued, our absenteeism rate was at 6 per cent. And I'm happy to note that it is currently, as of the end of the first quarter, at 5.5 per cent. So we are making significant progress in the right direction in this regard.

Mr. McCall: — Thank you very much for that. And I guess just one last question that occurs in terms of the great work of the Provincial Auditor's office. In terms of the managed abilities program, how would that be different from what used to be known as short-term disability?

Mr. Pilatzke: — Blaine Pilatzke, vice-president of corporate services. So the short-term disability program is an income continuance program. So essentially employers that offer that may not necessarily have an accrued sick leave system, which we do have. So it tends to be an income continuance program.

In terms of the managed abilities program it really is, for us, about don't tell us what you can't do; tell us what you can do. And then accommodation, workplace accommodation becomes part of that. So for us that's what that program does. And we refer it to people who can probably delve in a little deeper in terms of what the medical conditions that are contributing may be. We don't want to know that. We don't need that information as an employer. But we do need to understand is what are you able to do and then try to accommodate that, so that people can come to work on a regular basis and positively contribute.

Mr. McCall: — Thanks for that. And I guess the very last question I'd have, and this, you know, gets into the annual reports that we'll be discussing, in the documents that are available, page 21 of the 2017-18 annual report, in terms of the balanced scorecard measures, and again demonstrating that trend line that you're talking about in terms of absenteeism going from 8.3 to 5.5 . . .

The Chair: — Mr. McCall, are you into the annual report now rather than the auditor's report?

Mr. McCall: — I'm just looking for further comment from the Provincial Auditor on an earlier observation that's been made here.

The Chair: — Okay.

Mr. McCall: — Thanks. Thanks for keeping me on the straight and narrow, Mr. Chair, as ever. As ever. But I guess the one thing, while we have the auditor here, again the way that these things are interrelated — absenteeism and employee turnover — if I'm understanding the balanced scorecard correctly, there's an intention to not track the employee turnover rate from 2018-19 on. Is that correct?

Mr. Pilatzke: — No, that's not correct. So we dropped one of the measures in terms of — at least for the purposes of the balanced scorecard — the employee turnover rate in the first two years. We do though track; it's an internal measure for us around employee turnover. So it's a very important measure for us. And it's one that we monitor very carefully, certainly is a measure that we have in corporate services and the HR area to have a good understanding of that.

I just want to point out though or offer up that at the same time our absentee numbers have been dropping, our employee turnover has been decreasing as well. And in fact we historically have averaged somewhere around 20 to 24 per cent, you know, annualized turnover. In '16-17 we were at 14.7 per cent, and then last year at 16.3 per cent. So we're seeing those numbers generally move in the same direction, which suggests to us that the services that we are offering are not only keeping employees at work, they're also keeping them employed with us.

Mr. McCall: — I guess why I was bringing in the Provincial Auditor at this point is that certainly, from what I gather, she would agree with you that it's a very useful number for an organization to keep and keep track of. So I guess I'll save my questions for its inclusion or not as regards to the balanced scorecard for that portion of the agenda, with thanks as ever to the Chair.

But I guess at this stage, Mr. Chair, I've got no further questions concerning this particular chapter of the Provincial Auditor. And again I thank the Provincial Auditor and officials for the great work.

The Chair: — Thank you, Mr. McCall. The 2017 report volume 2, chapter 26 has three recommendations for the committee to consider. What is the wish of the committee? I recognize Mr. Hart.

Mr. Hart: — Before moving of motions on the three recommendations, I do have a couple of questions. And I apologize in advance if the information has already been given and I didn't pick up on it. But specifically with the auditor's recommendation no. 1, to provide your staff with clear guidance for documenting the reasons of not referring an employee to the attendance management program, Ms. Flett, I heard you say that you've already implemented that. Could you just briefly

tell me what did, you know, a bit of detail on how you implemented that? Was there a formal document provided to managers or so on, or what process did you use to implement that?

Ms. Flett: — So we have a policy in place that says that we have an attendance management program, and here are the procedures that you must follow if you notice employees that are below a certain threshold. And that target is set by us annually. So prior to the language being in the policy that was recently amended, there were no consequences to managers not referring employees who should be in the program. I'm theorizing that it's just additional work for managers and more paperwork and having to go to HR, and so there were no consequences. Now with making this a requirement, as written in our policy, we have seen our managers step up because, for one reason, it negates having to do up these reports that they don't enjoy doing, but certainly they are all on board with providing support for employees who require it.

So what we did was, through alley rallies and through department meetings, communicate the changes in policy. We typically go and post it in the intranet and any, you know, staff areas that is visible. This has been fully communicated and implemented effective immediately after the release of the report.

Mr. Hart: — Thank you for that. The auditor indicates that, or in the report it's indicated that there are 111 employees at the time that this was looked at in your first program. Now, well the advanced management programming, after your policy was amended and the managers made aware of it, did you see a . . . What type of an increase did you see in number of employees in the advanced management programming part of your program? Was it significant? I would think because managers made aware that this is something they need to do, that you would see an uptick in the number of employees that were enrolled in the program. Would that be a fair comment?

Mr. Pilatzke: — Actually I'm pleased to say that the enrolment has gone down as a result of this, and I would suggest to you it's a result of getting the services that they needed to support them. So the effectiveness of the program, I think, is being demonstrated. And so although one would anticipate the numbers would go up, in fact we've seen the opposite. And currently we have 83 employees enrolled in the program and only 11 are at the final stages. So I think we're making great progress in that regard which, you know, suggests that the services that are being offered are effective as well.

Mr. Hart: — Well, Mr. Chair, with those answers I would be prepared to move that the recommendation of auditor's report 2017 volume 2, chapter 27, recommendation no. 1, I would concur with the recommendation and note compliance.

The Chair: — Mr. Hart has moved that the committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Hart: — Okay, just a couple of questions or maybe a

question with regard to recommendation no. 2, analyzing trends and patterns of employees.

In this whole area are you noticing . . . I guess I'd better be careful of how I term this, but your industry, does it have a higher percentage of single parents employed in the industry which, in my mind, perhaps could be a reason for higher than usual absenteeism because of family matters or whatever? I would just appreciate some comments on that statement.

[11:15]

Mr. Pilatzke: — Thank you for the question. We don't track by family status to employees. I could probably run a report and find that out if it was necessary. But I think what would contribute, you know, if you accept that we have a number of single parents, that non-traditional working hours and the hours of operations where people work most weekends would certainly contribute to a higher rate. So I'm not sure it's necessarily exclusive to single parents, but it certainly would be a challenge in terms of arranging quality family care and things of that nature.

Mr. Hart: — Thank you. I think those are the thoughts that I had on this. Mr. Chair, with regards to recommendation no. 2 of the 2017 volume 2 auditor's report, I would concur with the recommendation. I would move to concur with the recommendation and note compliance.

The Chair: — Mr. Hart has moved the committee concur with the recommendation and note compliance for recommendation no. 2 of the 2017 report volume 2, chapter 26. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Hart: — Mr. Chair, with regards to the recommendation no. 3 in the same report, 2017 volume 2, chapter 26, I move that the committee concurs with the recommendation and note progress.

The Chair: — Mr. Hart has moved that the committee concur with the recommendation and note progress towards compliance of the 2017 report volume 2, chapter 26, recommendation no. 3. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Now we will recess for a few moments and excuse the Provincial Auditor and her staff, please.

[The committee recessed for a period of time.]

The Chair: — We will now consider the 2016-17 and the 2017-18 Saskatchewan Gaming Corporation . . . Oh, perhaps before we move . . . Minister Tell, did you have comments that you wanted to make at the end of that session?

Hon. Ms. Tell: — Do you mean at the beginning of this one?

The Chair: — Okay. Then we'll move on to the 2016-17 and '17-18 Sask Gaming Corporation annual reports as well as the

SGH Holdings Inc. financial statements for the years ended March 31st, 2017 and March 31st, 2018. Minister Tell, would you care to make opening comments please?

Hon. Ms. Tell: — Yes. Thank you, Mr. Chair. I appreciate the opportunity to appear in front of this committee and have productive discussion. Today we are focused on the '16-17, '17-18 reporting years. It's safe to say that within this two-year span the corporation has accomplished a lot.

Throughout 2016 the corporation celebrated Casino Regina's 20th anniversary. This milestone was punctuated by the unveiling of the Charity Championship, SaskGaming's flagship charity event that has raised more than \$142,000 for Saskatchewan charities and non-profits since its inception. This is significant especially since part of the corporation's mandate is to give back to the communities in which we live and work.

The past two years, SaskGaming endowed 838,974 to support projects, programs, and events in Saskatchewan communities. It also provided support to our First Nation and Métis communities with investments of 24.4 million and 23.2 million, respectively, through the province's General Revenue Fund in '16-17 and of course '17-18.

Mr. Chair, it's essential to note that the past two reporting years have been challenging for the Government of Saskatchewan. In a show of leadership, SaskGaming stepped up in a major way to manage expenses and ensure significant financial return to the people of the province. As a result, the corporation identified expense savings of 2.9 million in '16-17 and another 4.0 million in 2017-18, impacting the government's bottom line. It's also realized revenues of 124 million and 119 million, respectively.

SaskGaming continues to affirm its commitment to corporate social responsibility through a robust responsible gaming program. In October 2016 the corporation obtained . . . re-accredited through the responsible gaming council of Canada's RG Check program. The RG Check program provides gambling operators with an independent, objective check on internal responsible gaming policies and procedures from a non-profit organization committed to problem gambling prevention. A manager of responsible gaming facilitates the GameSense program at both casino properties which brings SaskGaming on par with its primary competitor, S-I-G-A or SIGA [Saskatchewan Indian Gaming Authority Inc.], who maintain one manager of responsible gaming for six casinos.

SaskGaming's guest awareness and responsible gaming target remain on track. The corporation's result for '17-18 was 78.7 per cent, only slightly below 80 per cent target.

Also on track was the corporation's commitment to its employees. Ranked alongside other industry leaders in offering the staff an exceptional place to work, SaskGaming was recognized in both '16-17 and '17-18 by Mediacorp Canada as one of Saskatchewan's top employers.

The corporation received the honour based on a number of measures including employee benefits and diversity. On the topic of diversity, it's important to highlight this point of pride for SaskGaming. With more than 40 per cent of the staff being of indigenous descent, the corporation is the most diverse

employer in the Saskatchewan public sector.

Mr. Chair, a spotlight was placed on Casino Moose Jaw throughout '17-18 as it surpassed 15 years in operation. One of Moose Jaw's largest employers and a foremost tourist destination, Casino Moose Jaw welcomes approximately 2,200 visitors each and every day. In total, approximately 3.5 million people walked through the doors of both casino properties in 2017 and '18. Millions more are expected in the future as SaskGaming continues to focus its efforts on enhancing guest satisfaction by delivering the products and services that customers want, remaining on the cutting edge of gaming technology, all the while staying true to their brand promise of an always entertaining experience.

Mr. Chair, this concludes my opening remarks. It's my turn to turn it over to the member from Regina Elphinstone and invite questions. Thank you.

The Chair: — Thank you, Minister Tell. Do any members of the committee have questions? I recognize Mr. McCall.

Mr. McCall: — I was going to pass the mike to Last Mountain-Touchwood if that's okay. I'll have to . . . well, we'll get him for future considerations. But anyway thank you, Mr. Chair. And again, Minister, officials, again thanks for joining us for consideration of the two annual reports. Don't stay away so long next time. Come on back next year, be it on a Monday morning or whenever. But anyway good to see you here.

And I guess most of my remarks or my questions will sort of be situated in the 2017-18 report given that that's the most up-to-date information. But of course we'll be informed by what went previous.

But I guess a question overall for the minister or officials: in terms of the RG Check and the approach of the corporation to responsible gaming as a whole, can the minister or officials identify for the committee what was the last year in which there was an overall sort of baseline study as regards to the situation in problem gaming for the province of Saskatchewan?

Ms. Flett: — The last known prevalence study that studied problem gambling in the province of Saskatchewan was done by the Ministry of Health in 2001, and those statistics had at the time indicated that approximately 1.2 per cent of the over-19 adult population in the province of Saskatchewan was at high risk for problem gambling.

Mr. McCall: — So in terms of again as a responsible corporation, as a good corporate citizen, and as an entity that is cognizant of the risks entailed in terms of the bread and butter of the Saskatchewan Gaming Corporation's business, is there a plan to do similar work that we might know if that prevalence of problem gambling is getting worse, getting better, and how that might relate to the work of the corporation?

Ms. Flett: — We certainly work with the Ministry of Health but we would look to them to conduct any prevalence studies in the future.

Mr. McCall: — In terms of . . . And again just to be clear, the last time that kind of work was conducted by the Ministry of

Health was in 2001. And at the time, did the corporation make a contribution to the funding of that study?

Ms. Flett: — I understand that we provided information but did not provide any funding at the time.

Mr. McCall: — So again in terms of a responsible corporate citizen in the province of Saskatchewan and recognizing that there are risks inherent in the gaming industry, and how that can have a negative impact on the lives of people in a lot of different ways, why isn't that something that the corporation is more interested in determining — the prevalence, greater or lesser, of problem gaming in the province of Saskatchewan?

Hon. Ms. Tell: — The area of gaming in the province of Saskatchewan is under many different envelopes. We have SLGA [Saskatchewan Liquor and Gaming Authority]. We have SIGA. We have our organization, Parks, Culture and Sport. And as was done in 2001, we do look to the Ministry of Health to make that determination, number one, and to lead the studies because of the fact that there are many organizations in the province that are responsible and do conduct gaming in the province of Saskatchewan.

Don't take that to mean, of course, that we're not concerned or that is not something that we monitor. We do monitor it and Ms. Flett has led that particular initiative. That we do the best we can, but when we're looking at a study covering many, many ministries or many ministries throughout the province of Saskatchewan, we look to Health to conduct those studies.

[11:30]

Mr. McCall: — So in terms of the expansion that the industry has undergone in the time intervening between 2001 and this day, I find it interesting that as . . . Again I appreciate there are a lot of different government agencies that have a piece of responsibility in this, but in terms of an entity that's named the Saskatchewan Gaming Corporation — and this is what you do, you know, gaming is what the Saskatchewan Gaming Corporation does — surely there'd be a desire to find out how SGC [Saskatchewan Gaming Corporation] fits into the broader picture of problem gaming in the province of Saskatchewan. Is that too much to ask?

Hon. Ms. Tell: — As you're aware, SaskGaming is responsible for gaming at casinos Regina and casinos Moose Jaw. The issue of the other partners involved in gaming in the province of Saskatchewan, to take that particular . . . to take a look at what is going on in the gaming world in the province of Saskatchewan would require an independent view because SaskGaming is part of the gaming component in the province of Saskatchewan, regardless of what the name says. And we are one partner along with others, and that is why we rely on the Ministry of Health to ensure that we have an independent study. An independent study done by SaskGaming is not an independent study, so that's why we rely on the Ministry of Health to conduct these studies.

