



# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

## **Hansard Verbatim Report**

**No. 7 — August 23, 2021**

Published under the  
authority of  
The Hon. Randy Weekes  
Speaker



**Legislative Assembly of Saskatchewan**

**Twenty-Ninth Legislature**

### **Hansard on the Internet**

*Hansard* and other documents of the  
Legislative Assembly are available  
within hours after each sitting.

<https://www.legassembly.sk.ca/Calendar>

## **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

Mr. Terry Dennis, Chair  
Canora-Pelly

Ms. Erika Ritchie, Deputy Chair  
Saskatoon Nutana

Mr. Steven Bonk  
Moosomin

Mr. Daryl Harrison  
Cannington

Mr. Terry Jenson  
Martensville-Warman

Mr. Greg Lawrence  
Moose Jaw Wakamow

Mr. Dana Skoropad  
Arm River



[The committee met at 08:30.]

**The Chair:** — Good morning. Welcome, members, to the committee. I'm Terry Dennis, the Chair. With us today we have Aleana Young. We have Derek Meyers, Daryl Harrison, Terry Jenson, Tim McLeod, and Dana Skoropad.

We have three documents to table today: CCA 11-29, Public Service Commission: Responses to questions raised at April 21st, 2021 meeting. We have CCA 12-29, SaskBuilds: Responses to questions asked at the April 29th, 2021 meeting and CCA 13-29, Crown Investments Corporation of Saskatchewan: Report of public losses, April 1st, 2021 to June 30th, 2021.

I'd like to advise the committee that, pursuant to rule 145(1), the following documents were permanently committed to the committee. Please bear with me; this list is fairly long. Saskatchewan Gaming Corporation 2020-2021 annual report; SGC Holdings Inc. financial statements for the year ending March 31st, 2021; Saskatchewan Opportunities Corporation 2020-21 annual report; Saskatchewan Water Corporation 2020-21 annual report; SGI Canada 2020-21 annual report; Saskatchewan Auto Fund 2020-21 annual report; SGI Canada Insurance Services Ltd. 2020 annual report; Coachman Insurance Company 2020 annual report.

SaskEnergy 2020-21 annual report; 2020-21 SaskEnergy Inc., TransGas Ltd., and Bayhurst Gas Ltd. financial statements; Saskatchewan Power Corporation 2020-21 annual report; Power Corporation Superannuation Plan 2020 annual report; NorthPoint Energy Solutions Inc. 2020-21 financial report; SaskTel 2020-21 annual report; Saskatchewan Telecommunications financial statements for the year ending March 31st, 2021; Saskatchewan Telecommunications International financial statements for the year ending March 31st, 2021; Directwest Corporation financial statements for the year ending March 31st, 2021; SecurTek Monitoring Solutions financial statements for the year ending March 31st, 2021; Saskatchewan Telecommunications Pension Plan annual report for the year ending March 31st, 2021.

Crown Investments Corporation of Saskatchewan 2020-21 annual report; Crown Investments Corporation of Saskatchewan, CIC Asset Management Inc. financial statements for the year ending March 31st, 2021; Crown Investments Corporation of Saskatchewan First Nations and Métis Fund Inc. financial statements for the year ending March 31st, 2021; Crown Investments Corporation of Saskatchewan, Saskatchewan Immigrant Investor Fund Inc. financial statements for the year ending March 31st, 2021; Capital Pension Plan 2020-21 annual report; Saskatchewan Government Insurance Superannuation Plan 2020 annual report.

Committee members, before you you have a copy of today's meeting notice which is our agenda. We'll consider the annual reports and Provincial Auditor's chapter related to the committee, for SGI [Saskatchewan Government Insurance], SaskGaming, SaskWater, and SaskEnergy. Are there any questions or comments on today's agenda?

Seeing none, I would remind the committee members and officials not to touch the microphones. They are sensitive and the

Hansard operator will do it for you.

### Standing Committee on Crown and Central Agencies

**The Chair:** — We will now move on to our first items on the agenda and consideration of the Provincial Auditor's 2019 report volume 2, chapter 48, Standing Committee on Crown and Central Agencies; and the Provincial Auditor's 2020 report volume 2, chapter 46, Standing Committee on Crown and Central Agencies.

I'd like to welcome Ms. Clemett and thank you for your role of Acting Provincial Auditor while the Standing Committee on Public Accounts undertakes this hiring competition. Please introduce your officials and make your comments.

**Ms. Clemett:** — Thank you very much. So thank you, Chair, Deputy Chair, and committee members. With me this morning I am joined by Ms. Kim Lowe. She is the audit principal, the office liaison with the Clerk of this committee. With me, behind me, is also Mr. Kelly Deis, and he is going to be presenting when we get to the SGI chapter.

Ms. Lowe will provide the committee with a brief overview of the two chapters about the work of this committee, the 2019 report volume 2, chapter 48, and the 2020 report volume 2, chapter 46. These chapters do not contain any recommendations. Rather, they provide the committee with an overview of the overall status of the committee's recommendations resulting from our office's work, the status of the consideration of that work, and the status of the committee's review of the annual reports of CIC [Crown Investments Corporation of Saskatchewan] and its subsidiary corporations. I will now turn it over to Ms. Lowe.

**Ms. Lowe:** — Thank you. So in your review of our work and recommendations, your committee makes recommendations. Your committee includes its recommendations in its reports to the Assembly. Our office assesses the government's compliance with its recommendations and reports on its status. We report the results of these assessments in either specific chapters or, if not discussed elsewhere in the report, in a table in the Crown and Central Agencies chapter.

As set out in chapter 46 of our 2020 report volume 2, as of September 29th, 2020 the government implemented 89 per cent of the recommendations included in the committee's reports. As well, by this date, the government partially implemented 33 per cent of the remaining recommendations. At the conclusion of this meeting, the committee will be up to date in its review of our chapters.

In addition, the committee is responsible for examining annual reports of CIC and its subsidiary corporations. At September 29th, 2020, the committee had completed its review of all of the 2018-19 annual reports of CIC and its subsidiary corporations except one, Saskatchewan Opportunities Corporation.

The committee had not yet reviewed the 2019-20 annual reports of CIC and its subsidiary corporations. Our office encourages the committee to continue to review the related chapters in our reports and the annual reports of CIC and its subsidiaries in a

timely way, in that review of these documents contributes to the committee fulfilling its important role — that is, holding the government accountable in its management of CIC and its subsidiary corporations. And that concludes my overview.

**The Chair:** — Thank you. Do any members have any questions? I recognize Ms. Aleana Young.

**Ms. A. Young:** — Thank you, Mr. Chair. And thank you all for being here today. I do have a couple questions, relatively routine as it seems like significant good work has been done by this committee especially over the last five years. It predates my time, but I understand there was a significant backlog of work that this committee undertook. And I would like to commend all the members who came before me on this committee for getting through that as well as all of the staff at the Provincial Auditor's and the Clerks who assist in this work.

As such, I noted in my review of the chapters that the committee met a considerable number of times each year to deal with this backlog. I believe it was 10 times in 2018 and then seven times in 2019. And while I recognize the majority of the work has been done, I'm curious if the auditor has comment on or recommendation or suggestion on any meetings going forward and how frequently those should occur to prevent future backlog.

**Ms. Lowe:** — Well like I said in the presentation, you will be up to date at the end of this meeting, so there won't be any chapters to consider. Going forward, you know, when we do have future chapters, it's always good to keep up to date. So you know, I think in the future there's maybe one or two chapters coming up, so having those at your next meetings or soon after is always good to keep it up to date and not get that backlog.

**Ms. A. Young:** — One final question, Mr. Chair. Given the role, the important role of the committee which you cited in holding the government accountable for its management of CIC and subsidiaries and Crowns, do you believe the time allocated to each chapter and annual report in particular is sufficient for the important work of the committee? I know we have, I believe — and I understand it is standard — around an hour a year per Crown annual report.

**Ms. Lowe:** — For the annual reports, that's up to, you know, Stacey working with the Chair determining the timing of the meetings. We don't really have any say for the amount of time for those annual reports. For ours, I do work with Stacey and help to figure out some of the timing for how long we think it would take to consider our recommendations.

**Ms. A. Young:** — Thank you. No further questions.

**The Chair:** — Thank you, Ms. Young. The Provincial Auditor's 2019 report volume 2, chapter 48, Standing Committee on Crown and Central Agencies; and the Provincial Auditor's 2020 report volume 2, chapter 46, Standing Committee on Crown and Central Agencies have no recommendations for the committee to consider.

I will ask a member to move that we conclude the consideration of this chapter. Mr. Jenson. Terry Jenson has moved that we conclude the consideration of the Provincial Auditor's 2019 report volume 2, chapter 48 and the 2020 report volume 2,

chapter 46. Is that agreed? Carried. We'll now take a short recess to bring the minister and officials in for SGI. Thank you.

[The committee recessed for a period of time.]