Now having said that, if we believe the gaming industry in the province of Saskatchewan, not just SaskGaming believe, that we should be taking a look at the prevalence in the province of Saskatchewan, then of course we can request Health to conduct

the appropriate studies. But we cannot conduct and won't conduct a study because it's Health that traditionally is the one that has been doing it. Just because of SaskGaming is SaskGaming, and you're aware of that, we're one component only and we're not the lead component.

Mr. McCall: — Okay, so for the two casinos that the Saskatchewan Gaming Corporation oversees and manages, in the minister's opinion — although, you know, judging by the earlier part of her question, you know, who's Sask Gaming Corp to say in terms of any sort of data or observations on, you know, problem gaming getting worse or better as relates to the work of Saskatchewan Gaming Corporation — but in terms of the safeguards that are there, the responsible gaming check systems referenced and bringing that into line with other entities, and that was of course a result of eliminating positions that had previously been dedicated to responsible gaming initiatives, so you know, I guess the question is, do you have anything to say about problem gaming, as relates to the activities of the Saskatchewan Gaming Corporation, getting worse or better?

And again I appreciate that your sort of self-assessment is kind of like, you know, are we doing good? Well, yes we're doing great; you can take our word for it. Which is of course like I guess, we'll go around with our begging bowl — you know, SLGA and Sask Health as well to say, you know, what's the picture of things. Are we doing these things by being wilfully ignorant of what the ramifications are, and how does that relate to the notion of responsibility?

But are things getting better or worse in terms of people that, you know, have trouble with gaming and the way that that impacts lives? And I know the minister knows this, and the way that it has a dreadful impact on the lives of certain individuals. Can the minister tell us a bit more about that?

Ms. Flett: — So I'd like to respond to the elimination of the GameSense advisers that you had mentioned. So there were four GameSense adviser positions that were eliminated. Three positions were . . . Three employees were terminated without cause, but we were able to redeploy the fourth employee to another area of the organization.

You know, the elimination of these four positions did not negatively impact our responsible gambling program nor did it lessen our commitment to the importance of responsible gaming delivery. You have to remember that the GameSense advisers are just one of many methods that we use to deliver responsible gambling. So employees are required, every single one of our employees are required to take responsible gambling training. So on hire an employee must take it, and employees must also be retrained every three years. So every one of our staff know how to recognize signs of problem gambling and to refer.

There's a second level of training, level 2 training which is more intense. It trains managers on our Regina and Moose Jaw gaming floors how to process self-exclusions. So these are the same duties that had been conducted, that had been performed by the GameSense adviser positions that are now eliminated. So there had been a duplication of effort. We have managers on the gaming floors that, in addition to being able to recognize signs of problem gambling, they also have the ability to process these

self-exclusions.

I'd also like to talk a little bit about how it has not negatively impacted our effectiveness of the responsible gambling program. As you know, it's the Responsible Gambling Council that awards accreditation to organizations that demonstrate high standards in responsible gambling. So we initially received accreditation the first time in 2013 and it's valid for three years. We subsequently received reaccreditation in 2016. We eliminated the four GameSense adviser positions in March of 2017. In the in-between years we were required to notify the Responsible Gambling Council of any changes that have happened in the program since the accreditation. We did so in October of that same year. In that same year, we maintained our accreditation. So we know that it has not lessened the responsible gambling program in any way, certainly in the eyes of the Responsible Gambling Council.

We also do a survey and we track awareness of responsible gaming programs and methods from guests that frequent our properties. So prior to the elimination of the four GameSense adviser positions in the fiscal year 2016-17, the awareness of responsible gambling was 80 per cent. Subsequent to the elimination of the four GameSense adviser positions, in '17-18 fiscal year when we retested, that awareness of responsible gaming was 78.7. So this is not even statistically significant in terms of results.

We also took a look at the number of self-exclusions that had happened. So if we're doing a good job and we're educating our guests and we're promoting and making them aware of all of the responsible gambling programs that are in place, then through the awareness and education, we can take a look at the number of voluntary self-exclusions that guests have elected to undertake. And so prior to the elimination of the four GameSense advisers we had 198 guests who elected to self-exclude themselves. Following the elimination in the fiscal year 2017-18, the number of guests who self-excluded was 191. There was materially no change in the number of self-exclusions from year over year.

I'd like to perhaps also talk a little bit about some of the other aspects of the responsible gambling program and what it entails. Of course I talked earlier about the mandatory responsible gambling training that all employees must take — and again, every three years — so they all know how to identify signs of problem gambling. And then of course there's certain positions, including the managers on our gaming floors in Regina and Moose Jaw, who are trained to be able to process self-exclusions.

We have a GameSense information centre right on the gaming floor at each property in Regina and Moose Jaw. We have a voluntary self-exclusion program. We've also retained one manager, a responsible gambling manager, who dedicates her time between both properties and services the guest needs. Players have the ability to request their statement activity at any time. We have licence plate recognition technology at our Regina property.

Educational awareness materials are all over the properties. We have brochures, posters. We have messaging, 1-800 numbers, where to look for help on every single one of our ATMs

[automated teller machine] and all 1,100 of our slot machines. We also have GameSense kiosks that feature interactive content and educational information located right on the gaming floors, both again in Regina and Moose Jaw. So guests have the ability to go to these kiosks, educate themselves on safe gambling. You know, they look at things like playing within their limits. We educate guests on how games of chance work.

Several years ago we implemented a disentanglement-of-winnings policy which prevents prohibited individuals from receiving any winnings if they visit the property and they are on a banned list. So essentially this removes the incentive for problem gamers to be able to enter the property.

[11:45]

So there are various ways that we are delivering responsible gambling for our properties. Does that answer your question?

Mr. McCall: — It does, and thank you very much for that. I guess the challenge still remains though in terms of — again as per the minister's observations about the virtues and the challenges of self-assessment — in terms of, you know, how this feeds into the broader prevalence of problem gaming or not. That's an unknown and it's a big unknown in terms of how this works and impacts the quality of life for people in the province of Saskatchewan.

I guess just one last question to the minister or officials on this particular topic. Who is the Responsible Gambling Council? I know they're an independent, non-profit corporation, but how many employees do they have? Where are they headquartered? Is there any financial contribution that is made from various industry entities to the council? How does this all work?

Ms. Flett: — So we know that the Responsible Gambling Council is an independent, non-profit organization. But beyond that, I'd like to table the question related to the number of members in this council, where their head office is located, as well as how they get their funding.

Mr. McCall: — Okay. Well I'd certainly welcome that undertaking to provide further information. And certainly thank you very much for that, Ms. Flett and Madam Minister.

Moving right along, for the years under question with the annual reports, did Sask Gaming Corporation receive or entertain any expressions of interest as regards the purchase of the Saskatchewan Gaming Corporation?

Hon. Ms. Tell: — What years are you asking for? Are you asking for '16-17?

Mr. McCall: — '16-17 and '17-18.

Hon. Ms. Tell: — Oh, so both. Okay.

Mr. McCall: — Yes. Double-barrelled.

Hon. Ms. Tell: — Not that it changes my answer. I just wanted to know. I just wanted to ask you a question, that's all.

To date, including the years that you have referred to, there are

no plans to sell casinos Regina or Moose Jaw, and no further discussions or any discussions have taken place regarding the sale of either property.

Mr. McCall: — Thank the minister for the definitive answer. For the years under consideration, what . . . And again this is something that has ebbed and flowed. Certainly one of the minister's predecessors had a keen interest in the whole question of e-gaming and how it relates to the operations of the Saskatchewan Gaming Corporation. For the years covered here by annual reports, has there been any further consideration on electronic gaming or e-gaming, internet gaming offerings on the part of Saskatchewan Gaming Corporation? And what is the state of those considerations?

Ms. Flett: — So online gambling is something that we certainly have been monitoring how the rest of the industry has been developing, and it is certainly an area that we are exploring to see if it might be viable for us in Saskatchewan.

Of course we would need to do a full assessment and we would need to ensure that there is an untapped demand in the province. If it's something that has proven in other jurisdictions to be financially viable, if it's something that our province might want to undertake as long as there is very low or no risk to the province, and if it's something that the government can do or deliver in a very socially responsible way, then I think that it is something that we would want to consider and explore in the future.

Mr. McCall: — Is there any estimate as to the potential market for this kind of activity in Saskatchewan?

Ms. Flett: — You know, because online gambling is currently being done in the grey market sites and because it is illegal, it's not something that is readily available, the information on the number of people that are gambling illegally. Even if we were to do some sort of a study, I think it would be very difficult. But we could look to the other jurisdictions to see what their experience has been.

Mr. McCall: — So I guess with this kind of expansion, you'd need some kind of baseline study on the prevalence of problem gaming in the province. Am I understanding that correctly?

Ms. Flett: — If and when the province makes a decision to enter the online gambling market, I think any updated prevalence studies would be a very important factor, but that would be just one of many factors that would decide whether the province enters online.

Mr. McCall: — Thank you for that. But is there a timeline on . . . You know, certainly other jurisdictions in Canada — I'm thinking of Prince Edward Island, British Columbia — they've had various sort of forays into the whole field. Is this under active consideration on the part of the corporation? And if so, is there a timeline attached to it? Or is it just something that you're aware of in terms of the environmental scan of what's happening in gaming?

Ms. Flett: — There is no timeline attached to this. We just are very prudent. We have been actively monitoring the other jurisdictions. We've been talking to our counterparts on the

level of success that they have had. I want to be in a position where we're absolutely certain that it would be financially viable, that it would be something that could be offered in a very low risk way, that there is demand for it, and that it could be delivered responsibly. So until such time that all of these questions are answered, we have not put anything forward on online gambling.

Mr. McCall: — Thank you for that. In terms of — just shifting gears a bit — in terms of the men and women that do the work of the corporation day in, day out, could the minister or officials describe what the situation is with the collective bargaining status for the corporation? I appreciate there are a number of collective bargaining units that are attached to the corporation, but if you could please let us know the status of each of those individual collective bargaining units. How long, if so, if those agreements have lapsed, when they have lapsed, and what is the situation around bargaining at those tables?

Ms. Flett: — We have four bargaining units and three of those four agreements are currently open. The Public Service Alliance of Canada, PSAC, is represented by the gaming employees at Casino Regina. We have approximately 335 employees in this unit and that agreement expired on December 31st, 2016.

We have the RWDSU, Retail, Wholesale and Department Store Union, that represents the food and beverage employees at the Casino Regina location. This agreement expired on February 6th of this year, 2018, and it's represented by 188 employees.

[12:00]

We have IATSE — this is a long one — International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, Its Territories and Canada. I'll just refer to them as IATSE. This is represented by about three employees, and this agreement expired just in July 6th of 2017.

Our fourth agreement is RWDSU. This is an all-employee bargaining unit for Casino Moose Jaw, and this is set to expire at the end of this month, September 30th, 2018. It's also represented by approximately 98 employees.

Mr. McCall: — Thank you very much. In terms of the Public Service Alliance being the longest of the lapsed periods — December 31st, 2016 — that's a significant period. And there has been different sort of initiatives on the part of executive government as relates to instructions into those bargaining tables. And now I appreciate that we're not going to be bargaining any of those agreements here at this table, and I wouldn't presume to, you know, try to get the minister into that, but I do want to get an answer in terms of a mixed message that has come from the government in terms of the 3.5 per cent reduction that was announced in budget 2017 and then, you know, the different sort of permutations that's gone through since.

But it's my understanding that that was communicated to the Public Service Alliance on June 13th, 2018 by yourself, Madam Minister, that the Government of Saskatchewan is still committed to a "3.5 per cent reduction in compensation in benefits. This directive is for both unionized and non-unionized

employees and this mandate has not changed.”

So could the minister or officials describe is that the case, or has that been removed from the various bargaining tables that are going on as we speak? And you know, as per Minister Harpauer — Finance minister and, I’m sure you know, the Chair of the public sector compensation committee of cabinet and all those good things — saying that it’s off the table, that the 3.5 per cent demand for a concession is off the table. So which is it, Madam Minister?

Mr. Pilatzke: — Thank you for the question. So we have bargained with the Public Service Alliance of Canada. We have tabled a monetary package that would see some reductions, in terms of an opening position, primarily focused on the cost sharing of benefits as well as the eliminations of premiums. To date, PSAC has not tabled counter to that. We certainly would invite them to do so, and we believe that a resolution will be found at the collective bargaining table. So as I said, I certainly would invite them to do that: come to the table and that’s where a resolution will be found.

Mr. McCall: — So again, to quote from the *Regina Leader-Post*, August 8th, 2018:

... Harpauer says it’s “no secret” negotiations languished longer than normal at some tables because the province was originally proposing a 3.5-per-cent wage reduction for Saskatchewan’s 64,577 public sector workers, as part of the government’s plan to reduce the provincial deficit.

Largely because there was no appetite for such a rollback at negotiating tables, that plan has since been abandoned.

“Now that we’ve moved past that, I’m hoping for some ratification as we move forward,” says Harpauer, who says she has some frustration because many union members still think that measure is in place.

“Hopefully as that message gets out there more and more, it will help the members understand where the negotiating is at and they can work with their respective unions,” she says.

And again, Madam Minister, you, as late as June 13th, 2018, communicated something that was in direct contradiction to what the Minister of Finance has stated as regards to the Public Service Alliance bargaining table and, I presume by extension, the other bargaining tables that the Saskatchewan Gaming Corporation is party to. So is the 3.5 per cent still on? Reduction, is that still on in terms of an objective as stated by yourself as late as June 13th, 2018? Or can we take the Minister of Finance at her word in terms of what she communicated through the *Regina Leader-Post*?

The Chair: — Mr. McCall, what’s the date of that what you’re reading there? June 13th, 2018. Am I correct?

Mr. McCall: — Mr. Chairman, this regards the collective bargaining agreement that elapsed squarely within the years under question and for which the ramifications of the inattendant to that matter on the part of this government carries on. So if you’re looking to rule that it’s out of the scope

of the years under question, I would vehemently disagree, in terms of the collective bargaining agreements that this corporation is party to.

The Chair: — Okay. And as you and I have had this conversation before, and I’ve said I’m not interested in arguing it with you. We’re here to deal with the financial reports and financial statements March 31st, 2017 and March 31st, 2018. If you want to discuss what happened in June of 2018, there will time in the future to do that, Mr. McCall. So please stick to the material at hand in those two reports and two financial statements, if you would please.

Mr. McCall: — Mr. Chairman, the agreements in question lapsed December 31st, 2016. These men and women have been bargaining since then in good faith and the message of course keeps changing on the part of this government. Surely, surely to goodness the collective bargaining agreement that covers the majority of the members in casinos Regina and Moose Jaw, and the overall policy objectives of this government that admittedly have been changing year to year quite radically, surely to goodness that is germane to the discussion that we’re having here today.

The Chair: — I can see some merit to your point, Mr. McCall; however the ongoing negotiations that are ongoing, as the minister and the officials have said, is going to move into the future. It is not part of what we’re discussing today in our financial reports. I disagree with that point, sir.

Mr. McCall: — Perhaps the minister could clear it up for us in terms of, you know, if her direction, as regards the collective bargaining agreement that lapsed squarely in the middle of the years under question and the various meanderings of the Finance ministers on the part of this government, you know, what’s the actual direction here, Mr. Chairman?

The Chair: — Thank you, Mr. McCall. It appears you and I are not going to agree on this point. So I would put it to the minister, if she feels comfortable, her officials, to answer the question, please do so. If you do not, then we’re going to move on.

Hon. Ms. Tell: — I will say this, Mr. Chair, that bargaining needs to occur. Bargaining will go through various machinations with one side proposing something, another side coming back with their proposal, and you negotiate. That’s what we’re encouraging PSAC to do. And what our opening position is doesn’t necessarily mean that’s where we’re going to land. So I’m asking both parties . . . And I don’t have to ask this group. They’ve done that. I’m asking the opposing party, or PSAC, to come to the table with a position and let’s go. That’s what I’m advocating.

Mr. McCall: — Thanks for that, Madam Minister. Mr. Chairman, I guess I have a question as relates the overall workforce of the Saskatchewan Gaming Corporation. And this isn’t the first time that we’ve had the opportunity to ask this question, but we’ll keep asking it. Why wouldn’t casinos Regina and Moose Jaw, the Saskatchewan Gaming Corporation move to a target of 50 per cent indigenous employment for the corporations? Why wouldn’t you do that?

Ms. Flett: — Thank you for that question. Our indigenous representation, in achieving 50 per cent, it's not that we do not want to; it's that we are finding it difficult to achieve that at this point. In the early years of our operation, for the first 9 or 10 years when Casino Regina opened, we in fact did achieve 50 per cent, in fact exceeded 50 per cent indigenous representation.

Some of the factors that have contributed to the decrease in representation has been that Moose Jaw's indigenous population over the working age of 19 is approximately 6 per cent. And so it's our Casino Moose Jaw property that we've had less success in achieving that representation, and subsequently the overall average for SaskGaming has decreased over the last several years.

We have also reduced our employee intake over the last several years. We've talked about that earlier. And simultaneously it appears that there is increased competition and much more demand for indigenous employees in the workforce.

And then we also talked earlier about some of the challenges related to just the environment in which we operate. So it's been a challenge in terms of both attraction and retention of employees because of the non-traditional hours and sort of the irregular work hours that we had talked about earlier.

We also have a number of restrictions specific to us, and that includes things like having to be over the age of 19. But there's a number of positions that prevent us from hiring the relatives or family members of current employees. So we have a number of barriers in place.

I think it's also important to note that at the time that this agreement was put into place, the gaming framework agreement that specified 50 per cent indigenous representation, it was also based on the premise that the two properties would be opened up in Regina and Saskatoon, two urban centres of course with much higher indigenous populations. That did not materialize and the casinos opened in Regina and Moose Jaw. So that certainly has been a factor as well.

[12:15]

That's not to say that we are not committed and continuing our efforts so that we can meet this long-term goal of 50 per cent. Our efforts, just some of our efforts to increase representation include preferential hiring to qualified persons of indigenous ancestry. We target career fairs. We attend community agency events and attend and support indigenous cultural events. We also monitor all of our recruitment, selection, and exit processes as well so that we can try and maintain positive net hires.

Back in 2013 we formed what was then called the Aboriginal representative workforce team, and this is a team that was tasked with identifying ways to increase representation. It was comprised of not just staff but managers, as well as some of our FSIN [Federation of Sovereign Indigenous Nations] board members as well. We're currently in the process of refreshing this indigenous recruitment and retention strategy and have recently hired a dedicated resource to focus on helping us achieve that 50 per cent representation.

We have things like indigenous employee network whose

objective is to promote cultural understanding of indigenous cultures and people. We even have language in all of our collective bargaining agreements, so we work with our unions to help us achieve that targeted representation. So this is certainly something that we continue to focus on and feel comfortable and confident that in the short to medium term, that it will be reached.

Mr. McCall: — As you accurately point out, this is an aspect of gaming in Saskatchewan that does go back to the very striking of the gaming framework agreements and the terms on which gaming was to be ushered forward in the province of Saskatchewan. And again in terms of . . . And I appreciate the various challenges that have been outlined, but this is an aspect of the agreement, an aspect of the basis of gaming in Saskatchewan that has long gone unattended to.

And I think that in my, you know, paying closer attention to these matters around the question of representation at the corporation and the way that it's hovered around in the early 40s . . . And I note, you know, you've set the target for the year to come at 43 per cent. I think that it would be important to the indigenous people of Saskatchewan and the people whose partnership was, you know, critical to the establishment of the gaming framework agreement and the ways that that impacts the different things that the Saskatchewan Gaming Corporation does across the piece. I know that it's important to those partners.

So why, again why wouldn't Saskatchewan Gaming Corporation set 50 per cent as the target and then deploy all of the kind of efforts that have been described here to make that a reality? Because it can be done.

Ms. Flett: — Again the 50 per cent indigenous representation certainly is a long-term goal and we are working toward that. After, as I indicated earlier, early success, we had a period of three, four years when we dipped to below 40 per cent and it is through active focus from our indigenous strategy recruitment and retention strategy that was implemented in 2013 that we were able to slowly bring it back up to approximately 42.1 per cent, which is where we're sitting.

So you are going to see incremental growth. We are certainly moving in the right direction, but it is something that is a medium- to long-term plan in order for us to get there. We're certainly anticipating increasing this year over year at a rate of approximately half to 1 per cent.

Mr. McCall: — So again, so you'd hit 50 on that basis anywhere from 14 years, 7 to 14 years from now. Am I understanding that correctly?

Ms. Flett: — So you are correct that it will take a number of years to achieve that 50 per cent indigenous representation. This is one of the corporate balanced scorecard targets that we measure annually and it's something that is set and approved by our board of directors.

Our board of directors includes three Federation of Sovereign Indigenous Nations board members. So three of our board members are very supportive; they have been encouraging us to achieve the 50 per cent representation as quickly as we can. The

FSIN board members are aware of our strategies that we have in place. They're aware of the rate at which we are striving to increase the representation and are completely supportive of our long-term target attainment in the out years.

Mr. McCall: — So again, you know, I've got the annual reports to work with. And in terms of trying to gain a clear picture of the goals and plans of the Saskatchewan Gaming Corp, and again in terms of page 21 of the 2017-18 annual report, I've got the 2018-19 target for indigenous representation set at 43 per cent. I don't have in front of me that, you know, asterisk, the longer term objective is to get to 50 per cent and that will be accomplished within 7 to 14 years heretofore.

Again, like why not . . . I can well imagine that the FSIN representatives on the board are very supportive of the 50 per cent because, as we've discussed, that goes back to the very founding of the gaming framework agreement in the province and has long been a point of contention. So given the good track record of the Gaming Corp as it comes to indigenous representation, why not have that as a hard target for next year or for the year after that? Why keep it sort of, you know, out of the spotlight, out of the focus and instead continue to set the bar at 43 per cent?

And maybe you'll meet it next year. Maybe you won't, but that's what's listed in the annual report so that's what people, you know, look for — accountability. So why not set it to 50 per cent?

Hon. Ms. Tell: — If this is a conclusion, I suppose, of this particular aspect of SaskGaming, I think we all need to remember that 50 per cent is a target in the gaming framework agreement. And it's aspirational. And being aspirational, SaskGaming is taking concrete steps to try and get the percentages closer to the 50 per cent and hopefully reach 50 per cent. And when you ask why, there's no magic pill to this. This takes a number of initiatives, working together, working together with our First Nations leaders. I mean we all know what's involved here.

And if we could today have 50 per cent First Nations contribution or employment at SaskGaming, I think that would be laudable and that would be wonderful; however wishing and thinking that this is going to happen is not going to make it so. So I think that what SaskGaming is doing, and other entities, to try and get that percentage higher is something that should be applauded.

And I'm not, you know . . . That doesn't mean we stop. You continue engaging our First Nations leaders and partners in our communities to try and get that number up. But this is not an absolute target. And is it there? We all know, we're all aware that it's there. And they're working towards getting that done. And that's all I can say.

Mr. McCall: — I guess one last question from that particular display in the 2017-18 annual report. We talked about this earlier. There's a double asterisk on the balanced scorecard measure for the 2018-19 target "Employee turnover rate (employee's first two years)." In the column for the year to come, it's got "not applicable," double asterisk. The asterisk indicates that "will not be included in the 2018-19 balanced

scorecard." So there is some information to the opposite of that earlier on. Will that indicator be . . . Am I understanding what's written here in black and white incorrectly, or will it be included in the year to come?

Mr. Pilatzke: — Thank you for the question. In short, it will not be included in 2018-19. In fact this is something that we looked at from a corporate perspective, had lots of volatility in it, and in terms of what we're seeing in the turnover rates decreasing year over year, in particular these last two fiscal years, it's no longer going to be included as part of our balanced scorecard. Certainly something we keep an eye on in terms of employee turnover, but it's not something that we'll be measuring as part of the scorecard.

Mr. McCall: — I guess by extension it'll be completely absent from the annual report documents.

Mr. Pilatzke: — That's correct. It's internal metrics that we track, but it won't be part of the performance management plan.

[12:30]

Mr. McCall: — Now earlier when you were discussing how important that metric is, with the Provincial Auditor in the room, why not say that at that time?

Mr. Pilatzke: — As I recall, we were talking about employee absenteeism and not turnover but did talk a little bit about the trends moving hand in hand. So I think I did say that in front of the Provincial Auditor as well. But in terms of this segment of this first two years, that was just something we looked at for a short period of time and really rely upon our annualized turnover rate year over year. And that's, as I said, an internal measure that we track corporately.

Mr. McCall: — Just one last question, Mr. Chair. Any chance that you'll reconsider and include it heretofore in terms of the annual report as a metric as to the overall health of the corporation?

Mr. Pilatzke: — Given the trends, it's not planned. But if we start to see the trend going the other way in terms of an increase in employee turnover rates on an annualized basis, then it certainly would be considered.

Mr. McCall: — I thank Mr. Pilatzke for that. And I thank Madam Minister and officials for their time with us here today for committee, and through them to the hard-working men and women of the Saskatchewan Gaming Corporation for all the work that they do the whole year through. And with that I would conclude my remarks.

The Chair: — Thank you. Thank you, Mr. McCall. I would now ask a member to move that we conclude consideration of the 2016-17 Saskatchewan Gaming Corporation annual report, as well as the SGH Holdings Inc. financial statements for the year ended March 31, 2017. Mr. Hindley has so moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. I would now ask a member to move

that we conclude consideration of the 2017-18 Saskatchewan Gaming Corporation annual report, as well as the SGH Holdings Inc. financial statements for the year ended March 31, 2018. Mr. Bonk has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. That concludes our business with Minister Tell and her officials. Madam Minister, do you have any final comments?

Hon. Ms. Tell: — No, I just want to thank the committee and thank you, Mr. Chair, and Hansard and Mr. McCall. Thank you for your time today. Thanks. And of course the people that are with me here today and SaskGaming, thank you.

The Chair: — Thank you. And I add my thanks to Mr. McCall. This committee will now recess until 1:30 p.m. this afternoon.

[The committee recessed from 12:33 until 13:30.]

Saskatchewan Power Corporation

The Chair: — Good afternoon and welcome back, everyone. And I would say to the officials from SaskPower, Minister Duncan, welcome. I would just like to advise SaskPower officials of the format we're going to follow this afternoon. But before I do, I believe, Minister Duncan, you have some documents to table.

Hon. Mr. Duncan: — Yes, thank you, Mr. Chair. Good afternoon, members of the committee. From our last appearance before the committee, there were a number of questions that we endeavoured to provide answers to, and so I'll be tabling those answers this afternoon.

The Chair: — Thank you, Minister Duncan. Okay, so for the consideration of the Provincial Auditor's chapter, I will first recognize our Provincial Auditor who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once completed, I will recognize the minister to introduce his officials and respond to the chapters under consideration. After all of the auditor's chapters have been reviewed for the Crown corporation under consideration, I will excuse the auditor and then move on to consideration of annual reports. Are there any questions about the process?

Seeing none, I will now turn it over to Ms. Ferguson, please, to introduce her officials and make her presentation on the 2017 report volume 1, chapter 30. Ms. Ferguson, please.

Ms. Ferguson: — Thank you very much, Mr. Chair, Deputy Chair, members, Minister, and officials. First off I'd just like to introduce on my left-hand side Ms. Carolyn O'Quinn. Carolyn leads our work at SaskPower. And behind is Ms. Kim Lowe, and Kim is our committee liaison. So this afternoon we've got three chapters . . .

The Chair: — Excuse me, Ms. Ferguson, please. I forgot to welcome Ms. Cathy Sproule who is sitting with us today, our Deputy Chair. Thank you.

Ms. Ferguson: — So there's three chapters on the agenda this afternoon. They're all follow-up chapters, so that means there's no new recommendations for the committee's consideration. Ms. O'Quinn will make each of the presentations. Before she launches into the presentations, I just want to pause and thank the president and his staff for the co-operation extended to our office during the course of this work. Thank you.

Ms. O'Quinn: — Thank you. I'll now focus on chapter 30 of our 2017 report volume 1. SaskPower buys almost 400 million of goods and services, excluding fuel and purchased power and salaries and benefits, each year. The purchase amount of a significant portion of its purchases is less than \$100,000. Chapter 30 of our 2017 report volume 1, which starts on page 273, reports our fourth follow-up of two recommendations we first made in 2007 related to SaskPower's processes to buy goods and services valued under \$100,000.

We are pleased to report that by March 2017, SaskPower had implemented the remaining two recommendations. Its staff obtained appropriate approval of purchases prior to finalizing purchase decisions and it tracked problems with key suppliers and made this information available to staff who make those purchasing decisions.

That concludes my overview of this chapter.

The Chair: — Thank you for that. Minister Duncan, if you would please introduce your officials and make any opening comments.

Hon. Mr. Duncan: — Thank you very much, Mr. Chair. Joining me this afternoon, to my right is Mike Marsh, the president and CEO of SaskPower. To my left is Troy King, vice-president of finance; and seated behind us, Rachele Verret Morphy is vice-president corporate regulatory affairs; Tim Eckel is vice-president of asset management; and Ian Yeates is executive director in the president's office.

So we're pleased to be here today to discuss considerations of Provincial Auditor's report chapters. For the chapter 30 recommendation, SaskPower has addressed this by updating the procedures for procurement valued at 25,000 to \$100,000 to allow the business areas to obtain approval prior to a purchase decision being finalized. In the case where the procurement procedures were not followed and a purchase was made without proper authorization, there is a process to report the procedure violation to the responsible vice-president.