[08:45]

### Saskatchewan Government Insurance

**The Chair:** — Welcome back and welcome to the minister and officials from SGI. Before we begin our consideration of the Provincial Auditor's chapter and annual report under consideration today, I'd like to take a moment to explain the format that we will be using today. For consideration of the Provincial Auditor's chapters, I will first recognize the Acting Provincial Auditor who will proceed to introduce her officials and provide 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 the auditor's chapters have been considered for the Crown corporation under review, I'll excuse the auditor and then move on to consideration of the annual reports. Are there any questions on the process? Seeing none, I will turn it over to Ms. Clemett to introduce her officials and make her presentation on the 2019 report volume 1, chapter 11, Saskatchewan Government Insurance, monitoring fines and automated speed enforcement program.

**Ms. Clemett:** — Good morning, Chair, Deputy Chair, committee members, Minister, and officials. With me today is Mr. Kelly Deis, deputy provincial auditor responsible for the audit of SGI, and also Ms. Kim Lowe. She's our office's liaison with this committee.

Before we present the chapters on the agenda, I would like to thank the president and CEO [chief executive officer] of SGI for his staff's co-operation extended to us during our audit work. Today we plan to make two presentations for this agenda item. There are four new recommendations for the committee's consideration. Mr. Deis will now provide an overview of the first chapter on the agenda, and then he will pause to allow for the committee's discussion and consideration before presenting the second chapter.

**Mr. Deis:** — Good morning. SGI operates an automated speed enforcement program under *The Traffic Safety Act*. This is commonly referred to as speed cameras. The overarching goal of the program is zero speeding fines, zero crashes. The program's target is to have less than 1 per cent of drivers exceeding the speed threshold for all camera locations. The primary objectives of the program are to provide consistent deterrents to speeding, to reduce the incidents of speeding, and to reduce speed-related collisions and resulting injuries.

Unsafe speed continues to be a serious safety concern in Saskatchewan. Speed and aggressive driving are a key cause of collisions. Failure to properly monitor vehicle speed increases the risk of vehicle collisions and injuries. SGI's 2018 evaluation of the results after the program's first two years of operating found the program had a positive impact of reducing both the frequency and severity of collisions near the camera locations.

Chapter 11 of our 2019 report volume 1, on pages 171 to 185, reports results of our 2019 audit of Saskatchewan Government Insurance's processes to monitor that the fines issued from its automated speed enforcement program were accurate and reliable. We concluded SGI had effective processes with improvements needed in four areas reflected in our recommendations. I will focus my presentation on those four recommendations.

On page 179 we recommend that Saskatchewan Government Insurance maintains enforceable, formal, written contracts with each party that is key to delivering its automated speed enforcement program. At February 2019, SGI was operating the program with expired contracts with a number of key parties even though the contracts did not contain provisions that allowed them to continue past their stated term.

Key parties include cities with cameras and their police services. For example, SGI contracts with the city of Saskatoon, the Saskatoon Police Service to manage the activities each of the parties provide to their program, such as mowing around speed cameras and validating speed fines. Maintaining enforceable contracts with key parties is important to define the roles and responsibilities of each party. By operating under expired contracts with key parties, SGI may have difficulty enforcing the components of each contract.

On page 181 we recommend that Saskatchewan Government Insurance consistently enforce all provisions of its automated speed enforcement program contracts with participating municipal police services. Even though its contracts require it, we found SGI did not require two of the three police services of participating municipal governments to issue program fines to registered owners of out-of-province vehicles caught speeding. We did not observe that SGI actively attempted to enforce its contracts to require these municipal police services to issue fines to out-of-province speeders. In practice, only the RCMP [Royal Canadian Mounted Police] and Moose Jaw Police Service issued fines to out-of-province speeding vehicles under the automated speed enforcement program. The Regina and Saskatoon police services did not.

Our review of program data estimates that Regina and Saskatoon police services did not issue fines for about 4,200 violations combined because the vehicle was from another province. Not issuing fines to registered owners of out-of-province vehicles identified as speeding results in inequitable treatment of registered owners of in-province and out-of-province vehicles that the program caught speeding in Regina or Saskatoon. Not issuing fines to those caught speeding reduces the deterrence of speeding.

On page 182 we recommend that Saskatchewan Government Insurance periodically determine whether its service provider sufficiently maintains the integrity of data in the IT [information technology] system the service provider uses to process automated speed enforcement program fines.

SGI's service provider uses an IT system to process and manage speed violations and related fines known as the automated speed enforcement IT system. We found SGI did not periodically determine the integrity of the data of the automated speed enforcement IT system. We also found SGI did not ask its service

provider to give it information about the integrity of this data. Rather, SGI limited its assessment to determining whether changes to fine rates were made correctly in the automated speed enforcement IT system.