With that, we would be happy to take any questions that the committee has.

The Chair: — Thank you, Minister. And I would just remind your officials to please identify themselves the first time they answer a question, please. Any questions from the committee?

Seeing none, the 2017 report volume 1, chapter 30 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter.

Mr. Hindley has moved that we conclude consideration of the 2017 report volume 1, chapter 30. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. So moving on, we'll now consider the 2017 report volume 1, chapter 31. Ms. Ferguson, if you would care to make a presentation on this chapter, please?

Ms. O'Quinn: — I guess it'll be me. Each year SaskPower issues well over 150,000 permits for the installation of gas and electrical equipment. It is responsible for inspecting gas and electrical installations. Inspections are key to checking whether equipment is properly installed and does not pose a safety risk.

Chapter 31 in our 2017 report volume 1, which starts on page 275, reports our second follow-up of recommendations we made to SaskPower in 2011 regarding its processes for inspections of gas and electrical installations. By March 2017, SaskPower implemented one of two remaining recommendations. It gave SaskPower's board sufficient information on trends and risks for SaskPower's inspection program in a gas and electrical inspections annual report.

However at March of 2017, because inspectors continued not to document their reasons for deciding not to do an inspection, SaskPower could not confirm that it inspected all high-risk installations or that it has appropriate rationale to justify not inspecting high-risk installations. Improper installations of gas and electrical equipment can pose safety risks to the public. That concludes my overview of this chapter.

The Chair: — Thank you for that. Are there any questions from the committee? Oh, pardon me. I got ahead of myself. Mr. Duncan, please.

Hon. Mr. Duncan: — Thank you, Mr. Chair. So SaskPower has addressed the recommendations put forth by implementing the following. So for 3.1, documented reasons for not inspecting decisions, the new gas and electrical inspection system implemented requires the inspectors to give a rationale for clearing without inspection all high-risk permits. The system then requires the manager to either approve the clear-without-inspection status or deny it. A report has also been created to document all of the permits that were cleared without inspection that were deemed high-risk.

For 3.2, reporting to the board of directors needed, in the second quarter of 2014, gas and electrical inspections submitted its first annual report to the SaskPower executive and the governance human resources committee and the board of directors. The report contains a summary of major activities undertaken during the year and notable public safety initiatives and concerns, as well as feedback received from key stakeholders.

The report also provides statistics on key indicators such as percentage of permits inspected, number of permits inspected per inspector, number of defect notices issued, number of defects outstanding — with a breakdown between low-, medium-, and high-risk defects — and a summary of revenues and expenses compared to budget.

The 2014 inspections annual report was presented to the board on June 4th of 2015; the 2015 annual report was presented to the board on June 2nd, 2016; the 2016 annual report was

presented to the board on June 15th, 2017; and the 2017 annual report was presented to the board on June 14th of 2018. With that we'd be happy to entertain any questions.

The Chair: — Thank you, Minister. Are there any questions from the committee? I recognize Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Minister. Just one general question to begin with and that is, of the over 150,000 permits that are issued, are these new permits or are they also replacement permits? Or you know, a new customer coming in . . . They're not new installations, are they?

Mr. Marsh: — Mike Marsh, president and CEO. I'm just going to confer with Rachelle Verret Morphy for just one second, and we can answer that question.

The number that was indicated are permits that are issued annually for gas and electric inspections. There may be a few that may be a repeat permit that was issued on a particular installation, but most of them are new permits issued to contractors or to individuals or to corporations for new installations.

Ms. Sproule: — Do you have a breakdown of how many of them are residential and how many are industrial?

Mr. Marsh: — Excuse me for a second. I'm sorry. We did not bring that information with us. We can get that information to the committee.

Ms. Sproule: — Thank you, appreciate that. And table with the Clerk, correct? Yes, thank you. You may have already indicated this, but in mid-2017 you were expecting your new system to come into operation, according to the 2017 auditor's report. Has that been completed now?

Mr. Marsh: — Mr. Chairman, I'm going to allow Rachelle Verret Morphy to take my chair and she will answer that question.

Ms. Verret Morphy: — Rachelle Verret Morphy, SaskPower. So the new gas and electrical inspection system was originally scheduled to be implemented by the end of 2017. It was actually implemented, I think, end of February, early March 2018. There was a bit of delay due to some personnel changes along the way.

So yes, it's been fully implemented. There's a couple of stages of implementation. Stage one has been implemented and we're going now into a stage two where some additional functionality is going to be built into the system. But the essential functionality required to identify high-risk permits and ensure that they are not cleared without inspection or rationale, that functionality has now been implemented.

Ms. Sproule: — Just one final question: what would be an example of a high-risk installation?

Ms. Verret Morphy: — Well the risk assessment is calculated based on a number of factors. So some of the factors would include just the nature of installation, how much risk it would be from a safety perspective to the public. It also scores . . .

There's a score assessed based on the experience and track record of the contractor that's doing the installation. So a contractor that would've had a number of defects in their history would be considered a higher risk than a contractor that we had no defect experience with.

Ms. Sproule: — How many contractors do you have that have provided defective, I presume, service or equipment?

Ms. Verret Morphy: — I don't have that number with me, but I can get it for the committee.

Ms. Sproule: — And again, if you could give us an example of what a high-risk installation might be. So you said it may be an installer that has a poor track record. What would be . . . You said also the nature of the installation. So what would score high on risk for the types of installations?

Ms. Verret Morphy: — Probably most residential gas installations would be considered a high risk, such as a water heater. All residential electrical permits where a homeowner is doing the installation, that would be assessed as high-risk and we would expect an inspection.

Ms. Sproule: — Safety was another factor in the risk assessment. So what are some of the safety issues that might be assessed high?

Ms. Verret Morphy: — This is starting to get beyond my technical knowledge. I do know that an installation, for example, near water, somewhere where there's going to be water present, would be considered high.

Ms. Sproule: — Okay. That's it for me, Mr. Chair.

The Chair: — Thank you, Ms. Sproule. The 2017 report volume 1, chapter 31 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Mr. Lawrence has moved that we conclude consideration of the 2017 report volume 1, chapter 31. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. Moving on, we're going to consider the 2017 report volume 2, chapter 48. Ms. Ferguson, please make your presentation on this chapter.

Ms. O'Quinn: — SaskPower relies on various IT systems to deliver power and to manage its businesses. Chapter 48 of our 2017 report volume 2, which starts on page 311, reports our first follow-up of three recommendations we initially made in our 2015 report volume 1 that related to SaskPower's processes to manage the risk of cyber incidents for the protection of the provision of power.

[13:45]

By August 2017 SaskPower had implemented two of those three recommendations. It documented threats that could lead to cyber incidents and the related risks in its various risk registers.

SaskPower also gave staff adequate cybersecurity training. This

training included what constitutes a cyber incident and how to identify and respond to those incidents. Staff use this guidance to determine when an IT security-related event is a cyber incident that requires the use of its incident command system response plan.

In addition, SaskPower had documented plan strategies to reduce the risk of cyber incidents to a level acceptable to SaskPower senior management and the board. SaskPower expected to implement these strategies over three years. At August of 2017 it was at the early stages of implementing these strategies. As such, it could not yet confirm the effectiveness of the strategies to address the significant risks of cyber incidents. Not having effective strategies to mitigate cyberattacks could jeopardize SaskPower's ability to deliver power.

This concludes my overview of this chapter.

The Chair: — Thank you for that. Minister Duncan, make your comments please.

Hon. Mr. Duncan: — Thank you, Mr. Chair. For this chapter I'll just open with a brief update on the partially implemented recommendation 3.2. As stated on October 5th, 2017, SaskPower received a draft report from the Provincial Auditor confirming that SaskPower has completed two of the three recommendations originally identified.

There are three management-identified actions outstanding from the recommendations. They are the completion of the North American Electric Reliability Corporation critical infrastructure protection compliance project, planned to be completed by August 31st, 2019. Provide evidence via a drop in severity noted in our yearly risk register generated in the fourth quarter of the fiscal year. This drop is a result of the following security initiatives that have been rolled out over the past two to three years.

So the first one is, the vulnerability threat management program has been developed and implemented with dedicated security resources. The enterprise security is collating data logs from dozens of sources across the company and using the information to identify malicious or risky behaviour. And a data loss prevention program is being rolled out to all SaskPower workstations with an expected completion date of September of 2018.

And finally, the newly updated cyber incident management process is working and well understood by affected parties, especially related to plant incidents. SaskPower will achieve this via performing a tabletop cyber incident scenario and showing documented cyber responses from our incident management system. The tabletop exercise will be coordinated with the Canadian Electricity Association and the Canadian Cyber Incident Response Centre, and is planned for December of this year. And with that, we'd be pleased to take questions.

The Chair: — Thank you, Minister Duncan. Are there any questions from the committee? Ms. Sproule.

Ms. Sproule: — Could you identify for the committee what exactly constitutes a cyber incident? What's your definition?

Mr. Marsh: — Yes we can. A cyber incident is any threat on the IT or operating technology infrastructure of the corporation. So for example, the infrastructure that operates the power stations or the grid, any piece of infrastructure that looks after the information system or the data that flows between departments inside the company. SaskPower takes cyber threats very, very seriously. As you know, electricity and electricity grid has been identified as a high potential target for cyber incidents.

We have taken significant precautions over the last few years in order to make sure that we have the proper strength to be able to detect when threats are occurring. And we actually, as a utility, get hit several hundred times a day at different points in our system that we have to protect against. So that's the nature of it. We've done a very good job in separating access to our operational architecture, which certainly limits the opportunity, but it doesn't entirely prevent an attack from continuing to happen.

Ms. Sproule: — My next question was going to be how many times do you get them in a year, but you just said several hundred times a day.

Mr. Marsh: — Yes.

Ms. Sproule: — Do you know where these threats are coming from or what's the seriousness of them?

Mr. Marsh: — Not all of them. I think a lot of them are . . . have been identified as attacks that are looking for a weak point, and a lot of them are testing different parts of a utility's cyber architecture like ours. There's been many articles written about where a lot of these threats come from and, you know, we work closely with federal agencies to identify where these threats could be originating from and take appropriate steps to a response.

Ms. Sproule: — Would you say that, in any of these several hundred threats in the last year, any were serious enough to put our system in jeopardy?

Mr. Marsh: — No. And that's the good thing about the system that we have put in place to date is that it has really secured the defence and the perimeter of our systems, which does not allow intrusion, but we can detect when people are trying to intrude, which is a very, very important thing. We continue to monitor this. And you can appreciate that on a daily, weekly basis, the threat to vulnerability changes. And that's why we work closely with federal agencies and the industry across Canada to make sure that we're coordinated in our response.

Ms. Sproule: — Do you think any of these threats are motivated politically or by terrorist groups, or are these mainly hackers that are just trying to probe the system?

Mr. Marsh: — It's been identified in the past that some of the attacks have been intended to probe the vulnerability of the electricity grid in Canada and across North America, so they target certain points in the grid and certain pieces of equipment that electric utilities have. And we believe that it's an attempt to identify the weak points, and of course when that happens we take steps immediately to put a perimeter around it.

Ms. Sproule: — On page 312, under 3.1, "Cyber Threats Documented," you've indicated, or the auditor's indicated that "SaskPower documented IT threats that could lead to cyber incidents and the related risks in its risk registers." Are these registers available to the public? Is that something we could get a copy of?

Mr. Marsh: — No, I don't believe we could provide copies of that. This is entering into the area of classified information. When we work with the federal agencies we have to have appropriate security clearance. Even myself, I do not have security clearance to view some of the data. That's only provided to certain individuals inside the company, so we do not allow any of that information outside and that's part of the protocol that we have.

Ms. Sproule: — You go on to say, or the auditor goes on to say that the risk registers include your "... assessment of the likelihood and impact of risks for assets critical to providing power." Is that information available, your assessment of the risks, if we can't see the actual cyber incidents and risks themselves?

Mr. Marsh: — I believe we can provide you with that kind of information and provide you an overview of where we see the highest number of threats and where we view them in terms of priority. We could do that.

Ms. Sproule: — Obviously this is of importance to the company and I guess of equal importance to the people who are using the system, so thank you for that.

Again this is a dated report in that it's a year ago since the auditor's had an opportunity to review this. In terms of the risk mitigation strategies at this point in time, I know, Minister, that you indicated there is a drop in severity. I don't know exactly what you mean by that.

And you indicated, I think, three factors. I guess I didn't really catch all of what you were saying, and I'm just wondering if you could sort of maybe back it up a little bit and give a more fulsome description of those three things and whether the drop in severity is a direct result of the work that the company's doing, or is it happening for other reasons? And you mentioned some North American system as well. You said it very quickly and I'm just wondering if I could get a little more description of that.

Mr. Marsh: — So I'll attempt to explain this. Number one was the completion of the North American Electric Reliability Corporation known as NERC, a critical infrastructure protection and compliance project. We are part of a team of utilities across Canada that are working on this compliance project to identify where cyber threats would happen and would attack a utility. And part of that, of course, is to identify that sooner than later, because the critical infrastructure on the utility grid is certainly identified as a high priority target, therefore it needs high priority attention.

We've been working with other utilities and the federal cyber agency for the last number of years as we prepare and strengthen our defences in this area. And so that project is planned to be complete in about a year from now, and there will

be probably a number of protocols established over the next year that all utilities, including SaskPower, will follow.

The second one was to provide evidence by a drop in severity as noted in our risk register. This drop is a result of the following security initiatives that have been rolled out over the past two to three years. So as we put more intrusion detection software in place, for example, we are able to see where they're attempting to hack and, in some cases, who is attempting to hack into the system. And when we have that information we can then bolster our defences even more. And that's a very big part of cyber security is identifying intrusion detection before it happens and before a problem can occur. So we've taken a lot of steps to identify when people are trying to get into our system.

And then the data . . . sorry, pardon me. The cyber incident management process is now working. It's well understood by our operating personnel. So our operators in our power stations, operators in our grid control centre, there's protocols established for when detections are . . . When we detect a cyber incident or a hacking, there's a protocol that the operators immediately move to in our, what we call our systems operation centre. And it's immediately transferred into our cyber unit inside SaskPower and they look at the data in great detail.

Stepping up those protocols has helped speed up the response, and we are doing it in real time now as opposed to a few years ago when that incident might have waited till the next morning.

Ms. Sproule: — The minister also mentioned something called enterprise security. You may have already covered this, but I'm not sure I understand what that means, enterprise security.

Mr. Marsh: — Enterprise security is the term for our technology and security division at SaskPower. It's called our enterprise security team. They look after physical assets as well as cyber assets.

Ms. Sproule: — And finally, have there ever been any successful hacks in the system?

Mr. Marsh: — There have been intrusions into the system, none that have upset the electricity grid, but certainly gave us cause for concern over the past number of years. And that's why, you know, we've identified cyber risk as a significant one of our top 10 corporate risks, and we've identified a significant amount of investment in the past number of years and going forward to make sure we track and put in place the proper defences.

Ms. Sproule: — Just, you know, from a lay person's perspective again, the sensationalism of hacking has been documented by the popularity in Hollywood, for example, so it would give people cause for alarm to know that there are hundreds of attacks or attempts every day. And I guess it makes total sense that this is one of the top priorities of the corporation.

When you say hundreds, though, I'm really hung up on that. You have a team. If there's hundreds in a day, that may be 10 an hour or five an hour. So how many people are working on this?

Mr. Marsh: — The enterprise security team right now, I think that entire division has over 200 people. I'm not exactly sure how many work on the cyber side, but I would say it's a significant number.

Ms. Sproule: — All right. Well all the best, and thanks for the efforts to date. That's the end of my questions, Mr. Chair, on this chapter.

The Chair: — Thank you, Ms. Sproule. The 2017 report volume 2, chapter 28 . . . Am I on the right one? 48, pardon me. Volume 2, chapter 48 has no new recommendations for the committee to consider. I will ask a member to move that we conclude consideration of this chapter. Mr. Hindley has moved that we conclude consideration of the 2017 report volume 2, chapter 48. Is that agreed?

Some Hon. Members: — Agreed.

[14:00]

The Chair: — It's carried. That concludes our business with the Provincial Auditor for today. Thank you very much for attending all morning and this afternoon. Look forward to seeing you again.

Okay, just before we move on, I will now table the documents that Minister Duncan had discussed previously. CCA 61-28, Saskatchewan Power Corporation: Responses to questions raised at the June 27th, 2018 meeting are tabled.

We will now move on to consideration of the 2017-18 annual reports of SaskPower and its subsidiaries, and this includes the 2017-18 SaskPower annual report, the 2017-18 NorthPoint Energy Solutions Inc. financial statements, the 2017 Power Corporation superannuation plan annual report.

Mr. Duncan, if you would make any comments that you may have at this time, please.

Hon. Mr. Duncan: — Thank you, Mr. Chair. We are pleased to be here to discuss the 2017-18 annual report for SaskPower and all its subsidiaries. As always we welcome and we want to thank the Provincial Auditor's review of our business practices and we appreciate the questions that we just fielded on the auditor's report.

Electricity plays a critical role in our province. In 2017-18 electricity use went up 5.4 per cent. That equates to the energy required to power about 150,000 homes. SaskPower's peak demand record was also again broken by reaching 3792 megawatts. This beats the previous record by 45 megawatts. In fact this peak demand record has been surpassed at least once a year since 2010. On August 10th Saskatchewan hit yet another summer peak record at 3524 megawatts, an increase of 54 megawatts over the old record. Our winter demand record is still higher at 3792 megawatts set on December 29th of last year.

Each year in the last decade we've seen power usage go up in Saskatchewan and it's forecasted to continue to rise over the next 10 years. SaskPower's success relies on meeting these demand challenges while delivering dependable power. In

2017-2018 SaskPower's net income was \$146 million with a return on equity of 6.2 per cent. The increase in income is because of lower natural gas prices, load growth, and rate increases.

In 2017-18 SaskPower invested \$996 million in the province's electricity system and contributed about \$1.75 billion to our province's economy through buying goods and services, employee salaries and benefits, fuel purchases, and electricity from independent power producers. At the same time the company continues to find efficiencies and reduce costs. SaskPower has realized \$115 million in budgeted operating maintenance and administrative savings since 2015.

SaskPower spent \$380 million in 2017-18 on capital sustainment, which includes upgrades to aging generation, transmission, and distribution infrastructure. The company also spent \$578 million on capital projects related to growth and compliance, which involves any new infrastructure needed to meet regulatory requirements. This investment also includes 153 million to connect new customers.

The development of cleaner generation continued as SaskPower works to follow emissions regulations. The goal is to reduce greenhouse gas emissions by about 40 per cent from 2005 levels by 2030. This will meet and exceed the federal goal of 30 per cent by the same date. And as a part of this strategy, SaskPower concluded the competitive process for its first 10 megawatt utility-scale solar project located near Swift Current. As well, the request for proposals for 200 megawatts of wind generation is also complete, and we expect to announce the successful proponent later this fall.

With that, Mr. Chair, we'd be pleased to take the committee's questions.

The Chair: — Thank you, Minister. Are there any questions from the committee? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. I realize that it has not been that long since we met as a committee, so some of these items are probably . . . There's only been a couple months, so we'll see if we can get further updates on some of the things we discussed more in June and in May. And maybe I'll just start with that.

Just for the record, Mr. Chair, I just want to note that the document that was tabled today is in relation to a number of questions I asked in June, over two months ago. And unfortunately, receiving it on the day of committee makes it very difficult for me to be able to understand the information that's being provided and ask follow-up questions. So I may have more questions coming out of this document that's tabled today because of the late delivery, and in future committees.

So I'm just maybe asking for your understanding on that because it's very difficult to respond to it when it just got put on my table. And if it's at all possible for the corporation to perhaps even give me 24 hours or 12 hours to look at these questions before tabling them and somehow ensuring . . . And I know I've asked you to table them with the committee, but that makes it very difficult to respond or do follow-up. So I just wanted to make a note of that. It's a bit frustrating.

The Chair: — Point noted.

Ms. Sproule: — Thank you, Mr. Chair. We may as well start right in with the flooding situation at Boundary dam 3, and if you want to give the committee an update on operations there and the impact on the carbon capture and sequestration operations.

Mr. Marsh: — Certainly. Yes, we did suffer a significant issue at Boundary dam 3. Actually all the generating units at the Boundary dam station were taken off-line due to a severe storm issue earlier this summer. It affected unit 3, 4, 5, and 6. Units 4, 5, and 6 came back online; unit 3 remained off as it had, during the shutdown process, it had suffered some extensive damage. We had to tear apart the turbine section of that particular unit. We had to replace bearings. We had to send the shaft down to the United States to be repaired.

And just last week, the unit was brought back online. It is now generating electricity and the carbon capture plant is operating today. So it suffered a little over two months in no power production and of course no CO₂ being captured during that period of time.

Ms. Sproule: — This was off-line for two months. What was the total cost of this weather incident to the corporation? Or do you have those numbers?

Mr. Marsh: — I'm sorry, we do not have those numbers yet. A lot of the repair invoicing is still coming in.

Ms. Sproule: — Okay, that's fine. I can ask again at a later date. Has the shutdown at Boundary dam played a role in the power failures that we've experienced over the summer?

Mr. Marsh: — No, the shutdown at Boundary dam is on the supply side, on our capacity side, and allows, you know, the flow of electricity into the grid. The number of storms that we've seen this past summer has been significant and that really affects the lines in the province. Where trees are close to lines, a lot of times the trees get blown into the distribution and transmission lines, create significant outages for extended periods of time until the fault can be located, the lines are cleared of the trees, and proper repairs are made.

Ms. Sproule: — Do you find that the number of storms is increasing over the years or is this sort of a fluctuation that's within a certain range?

Mr. Marsh: — We would say generally, and as experienced by other utilities, that the number and the severity of the storms appears to be increasing in the last number of years. And you know, it's certainly . . . We're concerned because of the impact on the grid and outages to customers. We are certainly looking at areas where we can reinforce the grid in certain areas where we have continual problems, for example, areas of high tree growth. Very difficult when a storm comes in and shears off the trees and throws them into the power lines. It takes a lot of time and effort to clear that. So by knowing where some of these areas in the province are, we are looking at expanding our vegetation management program, making sure rights of ways are properly cleared, and making sure the lines are in proper operating condition.

Ms. Sproule: — Are there any other mitigation factors that you're employing at this point in time given the concern?

Mr. Marsh: — Well I would say that making sure that we have, even in a province the size of ours, making sure we have the ability to bring power in from more than one feed, where we can provide that has proven beneficial. So for example, if a particular distribution line in Meadow Lake is off because of brush into the trees, we can reroute power from another direction into that particular zone. And where we can do that, we can get customers on quicker, and we are looking at doing that in every area of the province that we can do it easily. You can appreciate some of these lines are 50 to 100 kilometres in length, and we have a big geography here that we have to handle.

Ms. Sproule: — Do you find that the North has more outages than the South because of these storms?

Mr. Marsh: — The North used to have more outages and it was simply the way the grid and the infrastructure was built. Since, we reinforced the transmission line in the far North, so going from Island Falls up to Key Lake, serving northern mines and communities in the North. We installed significant lightning protection equipment on there which allows the line to continue operating despite being hit in some cases by several hundred lightning strikes in an evening. And that line stays operating now, so reliability has gone up. I know our northern mining customers have commented they're very pleased with the change it's made in their operation. And I think the communities are seeing the same positive benefit.

Ms. Sproule: — Okay, thank you. I was out at the GTH [Global Transportation Hub] the other day and noticed that you are now using your property there for storage of equipment, I believe, for the Condie to Belle Plaine.

Mr. Marsh: — Yes.

Ms. Sproule: — Can you just tell us how that property is being used right now?

Mr. Marsh: — Okay. We have taken a lot of our transmission structures out to that area and we're using it as a laydown yard. The ground has been levelled and prepared to accept some equipment. We have not started any construction at that location yet. I can tell you, as I indicated I believe in June, that we are working our way through our approval process to bring back an item through our board and through CIC [Crown Investments Corporation of Saskatchewan] board for the start of a phased approach to construction out at the GTH. That has not happened yet, and I think I indicated in June that will happen sometime this fall.

Ms. Sproule: — Thank you for that. Have you determined how many acres will be used for this phased-in approach or is it the full 140 acres?

Mr. Marsh: — We're still looking at different options. Right now we're looking at the full 140, depending on the timing of the phased approach because now we're talking not just building one massive structure in one go. We're talking about building and then 5 or 10 years later adding. The requirements

for the amount of land available may change. But as we consolidate our other operations in the downtown core of Regina and move people out to the GTH, we'll be able to make a decision on whether we can release any of that land or not.

Ms. Sproule: — And when you say consolidate the downtown core, are you referring to the corporate headquarters as well?

Mr. Marsh: — Yes, we're referring to the corporate headquarters and the other buildings that we lease in the city of Regina right now. As we upgrade and consolidate space in our head office, we are looking at trying to bring as many people into the head office building as we can, in other words reduce the footprint per person and increase the number of people in that building. We currently lease a number of buildings for office space in the downtown core. One of them is the old bus depot building. We still occupy that building with office space. There's a building on Scarth Street that we occupy. There's the building out near the airport, the SaskTel Mobility building. We occupy that building with a lot of our customer service people and engineering groups.

Ms. Sproule: — So to make sure I'm clear, when you're saying consolidating, you are bringing more people into the downtown building from outside.

Mr. Marsh: — Yes.

Ms. Sproule: — And how will that impact your use of the GTH, or the land at the GTH?

[14:15]

Mr. Marsh: — Actually this approach results in less cost overall than one massive building out at the GTH. The GTH, again we're going to start with the buildings that the GTH was designed for, so a warehouse, a laydown area, a fleet operations building. And by optimizing the space that we have in our downtown core today and not leaving the downtown core entirely, moving out to the GTH with only those people that we need to and then phasing it in as time and the demand requires, is the best way and the most prudent way to expand our footprint.

Ms. Sproule: — All right, thank you. In terms of coal, in your annual report there is no mention of something that was announced in your press release when you came out in July with the annual report, and that's in relation to the decision to not expand CCS [carbon capture and storage] to Boundary dams 4 and 5. Because of that, will this have an impact on coal employees? And is there a transition plan for folks in the Estevan area who are currently employed in coal? And you know, we'll need less coal obviously if those plants are shut down. So I know Alberta has fleshed out a plan for transitioning coal employees. Is that something SaskPower's looking at?

Hon. Mr. Duncan: — Thank you for the question. So I would say in the short term it doesn't . . . won't have an effect on the SaskPower employees. The number of SaskPower employees that'd be affected by the 4 and 5 decision through expected positions that will open up through retirements, etc., SaskPower, I think, is confident that they can manage their workforce.

Where it will have an effect though, I would say though, would be on the mining side. So indirectly related to SaskPower, but not directly SaskPower's employees.

Ms. Sproule: — Perhaps this is a question better placed then for the Minister Responsible for Labour. But do you know, Mr. Minister, has there been any discussions in cabinet in terms of that transition plan for those employees or is that something that you're still looking at? Or won't be looking at, I guess.

Hon. Mr. Duncan: — So I would say the discussions that we've had as a cabinet related more directly to the decision around 4 and 5. I can't speak to the Minister Responsible for the Economy or Employment or Labour with respect to direct conversations with Westmoreland themselves, but certainly Westmoreland is aware of the decision and will be making plans accordingly. So I can say, at a higher level, cabinet has discussed this and obviously the implications, but I can't speak to direct conversations that may or may not have taken place with another ministry.

Ms. Sproule: — Fair enough. I'm just wondering why the decision itself was announced on the day that the annual report was released, but it wasn't mentioned in the annual report. Was this a timing issue?

Hon. Mr. Duncan: — The annual report covers to the end of March 31st, and so in part because the decision itself wouldn't be reflected in the annual report for the year that had already been concluded. But also I would say just the logistics of the fact that the annual report would have to be printed in time to be presented publicly, and at that time the decision wouldn't have been made. And so the time of the release and the notification of the decision would have followed pretty closely to the final decision-making process, which would've taken place after the report itself would've been printed.

Ms. Sproule: — Yes, that makes a lot of sense actually. It was interesting that the announcement was made as part of the annual report press release, and yet you can't find the press release anywhere. So I'm just not sure how the communication plan was, but it's difficult to find anything on your website about that decision. It was just announced at the time that the annual report was released.

I just want to consult with my staff for one second, Mr. Chair, on the document that was tabled.

Thank you, Mr. Chair, for that. I've had my staff go through the tabled document and see if there's anything missing, and there are a couple of questions that weren't answered in the document that was tabled today. So I'll just bring those to your attention for now.

One was on page 667 of the committee *Hansard* regarding the set-aside agreement with the First Nations Power Authority, and Mr. Marsh, you were going to get us the date that it was signed. So that's one answer that hasn't been provided.

The other one is page 676, and we were looking at the MOU [memorandum of understanding] for the knowledge centre with BHP Billiton, and we were asking whether you could get copies of that agreement. Mr. Minister, you were going to contact the

knowledge centre to make those arrangements.

So those two questions remain outstanding. If that's something that you could provide to the committee, that would be great. Okay.

Hon. Mr. Duncan: — So, Ms. Sproule, so I think the second one, the knowledge centre one, I think we did answer that. Question no. 20, an answer, and there's just . . . The knowledge centre requires some additional time to ensure that commercially sensitive information is properly protected. But they are looking into this for you. And I don't . . . The first one we're still needing to . . . [inaudible interjection] . . . Okay. Yes.