Our audit work found the service provider's controls to maintain the integrity of their data were effective, other than the service provider could not show us that it sufficiently backed up data daily as expected. The service provider did not keep complete logs of its backups.

Backing up data is copying data and storing it in a location for use in restoring the original data in the event of a data loss event. Not maintaining sufficient evidence of backups increases the risk that the service provider may not complete backups appropriately. Failure to back up increases the risk that important program data could be lost if the IT application were to fail. In addition, not periodically determining the integrity of the data in the automated speed enforcement IT system meant SGI did not know whether data in the automated speed enforcement IT system was sufficiently protected.

On page 184 we recommend that Saskatchewan Government Insurance periodically determine whether its service provider or police services of participating municipal governments rejected automated speed enforcement program photograph violations in accordance with its policies.

For this program the term "violation" is when a speed camera identified that a motorist exceeded the speed limit and a photograph of the motorist's vehicle was taken. Sometimes a violation does not result in a fine being issued, known as a rejected violation. For example, this occurs when the vehicle's licence plate is unreadable or obstructed in the photograph.

This is important as we found for the 12-month period ended September 30th, 2018, our audit period, about 44 per cent of speeding violations were rejected. Although SGI received information about the violations rejected, it did not review the reasonableness of reasons for rejecting violations or determine whether it needed to take steps to reduce rejections. SGI did not periodically determine whether rejections of violations were consistent with its policies and expectations.

In addition, SGI did not establish a threshold or thresholds of what it viewed as a reasonable amount of rejected violations. For the 10 rejected violations we tested, the reason for the rejected aligned with SGI policies. Establishing a threshold or reviewing trends may help SGI monitor the amount of rejected violations. This in turn may help to identify program improvements or areas for additional public education of traffic safety laws. Improving its monitoring of rejected violations would allow SGI to better monitor that its service provider and applicable police services issue all fines that should be, and comply with SGI's policy.

This concludes my presentation and I'll pause here.

**The Chair:** — Thank you. Minister Morgan, please introduce your officials and make your comments.

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. I have brief remarks that I'd like to make before I introduce the officials just to sort of set a bit of context here. I want to take a moment just

to talk about the strength of our Crowns today.

Our Crown corporations are currently offering Saskatchewan people and businesses the lowest utility bundle in all of Canada. SGI provided the largest rebate in the history of its organization and SaskPower is administering a 10 per cent reduction off every single customer's power bill.

Our government is committed to providing high-quality, responsive public services to the people of Saskatchewan. As government entities, our Crown utilities play a vital role in the lives of Saskatchewan people. Our Crowns are providing these utility services in a cost-effective manner by working together and collaborating with one another. I believe that is what Saskatchewan people expect their Crown corporations to do: collaborate with one another to provide essential services.

That brings me to the branding of the Crowns, which, as people are aware, has been an issue in the last while. Shortly after I took this portfolio, I was approached by SGI to update its visual identity. We were subsequently approached by both CIC and Sask Gaming Corporation with similar requests.

We had discussions as to whether there should be a common branding across all Crowns and whether it could strengthen and support the Crowns and support the ability of Crowns to serve the citizens of our province. We canvassed the Crowns regarding cost and how it might be phased in to save money. We have now given the direction to the Crowns that we are not proceeding at this time and that all works to do with branding be paused, reconsidered possibly at some other date in conjunction with various issues or as the Crowns might come forth. But at this point in time, we're not proceeding any further.

Let me start, Mr. Chair, by introducing the officials from SGI that are here today. I'm joined by Andrew Cartmell, president and CEO; Penny McCune, chief operating officer of the Auto Fund; Jeff Stepan, chief financial officer; Tamara Therrien, chief human resources officer and executive vice-president of corporate services; Kwei Quaye, vice-president of traffic safety; and Meghan Moormann, director of driver programs.

SGI has a few items on the agenda today, starting with the Provincial Auditor's report on monitoring fines from the automated speed enforcement program. A little background on automated speed enforcement: it began as a two-year pilot, and based on the positive results of that pilot, our government decided to implement the program on a permanent basis.

The goal of the program is safety and not revenue. We would be happy if there were zero tickets because that would mean that people were not speeding. But until that's the case, the revenue from these tickets is dedicated to traffic safety initiatives. After covering the cost of the program, net revenue from automated speed enforcement tickets is split between the municipality where the camera is located and the Provincial Traffic Safety Fund. Communities from all over the province can benefit by applying for a traffic safety grant to improve safety in their community.