Ms. Sproule: — Thanks for that. Obviously we haven't had a lot of time to look at this so we'll just keep an eye on it.

All right. I'm going to move now into the annual report. I have a number of questions in relation to that. I just want to make sure I haven't missed anything else here.

Hon. Mr. Duncan: — Sorry, Mr. Chair, and I believe the First Nations Power Authority one is answered in no. 21.

Ms. Sproule: — So there is no agreement with the First Nations Power Authority and SaskPower, I think is the answer.

Mr. Marsh: — The intent to engage the First Nations Power Authority, I believe, is in the original MOU that was signed with FNPA [First Nations Power Authority] to undertake to complete renewable energy projects like solar and wind. When we developed the plan to do 60 megawatts of solar, we opted to carve out 20 megawatts of that and that would become the set-aside for the First Nations Power Authority which we are currently in negotiations with today.

Ms. Sproule: — So you referred to the set-aside agreement in committee. You thought that there was a date at the time but now you're saying there is no set-aside agreement? It's just — what did you call it? — discussions and intentions. Okay. Thank you.

Then, Mr. Chair, those two questions I believe are answered or at least explanations have been provided and there would be no need for further follow-up at this point. All right. Thank you for that.

I'm just going to go through these questions in order of presentation. There may not be a line of thinking on them; they're just all independent. On the first page of the annual agreement, you're referring to the wind facilities that you have. What is the annual output of those two wind facilities?

Mr. King: — It's Troy King, vice-president, finance and chief financial officer of SaskPower. If I can get you to turn to the page 129 of the annual report. Yes, hidden in the back. It shows the total capacity of our various wind facilities, as well as the capacity of all our generating assets.

Ms. Sproule: — Yes, although there's only . . . Oh, it's various. You don't have a breakdown of the wind producers.

Mr. King: — So that's the capacity. If you turn back to page

126, it's not broken out by each producer, but you can see the total gigawatt hours produced from wind.

Ms. Sproule: — Okay. So the two wind facilities referred to there, what are they? On the first page. You said two wind facilities.

Mr. Marsh: — The two wind facilities: the one is called Centennial wind facility — it's the largest one in the province — and the other is Cypress wind facility. They're both located in the southwest part of the province.

Ms. Sproule: — Those are the two owned by SaskPower?

Mr. Marsh: — Yes.

Ms. Sproule: — Okay, thank you. Page 4, you've indicated you're hoping for an announcement of 200 megawatts of new wind generation in this fall. When do you expect that announcement might be made?

Mr. Marsh: — We're optimistic that we can be in a position within the next two months, by the end of October.

Ms. Sproule: — Thank you for that. Before I forget, too, quite often when we get a look at the annual reports in committee, we also look at the CIC payee disclosure report. And typically that's been received June. Or now that the annual reporting for Crowns has moved to March 31st, in the last few years we received it in August. It hasn't been released yet by Crown Investments Corporation, so I'm not able to ask questions on that today as well. So I just want to flag that for next committee. We may be dealing with two years' worth of payee disclosure reports.

The Chair: — Noted.

Ms. Sproule: — Thank you. I tried contacting the minister's office and wasn't able to find out why that hasn't been released yet, but typically it's released by now. So maybe we jumped the gun on this. I don't know.

Okay. Next up. Oh, duty to consult in the E.B. Campbell hydroelectric station. I guess first off, what is the status of that? You mention it on page 6 of your annual report. And what role vis-à-vis the government in duty to consult is the role of the government? It's not the role of Crown corporations. So what reporting do you have with the government in relation to the duty-to-consult exercise that your corporation is doing? And has the government merely adopted it or has there been additional work that you're aware of? Or is the First Nation . . . I think it's Cumberland House that's been directly impacted. Have they signed off on it or what's the status of that?

Mr. Marsh: — I'm going to ask Rachelle Verret Morphy to step forward and answer that question. Her team has been working on this file.

Ms. Verret Morphy: — The duty to consult has arisen because SaskPower applied for a relicence for our E.B. Campbell facility. So a licence under The Water Power Act, the regulator is the Water Security Agency. So the Water Security Agency has the duty to consult and has delegated aspects of that work to

SaskPower. So SaskPower's been working under the direction of the regulator, and we've been communicating with the rights' holders, including Cumberland House First Nation.

And we believe that the work on that is complete or near complete. But that will be for the Water Security Agency to assess and let us know if they're satisfied that the work is complete. Currently our licence will be in place till September 30th. We're working under an interim licence. So we'll continue to work with the regulator and ensure that they have what they need.

Ms. Sproule: — Thank you. All right. Mr. Minister, we had a good discussion in June about the equivalency agreement that you're in negotiations with, with the federal government. Are there any updates on that, the success of concluding it at this point in time?

Hon. Mr. Duncan: — So the only update I can really give is that additional information has been provided, I would say, earlier this summer. I don't have a date but I could try to provide that to the committee. At this point, it's our belief that the federal government has all the information that they've requested, and we're still awaiting word on the equivalency agreement. So I'm hopeful. I know members of the federal cabinet, the caucus are meeting in the province this month. Maybe we'll have some good news when they're here.

[14:30]

Ms. Sproule: — In the event that the agreement isn't reached, if I understand correctly, by January 1st, 2019, you will be in violation of the federal regs because they won't be stood down. What is the backup plan? I mean it seems to me time might be running out here, so what's your contingency plan for that?

Hon. Mr. Duncan: — So we technically won't be in violation unless Boundary dam 4 and 5 units are operating after December 31st of 2019. So the agreement was for the federal regulations to stand down come January 1st, 2019 and the provincial regulations would stand up on that day and that would then allow for the additional years of operations of Boundary dam and . . . Boundary dam 4 and 5. So there still is the year of 2019 to operate.

Obviously SaskPower doesn't want to be in the position of that uncertainty. Certainly we need to know what the future's going to look like in the short term for those units, as obviously will the employees. So we are working in good faith with the federal government to reach that equivalency agreement to demonstrate that, despite the change in the federal regulations under this federal government, we are still committed to a 40 per cent reduction in greenhouse gas emissions by 2030. And so we're hopeful that we can sign that equivalency agreement because the changes that those regulations have now kind of set out in terms of SaskPower's plans for generating capacity from now till 2030 doesn't change that goal of a 40 per cent and the target of a 40 per cent reduction by 2030. So I think frankly we're . . . I'm not sure what the holdup is, but we can continue, can continue to operate those units in 2019. January 1st isn't the end date. It's the end of the year. Yes.

Ms. Sproule: — All right. Just to make sure I understand this, I

think the original regulations were introduced in 2012. Is that correct or in that era? And then the new government came in and made changes which I think really impact Shand more than anything else. We talked about this in June. And that's I guess one of the major reasons why you need this time to make that equivalency because of the changes that the current government brought in.

Mr. Marsh: — Mr. Chair, I believe in June when we were having this discussion, we talked about the impact of the new federal regulations regarding conventional coal, requiring all conventional coal to be phased out by the end of 2029. If that does happen and the Shand power station is forced to close at the end of 2029, we would see an immediate reduction of about 2 million tonnes in carbon dioxide a year because that facility was intended to operate out to 2042.

We had developed our go-forward strategy around renewables the year prior to that, in the fall of 2015, with the understanding we'd be operating Shand. But in order to meet that 40 per cent target, we had committed to up to 50 per cent renewables. That has been the public statement that we have made. If we do not need to . . . If we cannot operate Shand and our CO₂ emissions fall off that abruptly at the end of 2029, that certainly has an impact on employees and coal mining operations in the Shand area, but it also means that we do not need as much wind or solar in order to meet that 40 per cent reduction from 2005 levels because we can now meet it simply by shutting off that plant.

Is there a cost to that? Certainly, because we now have to replace that with some other baseload generation, so that we would have to build another most likely natural gas combined-cycle generating facility. But we would also continue to look at the amount of wind, the amount of solar, the amount of potential hydro that we might be able to obtain from Manitoba, for example, as part of a larger portfolio to make sure that we could maintain that commitment of at least 40 per cent emissions reductions, which I think is a very, very admirable, and it certainly was a stretched target.

It continues to be a stretched target because we have to make investments going forward out to 2030. But we may not need as much wind as we originally thought because the federal government requires Shand to be shut down at the end of 2029. That's a significant change from what we originally were planning for.

Ms. Sproule: — With the assumption I guess though that if Shand is shut down, there will have to be some baseload, as you indicated, which would have an emissions component to it if it's natural gas. So it wouldn't be a complete erasure of the emissions.

Mr. Marsh: — Yes. If you were doing it apples to apples, you would see about a 60 per cent reduction in emissions just due to that one act alone.

Ms. Sproule: — I know you indicated in your press release that there's still some thought of carbon capture and sequestration at Shand. Obviously you have more time there. Do you know when you'll make the decision or any idea what the time frame is for that decision on CCS at Shand?

Mr. Marsh: — The information on the study that's ongoing today with the knowledge centre will inform us as we proceed with the analysis on whether to retrofit Shand or not. The ultimate decision on going forward with carbon capture would have to be made mid next decade, so in the 2024-2025 timeline. There is much, much work to be done to go through proper engineering studies and other feasibility studies.

This work that the knowledge centre is working on is certainly front-end work, looking at different amine technology that would work. And I know some of the preliminary results are looking promising but that has to be applied to the actual plant and the facility, and detailed costing has to be developed.

Ms. Sproule: — This research into different amine technology, was that not employed for the decision on Boundary dam 4 and 5?

Mr. Marsh: — I would say that when we looked at the options that were technically available to us for 4 and 5, this option certainly wasn't as we were heading into 4 and 5 and into the decision for 4 and 5. But the decision for 4 and 5 was also based on other reasons.

They're at the end of already an extended useful life for that plant. They are two smaller units so the economies of scale are not as good as the Shand station, which is a 300-megawatt single unit in a location that has lots of room for doing carbon capture. There was lots of things like that that entered into the economics of whether it would be viable to go ahead with carbon capture on 4 and 5, and that's why the decision to not proceed with 4 and 5.

But we're certainly leaving the door open for the other 1200 megawatts in the fleet, four 300-megawatt generating units that will be retiring in 2027 and three of them in 2029. So a lot of those decisions will be made mid next decade as we prepare for the final decision, if you will, on whether to retrofit with carbon capture or not.

Ms. Sproule: — So the other three are the Poplar River?

Mr. Marsh: — Two of them are at Poplar River and the other one is Boundary dam unit 6, which actually will be retiring at the end of 2027. So the two units at Poplar River and Shand are ending at the end of 2029 under current federal regulation.

Ms. Sproule: — And so it's not just Shand that may be retrofitted with CCS then. It could be all four of them.

Mr. Marsh: — The potential exists, yes, for all four of them.

Ms. Sproule: — Okay. It just seems to me that the extended useful life you've mentioned for 4 and 5, these aren't new factors to your company or your corporation, so I'm not sure why it took so long to make the decision then if those reasons have been there from the beginning. So what took the length of time it took to make that final decision then?

Mr. Marsh: — The decision to retrofit or not, to build a new power station or not, involves a tremendous amount of analysis, looking at all available options and certainly looking at where the best value is for the company and for reducing rate impacts

down the road. And until you're dealing with the latest information and you've assessed that information, you've done different scenarios, looked at various options, it would have been premature to make that decision much earlier than what we did this summer.

Ms. Sproule: — Would it be possible for the committee to receive the executive summary that was provided to the board for that final recommendation to not proceed?

Mr. Marsh: — Typically those documents are not provided outside the company. They are certainly privileged documents as we look at various options for internal decision making for our board, and through CIC board and cabinet. The governance process there certainly protects a lot of that information because a lot of it involves confidential information as well.

Ms. Sproule: — I suppose then the best way to proceed there would be through the freedom of information and get whatever information is available. I'm not sure it's all protected, but I'm sure, as you indicate, some of it is. All right. We could go that route.

On page 14 there's some of your scorecard statistics. And we were looking at the diversity hires and your target was much higher than your actual. I'm just wondering if you could share with the committee what sort of difficulties you're encountering in meeting that target.

Mr. King: — Okay. So one of the main challenges that we're having on the diversity side, it's not been the attraction or hiring of diversity candidates. It's been the retention. So we've been finding ourselves easily exceeding the target of 70 hires. But this is a net number so it's been the number of people that are leaving the company that are diversity that is the main cause of us being below our target.

Ms. Sproule: — And in your workplace exit interviews, are you determining why that's happening, why they aren't staying with the company?

Mr. King: — That's something our HR group is looking at right now. We continue to talk about that at the executive level. There hasn't been any trends that they've identified thus far, but it's really something that we've been focusing on to find out why we're unable to retain these individuals.

Ms. Sproule: — I can assume that's of concern because if they're leaving for reasons that are within the company's control, then that would need to be looked at. Is this a new trend or is this something that you encounter every year in your diversity hires? I haven't looked at this closely before.

Mr. King: — It's been fairly consistent over the last two or three years, yes.

Ms. Sproule: — Thank you. There was also a "did not meet target" on the SAIDI [system average interruption duration index], which I assume is something to do with sustainable infrastructure. Could you explain for the committee why you haven't met that target?

Mr. King: — Sorry. I think you're referring to the SAIDI

distribution?

Ms. Sproule: — Well and transmission. I mean they both have the red dot beside . . .

Mr. King: — Yes. On the SAIFI [system average interruption frequency index] side?

Ms. Sproule: — Yes.

Mr. King: — The main driver of us being outside of our targets . . . So SAIDI is referring to the duration of our outages and SAIFI refers to the frequency of the outages. So one's how long it takes place and the other is how often.

And I think we . . . It provides more analysis in the report itself, but it's mainly storm activity that drives the variances from year to year. So in any one year, if we have a good year in terms of weather, you'll see the number come down; and a poor year, the number will jump up.

Ms. Sproule: — Then why would you have this in a report card if it's out of your control?

Mr. King: — Well it's not completely out of our control. And really the SAIDI number is more useful to look at over a longer term trend, over say a five-year period because that's when the storm activity generally normalizes itself and you can see whether you're trending in the right direction on the long term.

Ms. Sproule: — Thank you for that. On page 16 you refer to the planned outages: ". . . enabling our customers to prepare for planned outages." And I've noticed myself on Twitter and other social media that these are definitely more visible. Now there seems to have been more outages this summer and I'm not sure if that's just the unplanned or planned. But can you share with the committee whether there have been more planned outages than normal? And if that is the case, why is that?

[14:45]

Mr. Marsh: — Yes, we're certainly aware of a number of outages in Regina, particularly the northwest part of Regina which has experienced a higher-than-usual number of failures and outages. Some of that has been due to some of the aging infrastructure in that particular area of the city. We have had incidents with animals. We continue to have the recurring issues with birds and/or squirrels or other rodents in Regina everywhere, but particularly in the northwest.