[09:00]

Back to the audit. I am pleased to say the auditor found SGI has

effective processes in place to monitor that fines issued from its automated speed enforcement program were accurate and reliable. But the auditor noted several SGI practices where they were found to be effective. For example, they found that the cameras and technology were properly maintained by qualified personnel. They found that SGI actively monitored violation percentages and took steps to try to reduce violations and that fines were issued consistently with the legislation.

They did however make four recommendations, and I am pleased to say that SGI has implemented all of them. Automated speed enforcement is an important tool for improving traffic safety in our province, and it's gratifying to know that the Provincial Auditor's report confirmed that SGI is doing a good job of managing the program and that drivers can have faith that violations issued are accurate and reliable.

I'd like to move on and talk about the qualified drivers audit. That audit report on the agenda today is a follow-up report on ensuring that only qualified drivers remain licensed. In the original report the auditor found SGI had effective processes in place for this. The auditor made recommendations for improvement in five areas. SGI implemented four of those recommendations. At the time of this latest report, follow-up had partially implemented the final recommendation. That recommendation was for SGI to establish written guidance outlining expected time frames for entering driver information on to their drivers' licensing system.

At the time of the follow-up audit, the recommendation had been implemented for Criminal Code convictions, vehicle impoundments, and roadside suspension. The only item still outstanding was for out-of-province summary offence tickets — speeding tickets, for example.

All Canadian jurisdictions receive and share paper files, so the process for out-of-province tickets is manual, cumbersome, and more subject to error than an automated process. SGI has already put a number of processes in place to address this, including hand stamping of each out-of-province ticket, regularly monitoring of work in progress that's in fax folders twice weekly to ensure information is being entered in a timely way, and documenting when information has errors or is incomplete and follow-up is required. However, human error is still a factor with manual processes.

It is a priority for all Canadian jurisdictions as signatories to the Canadian drivers' licensing agreement to develop an electronic conviction exchange between provinces. This would dramatically increase efficiencies and ensure conviction information is added in a timely and accurate fashion.

I'd like to move on and talk about the 2019-2020 annual reports. These are SGI's annual reports for the 2019 and '20 fiscal year. It was an excellent year for both the Saskatchewan Auto Fund and SGI Canada. I'll start with the competitive side of the company, SGI Canada. SGI Canada continued to grow in 2019-2020, and grow profitably. SGI Canada saw a net income of \$49.9 million. That allowed the company to return \$54.3 million back to the provincial government and ultimately the people of Saskatchewan.

In 2019-2020 SGI Canada achieved two key milestones from its corporate strategy, a full year ahead of schedule. First, to write



\$1 billion in premiums; second, to write at least 40 per cent of premium outside of Saskatchewan. SGI Canada was able to achieve these goals thanks to both its staff and broker partners. The company deeply values its partnerships with broker business owners. Without their continued efforts to grow our business and gain new customers across Canada, SGI Canada would not have reached these milestones.

Brokers also provide invaluable assistance when a customer has a claim. SGI Canada customers incurred \$543 million in claims in the 2019-2020 fiscal year. While storm and wildfire claims were down from the previous year, an especially severe storm can cause substantial losses if it hits all three of the prairie provinces. That is why SGI Canada wants to continue to grow in Ontario and in British Columbia.

Now I'd like to move on and talk about the Auto Fund. The Auto Fund remained in a strong fiscal position in the 2019-2020 fiscal year. SGI has a well-managed and well-diversified investment portfolio that over time has significantly contributed to the Auto Fund's rate stabilization reserve. This has been key in helping keep rates low for customers.

The rate stabilization reserve acts as a cushion for the Auto Fund, and it proved to be just that as the COVID-19 pandemic caused havoc with the investment markets at the end of the 2019-2020 fiscal year. Despite the downturn in the investment returns, the rate stabilization reserve remained healthy. Because the Auto Fund had this financial cushion, customers have not and will not experience the kind of increases that drivers in other provinces have over the past few years.

Part of the process for the healthy financials are lower claim costs, which started at the end of 2019-2020. While the average cost of a damage claim continues to climb faster than inflation due to modern vehicles being much more expensive to repair than older ones, SGI saw fewer claims in 2019-2020.

While the pandemic, especially in the early days, meant there was less traffic and fewer collisions as a result, we are able to share some very positive traffic safety news from before the pandemic started. In 2019 Saskatchewan recorded the lowest number of traffic fatalities ever, going all the way back to our earliest records in the 1950s. In 2015 SGI set a five-year target to reduce both injuries and fatalities on our roads by 30 per cent. Not only did the province exceed those numbers, it did so two years ahead of schedule.

The good news kept getting better as those reductions included the lowest number of impaired driving fatalities and injuries in our province's recorded history. Another significant development in traffic safety in 2019-2020 was in the area of distracted driving. Effective February 1st, 2020 the cost of a first-time offence more than doubled to \$580 with much tougher penalties for repeat offenders.

Safety is part of SGI's DNA, and while it's mostly associated with traffic safety, SGI's well-known "Take care out there" took on a whole meaning due to the COVID-19 pandemic. I'll touch on the pandemic challenges more in a bit, but I wanted to note that while 2020 may be remembered as the start of the pandemic, it was also the year that SGI marked its 75th anniversary. With that long history, SGI remains committed to growing and

evolving to meet the needs of customers now and into the future.

That's the end of the remarks with regard to the 2019-20 annual report, and I'd like to move on and talk about the 20-21 annual report. Despite the challenges brought on by the COVID-19 pandemic, both sides of the company, the Saskatchewan Auto Fund and SGI Canada, had an exceptionally strong year. Once again I'll start with SGI Canada.

SGI Canada far exceeded its targets for the year. Part of this year's success came from SGI Canada's geographic diversification efforts. SGI Canada realized profits from all five provinces in which it operates. Because of that, SGI Canada experienced a record underwriting profit of \$71 million, and that is paired with strong investment earnings of \$129 million. SGI saw a \$172 million net income. It allowed the company to provide a record \$87 million dividend to the Government of Saskatchewan and ultimately to the people of Saskatchewan. Again I'll note that this success is only possible thanks to both the SGI Canada staff and its broker partners.

On the other hand, SGI Canada was also challenged in new ways by the COVID-19 pandemic. Adjustments were immediately made to accommodate staff, support brokers, and keep customers safe. Financial relief and multiple payment options were offered to those facing hardships. SGI showed it can adapt and grow and thrive even during the toughest of times.

Now I'll move on and talk about the Auto Fund during that year. In 2021 the Auto Fund's investment portfolio had a record performance of more than \$500 million in earnings. Those strong investment earnings, paired with lower than anticipated collision claim costs, allowed the Auto Fund to provide SGI's largest ever rebate program. A one-time rebate saw \$285 million go back into the hands of registered vehicle owners.

The company also brought in significant improvements to benefits for some of its most severely injured customers. It increased payments for services for customers who require assistance with daily tasks like housekeeping and ended a clawback for customers who received income replacement benefits from both SGI and Canada Pension Plan disability.

SGI has also continued its relentless focus on traffic safety. In 2020 Saskatchewan recorded the second-lowest number of traffic fatalities of any year in the past six decades, and the number of traffic-related injuries was also down. I'm very proud of SGI's ongoing work to enhance traffic safety throughout Saskatchewan.

I'm equally proud of how the company adapted to the strains caused by the COVID-19 pandemic, because of course that was a factor for the Auto Fund as well. Safety was a priority when caring for both customers and staff. Customer safety was prioritized and their needs were accommodated. Those facing financial hardships brought on by the pandemic were provided with financial relief.

Because of SGI's strong fiscal position, the people of Saskatchewan can trust in its stability for the future. SGI has a well-managed and well-diversified investment portfolio that, over time, has contributed significantly to the Auto Fund's rate stabilization reserve. This is key in keeping rates low for

customers. In June the company announced that it submitted an application to the Saskatchewan rate review panel for a revenue-neutral rate rebalancing. The rate rebalancing is intended to move SGI closer to rate fairness across different vehicle types. Whatever the outcome of that process, I'm quite confident that SGI customers will continue to enjoy, on average, among the lowest overall personal vehicle insurance rates in Canada. Thank you, Mr. Chair, and with that we would be prepared to answer any questions.

**The Chair:** — Thank you, Minister Morgan. Do any members have any questions? I recognize Ms. Aleana Young.

**Ms. A. Young:** — Thank you, Mr. Chair. Good morning. Thank you, Minister, for your remarks. I will however, I believe, return to chapter 11 of the Provincial Auditor's report and proceed through the agenda as set. So beginning with chapter 11, SGI monitoring fines from the automated speed enforcement program, I see on page 175 there's a third-party service provider who installs and maintains and operates the technology for the program. I'm curious who the third party is and what the value of that contract is.

**Hon. Mr. Morgan:** — Mr. Chair, the answer to this question will be provided by one of the officials, Kwei Quaye, whose name you have.