We continue to look at programs to reinforce parts of the older parts of Regina where the infrastructure is certainly aging, and we're doing that as part of a planned program over a period of time. We intend to invest a significant amount of money next year in facilities in the northwest to reduce the outages.

A few years ago, we did have significant outages in the west side of Saskatoon for very similar reasons. We had aging infrastructure; we had a number of incidents of animals getting in and touching the apparatus. We've been spending a significant amount of money putting animal protection devices on our transformers and on other apparatus in some of the substations to prevent that, and we continue to build that out

across the province.

We do have 80,000 pole-top transformers in this province, for example, which we only touch once every few years and when there is a particular issue. So getting to all of these is a significant expense and we try to do it on a program basis to minimize the cost.

Hon. Mr. Duncan: — Just, Mr. Chair, just as an example for Ms. Sproule, the president mentioned the northwest part of Regina, so just as an example for committee members: in a span of a week in July — so just starting Friday, July the 13th — lightning hit a transmission line north of Regina which affected 1,400 customers. A couple of days later on the 17th, an aging piece of equipment failed, causing an outage impacting 8,000 customers. A day later, a bird contacted equipment and resulted in a 45-minute outage. And the next day — so this is the 19th — a squirrel made contact and caused an outage for approximately 2,200 customers that lasted about half an hour.

So unplanned outages can be the weather, it can be equipment, or it can be animals. And in this neighbourhood in the span of a week we had all three.

Ms. Sproule: — I can't help but think of Yosemite Sam when he'd say, those pesky varmints, I think was what he . . . Yes. So you need one of him kicking around I guess.

Thank you for that explanation. I was more interested, though, in the planned outages and whether there has been an increase in those. I don't know if you know, have those numbers available.

Mr. Marsh: — We don't have specific numbers on planned outages. We don't believe there's any significantly different planned outages. Most of these have been unplanned.

Ms. Sproule: — All right. Thank you for that. Moving on to page 30 and the rates strategy, you indicated in your annual report that Elenchus Consulting led a public review of your cost allocation and rate design methodologies and presented those findings, and the final report was submitted in June 2017.

In the final paragraph on that page, the review acknowledged that you're following generally accepted COS methodologies, which is cost of service, and is in line with standard industry practices. Three changes to your methodology were recommended, though, and I'm just wondering if you could share with the committee what those three changes were.

Mr. King: — So the cost of service methodology is really just a fancy utility term for a cost allocation methodology. So there's a bit of science to it and a lot of art. So what it is, they go through and they use a certain standard, and every jurisdiction does it similarly but everyone does it uniquely. Everyone has their own tweaks, I guess, to the process that they use.

So there were a couple . . . They're really, they're technical, and I could get the technical answer for you. But one of the biggest ones is just the way that we allocated demand charges to various customers, so on the generation side. So when we build a generation plant . . .

I guess I'll step back. When we charge customers, there's three different charges that you receive. There's a basic monthly charge, which generally covers your customer service costs. There's an energy charge, for the variable cost of the electricity you buy. And then there's a demand charge, which is for the fixed costs of providing electricity to your customers.

So for a residential customer, if you look at your bill, you're only going to have two charges. You'll only have a basic charge and an energy charge, so in that case we blend the two together and just have one charge. In order to have a demand charge and an energy charge, you need a special meter to calculate it, to measure your demand. And that's generally just our larger customers that it applies to.

So with that little bit of background, the main change that they made a recommendation to was based on how we allocate the fixed costs of the generation to both demand side and to energy. So the theory being, all the fixed costs of a generating unit is not purely demand. Part of it is required to actually generate the electricity, so a piece of it should go to the energy side and a portion going to the demand side. So that is the main change that they recommended. For different customers again, the cost of service is really . . . It's a zero-sum game for SaskPower but within each customer class certainly there is, you know, winners and losers as they change the allocation methodology depending on your consumption pattern.

Ms. Sproule: — All right. I think I sort of kind of maybe understood that.

Mr. King: — Good.

Ms. Sproule: — So that's sufficient for now. And I think when you talk about winners and losers, I think we had that discussion earlier this year with Mr. Belanger when we talked about some of the impact of electrical bills on heating in the North. So I certainly understand the result on the customer might not be as appreciated as one might want.

Okay, moving on. Renewable generation portfolio, page 35. I think you alluded to this earlier. You're actually . . . The measure is flat. It didn't reach the anticipated target at the end of 2017. Maybe you could . . . I think the explanation is there. Just, you didn't meet your targets; it didn't go up as high as you wanted. Are you hopeful that you're on track for 26 per cent in '18-19?

Mr. Marsh: — I would offer that this is really a longer term target that looks at the per cent of renewable generation in our portfolio. You're going to see this number in the long term, like over the next several years, come down significantly . . . or go up significantly, sorry. Today, with the addition of the facilities at Queen Elizabeth in 2015, that resulted in more natural gas being consumed. So that percentage actually goes up on the fossil side, not the renewable side.

So until we get one of the wind projects that's currently in development under construction and this new RFP [request for proposal] that's about to be announced, released and under construction, you will see an increase at that point in time which will probably hit in the 2020, 2021-22 time period. So this is more of a longer time-scale measure. You're not going to

see significant year-over-year in the next couple of years.

Ms. Sproule: — Could you explain why in '19-20 it actually drops to 24 per cent?

A Member: — In 2020 then?

Ms. Sproule: — 19 . . .

Mr. Marsh: — No, 2019 to 2020? Yes. The Chinook Power Station is scheduled to come on next fall, in the fall of 2019. Yes, so that's an additional fossil which will drive the renewable percentage down.

Ms. Sproule: — Thank you. That makes sense.

Hon. Mr. Duncan: — I'll maybe just add one more thing on this. Again because we're not completely sure where we're at with the equivalency agreement, that may also have an effect on these numbers because without the equivalency agreement then 4 and 5 come off in 2019. With the equivalency agreement, they don't come off until later in the, I guess, early in the 2020s. And so that could have an effect on what these numbers look like a couple of years from now, depending on whether or not 4 and 5 operate beyond '19 or whether or not they are closed in at the end of '19.

Ms. Sproule: — It may make you question why you have the measure in place at all. I mean we know your ultimate goal is 50 per cent, but these variables are obviously going to impact us from year to year. So it's here; I want to ask questions about it. Anyways, thank you for that.

Page 39 on your financial results, there's a discussion about depreciation and amortization expense increased as a result of the capital program. We may have talked about this a little bit in our last conversation, but I just wonder if you can explain why that shows as a decrease of \$49 million.

Mr. King: — So what that is showing is that's a decrease in net income. So overall depreciation and amortization expense increased during the year, and that's a result of our capital program. So as we're adding about a billion dollars a year in capital, our depreciation expense is going to climb each year to amortize those assets and that in effect will reduce our net income from year to year.

Ms. Sproule: — Okay, that's good. Thank you. Page 43 of the revenue, you're projecting your fly ash sales . . . or sorry, the CO₂ sales were \$9 million and in '16-17 they were 14 million. What was your budgeted amount for '17-18 for CO₂ sales?

Hon. Mr. Duncan: — In '17-18 we're budgeting just over 19 million.

Ms. Sproule: — And of that 9 million that you actually collected for sales, is that affected by the penalties or . . . I forget what you call them.

A Member: — Shortfalls.

Ms. Sproule: — Shortfalls.

Mr. King: — No, so this is just the revenue side. So this would show . . . I'm sorry, hang on. Yes, so in total the gross CO₂ revenues was \$14.4 million, and then we had 5.6 million in shortfall payments for a total of 8.8 million net revenue.

Ms. Sproule: — And the projection of 19 million, what happened? Why was it short by four and a half million dollars?

Mr. King: — So that would be . . . The output wasn't as high as we anticipated, had planned for, and then we had shortfall payments that we weren't anticipating. It's a combination of the two.

Ms. Sproule: — And the output wasn't as high because the carbon capture plant wasn't operating as much as you had hoped?

Mr. King: — Yes.

Ms. Sproule: — Okay. Thank you. The Shand facility rental fees, you didn't collect any in '17-18. I think Cansolv is occupying it right now. Is that correct? Is that the tenant?

Mr. King: — Yes.

Ms. Sproule: — And are they paying rental fees?

Mr. King: — No.

Ms. Sproule: — No, because they own half of it?

Mr. King: — No. So the work that we're doing on right now is for SaskPower's own use, so we're testing different amines or different tweaks to the existing amine, I guess it would be, to try and improve the performance of the BD3 [Boundary dam 3] unit. So we're using it internally.

Ms. Sproule: — All right. So there's no paying tenant for the foreseeable future basically.

Mr. King: — Right.

Ms. Sproule: — Yes, okay. Thank you. Okay, finance charges on page 46, you've indicated in your explanation there that there's a \$14 million additional interest expense incurred as a result of higher short- and long-term debt levels required to finance SaskPower's capital expenditures. Is this something that you will anticipate will continue to grow, and what sort of pressures is that putting . . . I mean it's almost half a billion dollars in total interest. So what is your budget for this year? And what sort of pressures is that putting on you? And how are you dealing with it?

[15:00]

Mr. King: — So I'll first start with the budget question. The finance charges for the coming year are expected to be \$426.5 million is the budget for '18-19. So as SaskPower is continuing to build up its assets, both on the renewal side and on the growth side, a large part of that is being funded through borrowings. So as we borrow more, more money to finance these activities, we're going to incur additional interest expense. So yes, it is continuing to grow. We do have it within our

business planning process. We talked previously about the pressure that the capital program is having on our rates. So roughly every billion dollar that we spend creates the potential need for up to a 3 per cent rate increase, just through higher depreciation and higher finance charges. So yes, we're certainly well aware of that impact, and it is within our plan.

Ms. Sproule: — Okay, thank you. Page 50, and actually throughout, there's a reference to a \$660 million equity advance from, I believe, the government back in the early '90s. Could you just talk a little bit about that, and why it shows up on your balance, well in several places throughout the statement?

Mr. King: — So that's essentially, back in the early '90s when CIC was formed and they created an equity interest within the Crowns, including SaskPower. This is the money that they contributed to form their equity. So that would be the basis upon which we started with our ROE, our return on equity, in terms of how we would set our budgets and our returns. So that equity plus what we built up in the company over that period of time, plus the retained earnings, if you will, is what formed our total equity, and it's that equity upon which we've got a target of eight and a half per cent return that we try and achieve on an annual basis.

Ms. Sproule: — So you're paying the government eight and a half per cent every year on that 660 million?

Mr. King: — We're trying to.

Ms. Sproule: — Trying to.

Mr. King: — And now we haven't necessarily achieved that eight and a half per cent over the last number of years, but that's the long-term goal is to achieve an eight and a half per cent return.

Ms. Sproule: — And that's not the dividend? That's something completely different.

Mr. King: — No. Not necessarily, no. That's not necessarily the dividend. So what we earn is one matter. What we pay as a dividend can be zero per cent, which is what it's been in the last number of years, or it can be a higher amount. But they're really two different decisions.

Ms. Sproule: — Yes. And what I think I find interesting is it's called an advance, an equity advance. What does that mean?

Mr. King: — It's because it's a government and we are owned by the shareholder. It's not the same as if you bought shares in public company. Equity advance was the term. I assume it was agreed to with the provincial auditor of the day to describe this type of arrangement. But it's really the money that the government has put directly into the corporation.

Ms. Sproule: — With the view that they'll get a return on it through the eight and a half per cent.

Mr. King: — Exactly.

Ms. Sproule: — So it's more like a share, but not really. You can't call it a share.

Mr. King: — Right. There's one share. They own 100, all of it.

Ms. Sproule: — Yes. So this is more like a letter . . . I don't know. What would be an equivalent in the private sphere?

Mr. King: — In the private sphere, you'd have shares. You'd have equity that you would have invested in the entity.

Ms. Sproule: — We have a share. It's 100 per cent. This advance or equity investment, I guess, would be more like a letter of credit or something. Or access to a bond or . . .

Mr. King: — No, it's intended to be the exact same thing. We just use a different word because it's not exactly a share. It's not under the Canadian business Act. It's really just to separate it from a traditional equity investment.

Ms. Sproule: — Okay. Total debt position on page 52. I see you've come under the 75 per cent by 0.1 per cent. So just nicely tucked in now under your highest range of comfort. Are you projecting that to stay flat for the next few years, or are you feeling as your debt gets higher your debt ratio is going to be impacted as well?

Mr. King: — So right now our forecast is for it to be fairly flat with slowly coming down over time. One of the keys to this is the cash flows that we're able to generate over that period of time, and how much of the capital expenditures that we're going to have to pay over that time. Can we fund internally, and how much do we have to go to the markets for? So as long as the company grows at a faster rate than our debt levels, you'll see that ratio coming down. But if our debt grows at a faster level than our equity, which is our company, it'll increase. But right now the projections would be flat for the next couple of years and then decreasing.

Ms. Sproule: — And that's assuming an average of 3 per cent rate increase for the ratepayers?

Mr. King: — Yes.

Ms. Sproule: — Okay. There's a reference to the GRF [General Revenue Fund] on page 53 and again in a number of other places, but I guess this is in relation to debt retirement funds, and those are held and invested by the GRF. And in the next paragraph it says these are required by the terms of the advances from the GRF in terms of your contributions. What kind of instrument sets out those requirements? Is that an order in council or is that a contract with the GRF or Ministry of Finance? How is that established? Is it within your statute?

Mr. King: — I believe it's an order in council, but I'd have to double-check on that. And the contribution is generally . . . They vary, but generally it's about 1 per cent of the total balance that we put in on an annual basis.

Ms. Sproule: — Right.

Mr. King: — And then they invest it. We receive the earnings on those investments, and then when we retire the debt, at that time we receive the funds that both the capital contribution we made plus the interest we've earned.

Ms. Sproule: — Would you be able to get better rates if you invested them outside of the GRF?

Mr. King: — Well for one, we're not allowed to invest them outside the GRF . . . [inaudible interjection] . . . We put them in there. The GRF could potentially try and get better rates, however they'd have to take on additional risk. So their investments are fairly conservative into what they invest in, generally government bonds and the like. However if they wanted to do better, I guess they could do that, but again, you'd take on a lot more risk to do that.

Ms. Sproule: — And that's not a choice your corporation has, and it's entirely decided by the Ministry of Finance.

Mr. King: — Exactly.

Ms. Sproule: — Okay, thank you. We're moving along, Mr. Chair.

The Chair: — All right.

Ms. Sproule: — Yes, we're running out of time. Page 56, this is your outlook, so your current budget versus your results from last year. Just had a question about a definition. On the revenue side, you have a share of profit from equity accounted investees. What does that mean?

Mr. King: — That's essentially the investment we have in the Muskeg River mine cogeneration facility which is in Alberta. We have a 30 per cent investment in that.