**The Chair:** — Thank you, Minister. I would just state that whoever is speaking, please announce their name when they're speaking. Thank you.

**Mr. Quaye:** — My name is Kwei Quaye, SGI. The current company that is providing the service is called Redflex. We're looking up the body of the contract and we'll provide that to you shortly.

**Ms. A. Young:** — Thank you. And is that a Saskatchewan-based company?

**Mr. Quaye:** — No, Redflex is not Saskatchewan based. They are based out of Alberta and Ontario.

[09:15]

**Ms. A. Young:** — My next question is clarification around the revenue sharing of fines through this program. I believe the minister noted that fines are shared where the camera is located, and previously, I believe, concerns had been raised at SUMA [Saskatchewan Urban Municipalities Association] that this was not the case and that, you know, fines happening in Moose Jaw could potentially be in aggregate distributed to Saskatoon or, say, another municipality. So I'm just looking for clarification on that.

**Mr. Quaye:** — The way the funds are shared currently is, once there is revenue out of the . . . Let's take Moose Jaw. Moose Jaw issues fines; 25 per cent of those fines go to the GRF [General Revenue Fund] to take care of Justice administration, etc., etc. Ten per cent of the remainder goes to the city of Moose Jaw. The remainder goes to SGI to cover the expenses associated with the camera. At the end of the year . . . So 10 per cent goes to Moose Jaw. Ten per cent goes to the Provincial Traffic Safety Fund. The remainder part is used to pay for the expenses associated with the camera.

At the end of the year if there is any amount remaining, 50 per cent of that goes back to Moose Jaw, and 50 per cent goes to the Provincial Traffic Safety Fund. The money that goes to the Provincial Traffic Safety Fund is totally dedicated to traffic safety programs. Every community in the province can apply to that.

**Ms. A. Young:** — Perhaps one last question on fine revenue. I saw in the table that fine revenue had increased somewhat from 2016 to 2018. Sorry, the table I'm referencing I believe is on page 177. And is there information available for the revenue for the years subsequent? I'm curious what impact the COVID-19 pandemic has had.

**Mr. Quaye:** — The revenue for 2020?

**Ms. A. Young:** — Yes.

**Mr. Quaye:** — I don't have it broken down for 2020 in terms of fine revenue, but I can say that there were a lot of people speeding in the province in 2020.

**Ms. A. Young:** — Thank you. Thank you for that. And if there are any questions that I ask if the information isn't readily available, I would note for the officials and committee, I'm happy to receive it at a later date.

So perhaps a question, I believe, which may be for the auditor but may also be for officials in regards to the SGI contracts. For the record, could it be explained the risks associated with operating past contractual terms? I noted on page 179 of this chapter, I believe it's referenced that it may be impossible to enforce these, has the contract expired. So I'm looking for perhaps some clarification on that.

And in association with that question, as of I believe March 2019, SGI was in discussions to finalize these new contracts, and I'm curious for a status update on that and whether or not there had been challenges in seeking those contract renewals.

**Ms. McCune:** — Penny McCune. Yes, the contracts were delayed when we were renegotiating the terms on how the revenue would be distributed. All the contracts have been renewed and are in place. They started in 2019, they expired earlier this year, and they have been renewed.

**Ms. A. Young:** — And the risks associated with operating when those contracts have ended.

**Ms. McCune:** — The contracts were specific to how the revenue is generated, not to how the tickets are issued . . . sorry, how the revenue is distributed.

**Ms. A. Young:** — Thank you. And for the committee on the record, is there any sense of why the Regina and Saskatoon Police Services did not consistently issue fines to out-of-province speeders?

**Mr. Quaye:** — When we started photo radar or photo speed enforcement in this province, it was pretty new and we had to negotiate with the cities on how it was going to be done. The city of Saskatoon and the city of Regina noted that most of the offenders will be people in those cities. So the initial suggestion

was, let's concentrate on getting that process in place and get it right.

The in-province tickets depend on data from SGI, so it was very easy for us to share that data with them. The out-of-province requires a totally different process because we don't have that data, SGI. They have to get it from CPIC [Canadian Police Information Centre] or get it from something called the IRE [interprovincial records exchange] from an organization in Ottawa. So it was a bit more complicated for them to do that.

Moose Jaw, on the other hand, had Highway 1 going through Moose Jaw. And they realized that most of the offenders would be people travelling from out of province, so they concentrated on that. So that was why there was a delay in implementing the out-of-province portion for the city of Saskatoon and the city of Regina. But they have since then, in 2019, they've instituted the processes to actually issue tickets to out-of-province offenders.