Ms. Sproule: — Okay. And then other revenue is up actually by 12 million in your budget from last year's actual. What sort of revenue does that reflect?

Mr. King: — So if you go to page 86 and look at note 6, that gives a breakdown of the revenues that we have within there.

Ms. Sproule: — Okay, good. Thank you. And I see the finance charges budget figure is right there as well, so thanks for that.

Mr. King: — Yes.

Ms. Sproule: — So thanks for that.

Mr. King: — Yes.

Ms. Sproule: — On page 63 — this is the risk management assessment — under the second point of financial constraints, you make a comment, "SaskPower's business model may not be agile enough to adapt to industry changes in a timely fashion, such as those related to emissions regulations, rising costs, cost uncertainty, customer self-generation and competitive rates." When you're making that admission, is that something that all power generators face in their business models or is it unique to SaskPower? And what's your plan to deal with that?

Mr. Marsh: — Yes, that's a very good question. The statement is in there just to give an indication of the kind of pressures the utility industry and SaskPower is facing as we look forward. Traditional large utilities, having been in place for many, many

years, we have established processes, policies that have been adopted over a period of time. They've been adopted in an effort to make sure that we are fair to our customers, but we're providing the best possible value in terms of cost and keeping rates low.

What we're seeing on the horizon is a tremendous acceleration of technological change, as you're aware: the ability for customers to self-generate like never before, which presents an entirely different grid concept in the future, and whether or not we're able to maintain our revenue in the face of customer self-generation and the ability perhaps in the future for customers to sell to one another — and this is already beginning to happen in some jurisdictions — which further erodes our revenue base and erodes the fundamental business model of the utility.

So we present this just to reflect what's beginning to happen across North America, and it's certainly something the utility sector is aware of. And as we adopt a different strategy to allow customer generation, do it at a pace that doesn't break the bank, if you will, still provides the lowest possible cost to our customers which will keep rates low. But at some point that infrastructure needs to be paid for, and finding that right business model will be the key over the next few years.

Ms. Sproule: — So it's using usage versus infrastructure grid fixed costs, I guess.

Mr. Marsh: — Yes. The danger of having stranded assets in the future . . . If customers begin to self-generate, you can imagine a picture at some point in the future where we don't have to build another generation unit if customers are generating their own. If the technology is there for battery storage to offset peaks, we become the utility that will facilitate the movement of energy but perhaps not generate it in the future. That's what's evolving out there.

Ms. Sproule: — Say thanks to Elon Musk then, right?

Mr. Marsh: — Well him and a number of others around the world to be sure.

Ms. Sproule: — Yes, yes. Consolidated statement of comprehensive income on page 71. This is more in relation to your budget for 2018 but you have natural gas hedges, a significant change there in terms of the fair value so that it affects your total comprehensive income. I'm just wondering why you're projecting those changes, negative changes in the natural gas hedging.

Mr. King: — Thanks for the question. I think you're the first person who ever looked at that statement and asked a question on consolidated statement of comprehensive income.

Ms. Sproule: — I have to fill two hours, you know.

Mr. King: — But it's a good question. That number is referring to an unrealized loss on our natural gas hedges. So SaskPower has a natural gas hedging program where we lock in about 50 per cent of the needs, SaskPower's natural gas requirements out one year, and then we do it on a declining balance out 10 years. So 45 in year two and so forth, dropping by about 5 per cent a

year.

So as we've been locking in that price to mitigate the impact that rising natural gas prices can have on both our income statement and on rates, what this does is measure the theoretical value that we've lost by locking it in and then natural gas prices drop. So the 44 doesn't represent a cash outlay, but it's more of a prediction that if we had to pay that out today, at today's gas prices, it would be 44 million.

But in reality what will happen is we will . . . as these contracts come due, we will pay or receive depending on what the price is. So for the last number of years, because prices have been falling, we've been paying on these contracts. But the good news is, on the gas we haven't purchased, we're continuing to buy that at a lower price.

Ms. Sproule: — Okay. I sort of, kind of understood that too. Thank you. On page 77, I'm just looking at the MRM [Muskeg River mine] cogeneration station. You've classified that as an associate because you have a 30 per cent ownership interest. Are there any other associates within the company? Or is the MRM cogeneration the only one?

Mr. King: — No, that's it.

Ms. Sproule: — That's it? Okay, thank you.

Page 84, there's a reference to the new financial instruments IFRS [international financial reporting standard] 9, and I just had a question why you early adopted them.

[15:15]

Mr. King: — What IFRS 9 is, it's the methodology upon which the previously discussed natural gas hedges that we talked about and moving them into comprehensive income. What early adopting that has allowed us to do is take advantage of something called hedge accounting. And so what we're able to do is take that unrealized gains and losses on the natural gas hedges, that non-cash amount, and take it off the income statement and put it into that comprehensive statement where, as I said before, not many people look at it. So it allows our income statement to be a more true valuation of how we achieve for the year without making it that distraction, if you will, of those gains or losses. So we early adopted it. We did it in conjunction with the entire Crown sector. We all had to do that at the same time and the main benefit for us was the ability to start using that hedge accounting and sort of take that and separate those gains and losses from the rest of our net income.

Ms. Sproule: — Okay. I've noticed this in a lot of the financial statements, IFRS 9, but haven't taken the opportunity to ask the question. So thank you.

We talked a little bit, I think, earlier about the debt retirement funds. I'm on page 90-91 now. The short-term advances, point 19, I guess, on page 91, it says it's due to the Government of Saskatchewan's GRF and the interest rates are ranging from 1.040 to 1.431, and they're maturing as we speak, I guess. And it looks like the advances had interest rates ranging from 0.5 to 0.6, maturing in the fiscal year that we're looking at. I'm just wondering again, are you required to get your short-term

advances from the GRF by law or order in council or are you able to seek short-term advances from other financial institutions?

Mr. King: — All of our short-term advances and in fact virtually all of our borrowings come through GRF, through the Ministry of Finance.

Ms. Sproule: — By requirement? You have no option there?

Mr. King: — I think it's by requirement but I would have to double-check what requires us to do it, the methodology.

Ms. Sproule: — If you could point me to the actual document that requires that . . .

Mr. King: — That requires that. Okay.

Ms. Sproule: — That would be helpful. Thank you. All right. There's another interesting thing called provisions on page 94, and I just have a general question about what those are. And I guess there's . . . Well, maybe I'll start there. Tell me what a provision is and what it's meant to be and why there's a separate page for them. And then I have another question.

Mr. King: — Okay. So provisions are really liabilities that we set up — or call them payables if you will — that we set up for what we believe to be future requirements of the company. So the main . . . If you look at that first column there, the decommissioning provision, that is mainly for the decommissioning of our coal facilities upon their retirement. So at retirement we're going to have to tear down and remediate those facilities and bring them back to a certain standard. So these are dollars that we haven't spent yet. However we expense a little bit each year as the asset's running and build up that provision.

Similarly on environmental remediation would refer to assets that no longer exist, however we have some obligation, or we believe we're going to have an obligation to clean them up in the future. So we set up a provision and we'll charge income for it in the current period, and then ideally, if we have it set up correctly, at the date that we do clean it up, it'll all match up and we'll record the expense or netted the expense against that provision.

Ms. Sproule: — All right. It's going up a little bit on the decommissioning side, but my next question then is about the discount rate at the end of the period. And it appears that is flexible, and I'm just wondering how that. Why that can vary? And what is the discount?

Mr. King: — So what we do and what we're required to do through the accounting standards is . . . Let's say, for example, we think the expenditure is going to happen in 20 years from now and we think it's going to be \$50 million. We take that and we discount it back to today's date. And so every year you're naturally going to see it increase as we sort of unwind that discount.

The different rates that we use is dependent upon the length of time. So we use Government of Saskatchewan bond rates. And so if it's a five-year rate versus a . . . If we assume it's going to

be in five years' time versus 20 years' time, we use the different interest rates on those bonds to come up with those discount rates.

Ms. Sproule: — Okay. Thank you. The actuarial gains on section 24, accumulated other comprehensive loss, I know we've had a lot of discussion with the Minister of Finance about actuarial gains and losses for the GRF. But I'm just wondering: your projection for 2018 is actually a gain, and I know this is all projected out into the future, but for this fiscal year that we're talking about, it was a loss of 10 million. What sort of calculation makes you think that in 2018 . . . Sorry, that is for . . . Are we in '17-18? Am I a year behind? Or just hang on a second while I double-check.

Yes, '17-18, March 31st, right. This is the year before, and then the one we're discussing. I'm sorry. So you were up 23 million whereas the Government of Saskatchewan was actually down like several hundred million. So what would be the difference? And I don't know if you can answer this, but what would be . . . Why were you up when the Government of Saskatchewan was down? Is it because they have more defined benefit?

Mr. King: — I can't answer that because I'm not familiar with what the province has done.

Ms. Sproule: — That's fair enough. I know we had a lot of discussions about that earlier this year, so I was curious. All right, we'll leave that. We've discussed that already.

Oh yes, on capital management on page 100, section 27, I was looking at the per cent and debt ratio, and you've got your total net debt and your total capital. The equity advances are included as capital, which actually makes the debt ratio more healthy, I guess. If the equity advances weren't there, it would be up to 80 per cent. So are you treating the equity advance as a capital asset? Is that what that is treated as?

Mr. King: — No, the equity advances are treated as equity, so they're considered the same as . . . So they're considered the owner's investment, or how much is owned by the province or the shareholder, and the rest is considered debt. So of the company's total capital of \$9.6 billion, what we're saying is 7.2 billion is debt, funded through debt. The remainder is funded internally through the shareholder, and that's how you come up with your debt ratio.

Ms. Sproule: — Isn't it still a debt to the taxpayer, that 660 million?

Mr. King: — It's not a debt because it's the owner's. So when the owner puts money into a business, just like if you bought your house and you put your cash into it, in this example you would've put about 25 per cent down. 75 per cent you would've borrowed from the bank. So that's generally how the debt/equity ratio is trying to show. So much has been put in by the province. So let's say in a worst-case scenario there's no finance charges that we have to repay. The province would be out that amount of money. However on the rest of the borrowing is the debt. There's certain obligations. We have to make the interest payments. You have to make the principal payments upon their due dates. So they're certainly very different in terms of their risk profile.

Ms. Sproule: — Yes, thank you. That's very helpful.

I'm conscious of the time. I have a couple more for sure at this point. On section 28, commitments and contingencies, you have your coal purchase contracts projected out for the next few years. In the event the equivalency agreement is signed or not, I guess, and Boundary dam 4 and 5 will no longer be using coal if they're shut down or when they're shut down, what impact is that going to have on these contracts?

Mr. King: — This is showing the commitments that we do have. So it will have an impact on the overall contracts that we do have with Westmoreland Coal. So what we do in terms of BD4 and 5 and the rest of our coal fleet is certainly significant in terms of the next coal contract that we do negotiate with them. So these ones all expire well within that 2029 time frame. We're going to have to extend them to get them out to at least 2029 and potentially beyond. But right now these are all within that 2029 time frame.

Ms. Sproule: — So if you don't go ahead with . . . Well you're not going ahead with CCS on 4 and 5. Are you saying you will continue to operate them hopefully until 2029 if . . .

Mr. King: — No, 2021 and 2024 I think, those two units.

Ms. Sproule: — So those two units, that would be reflected in these numbers then. That was always . . .

Mr. King: — Right now this is based on the current commitments that we have, the current contracts that we have. So the contracts would not cover all of our coal requirements to 2029 if all the units were run out to that date. The coal contracts are expiring, so they're going to have to be renewed. And a lot of that renewal and that negotiation we're going to do is going to be dependent upon our plans for those units.

Ms. Sproule: — I guess the concern, seeing these numbers, is that we're locked in until 2029 for all of them. But you're telling me that's not the case.

Mr. King: — No, not beyond what . . . our capacity to consume it.

Ms. Sproule: — And is there any update on Westmoreland's financial issues since we spoke last in June?

Mr. Marsh: — No, there's been no significant change from what we discussed in June.

Ms. Sproule: — Right. One final question then is on NorthPoint Energy. We spoke at length about it in June and you were anticipating this fiscal year to be . . . well we're still at a net loss and it's growing. Now I think it's at 3.9 million. But you indicated that you were hopeful in '18-19 that that trend would reverse. Is that still the hope after the last time we spoke?

Mr. King: — Yes. Right now they're about one and a half million dollars positive through the first few months of the year, and that's mainly been due to the Alberta market and NorthPoint being able to take advantage of opportunities in that market.

Ms. Sproule: — Okay. I did want to ask one other question about a company called CCR which was CCR Technologies, and apparently they had a patent claiming that their process didn't need stainless steel for the amine recovery units. And we received an email from someone who was concerned about why your first build failed due to corrosion failure so quickly and why you didn't use stainless steel in the first place. Is that something you can elaborate on?

Mr. Marsh: — I don't think we can comment on that today. I'd need to look into the details on that.

Ms. Sproule: — The allegation here is that the failure to use stainless steel added as much as \$450 million to the cost of the project. So I'm just curious. You may have heard this allegation before, but I'm just wondering if it has any . . .

Mr. Marsh: — It doesn't resonate with me right now, but I will endeavour to look into the details and we can provide some kind of a response back to you on that.

Ms. Sproule: — Okay. I don't know how long you're going let me go.

The Chair: — One more.

Ms. Sproule: — One more. Any updates on the lawsuits with AB Western and SNC Lavalin?

Mr. Marsh: — No, at this time I have nothing to report. We continue through the legal process on both of those files. We have been through a mediation process with SNC-Lavalin. We are moving into an arbitration process at the end of this month.

Ms. Sproule: — So the mediation with SNC is complete?

Mr. Marsh: — Complete.

Ms. Sproule: — And you're now moving to arbitration?

Mr. Marsh: — To arbitration.

Ms. Sproule: — Is that binding?

Mr. Marsh: — Yes, it is.

Ms. Sproule: — Okay. All right, Mr. Chair. I just really want to thank the minister and the officials. I always enjoy your thorough understanding of your work and the efforts you're making on behalf of the ratepayers and the taxpayers of Saskatchewan. So thank you all for your time today.

The Chair: — Thank you, Ms. Sproule. I will now ask a member to move that we conclude consideration of the 2017-18 SaskPower annual report, the 2017-18 NorthPoint Energy Solutions Inc. financial statements, and the 2017 Power Corporation superannuation plan annual report. Mr. Bonk has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. Any final comments, Mr. Minister?

Hon. Mr. Duncan: — No, Mr. Chair, other than to thank you and members of the committee for the business that we've conducted this afternoon. Thank you.

The Chair: — Okay. And I would also like to add my thanks to you and to your staff, Mr. Minister, and to Ms. Sproule and the other members of the committee for their indulgence today.

I would now ask a member to move adjournment. Mr. Hart, since he was unhappy being here at 8 this morning, can adjourn . . . has moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 15:30.]