**Ms. A. Young:** — So to make sure I understand, just due to the nature of the environment in which this operates, if it's an out-of-province driver who is speeding, due to the nature of them being an out-of-province driver, that then goes to the federal body in Ottawa and then has to come back to SGI?

**Mr. Quaye:** — Data on out-of-province offenders is not housed by SGI, so it never comes to us. They've instituted a process where through a police . . . It's called CPIC. It's a police service kind of information system. They are able to get information about these out-of-province offenders, and that is shared back to the service provider to update the files so that the tickets can be issued to these out-of-province offenders.

**Ms. A. Young:** — Okay, so even if these . . . Sorry, I'm just trying to wrap my head around this. Even if the violations are being caught by photo radar, it doesn't matter. These still go to Ottawa and never go directly to SGI?

**Mr. Quaye:** — Suppose I'm a driver from Ontario. I'm caught speeding in Saskatchewan by one of these photo speed-enforcement cameras. SGI has no information on my driver's record or my vehicle registration. That information can be obtained through IRE, by an organization in Ottawa; or CPIC, which is the police information system. So the police services have set up an arrangement with these organizations to obtain the information on the registered owner. Once they obtain that information, it is passed on to the service provider who merges that information with the speeding information that they have on the ticket. And then the ticket is issued to the offender, which would be me in Ontario.

**Ms. A. Young:** — And is there an estimate of the lost revenue from those violations?

**Mr. Quaye:** — Which violations?

**Ms. A. Young:** — Sorry. The Regina and Saskatoon violations that the police services were not . . .

**Mr. Quaye:** — There were about 4,200 in total, so if we're using roughly \$100, \$50 . . . 420,000 thereabouts. Yeah.

**Ms. A. Young:** — And how does SGI compare to other

provinces? I assume other provinces at that time were issuing fines to out-of-province drivers. Was this just a hiccup with introducing the new system?

**Mr. Quaye:** — I don't understand your question.

**Mr. Cartmell:** — I don't think most other provinces have photo speed enforcement in the same perspective that we do. There are a number of cities, like the city of Edmonton has photo radar and things of that nature, but they're generally put in place to be a revenue generator for the city. So I don't know that we can compare, but we have a very efficient system particularly with respect to in-province licence plates and offenders, and I think our system probably would stand up against any other one in the country. It's on a bigger scale.

**Ms. A. Young:** — And my last question under fines to out-of-province . . . pardon me, what was the language you used? I keep calling them out-of-province speeders, but I feel like that's perhaps not the most polite . . .

**Mr. Quaye:** — I think that is right.

**Ms. A. Young:** — So was SGI aware of this gap with Regina and Saskatoon police services prior to the audit by the provincial auditors, or was it brought to SGI's awareness through the audit process?

**Mr. Quaye:** — Well, in part. We knew that, like I said, you know, it took a while for us to get the in-province processes going. And the police services had indicated to us that that was a lower priority in terms of the numbers so we knew that, you know, that was there. But the audit also identified that those tickets were not being issued. But like I said, it's been rectified now.

**Ms. A. Young:** — Thank you.

**Hon. Mr. Morgan:** — I think, Mr. Chair, at the time this was taking place, it was a new program and neither Regina nor Saskatoon were up to speed as quick as they should. And I don't think it's appropriate for us to spend a lot of time finger pointing between SGI and the respective municipalities. Clearly Moose Jaw was able to get their system in place, but the other two larger cities were not. I know at the time there was a fair amount of media, and both the cities undertook to get the system up and running and I think did shortly thereafter.

So the comments made by the Provincial Auditor are fair and accurate, and I'm pleased that SGI and the two largest cities in the province have now got the system in place. And there's no doubt there was some lost revenue to the municipalities at that point in time. At the time I had the Justice portfolio and I remember speaking to both of the mayors at the time, and their concerns were partly for the lost revenue but also for the loss of integrity in the program and the loss about the confidence in both the justice system and the ability to collect funds. And I'm pleased that everybody has now got the system working as well as they can.

The challenge going on is we're able to be very effective at collecting fines from offenders within the province. There's a number of tools that are available: federal intercept for monies

that would come back from income tax refunds and such like, or the inability to get your driver's licence renewed. So we're able to do a relatively high collection rate within the province. It's a little more challenging for us to collect from an out-of-province . . . I remember receiving a call once from somebody that had a several-year-old fine from Ontario, furious that we actually scooped the person's income tax refund, and my reaction at the time was, our system is finally working the way it should.

**Ms. A. Young:** — Glad to hear that, Minister. Is there a success rate that we have in tracking down those dastardly out-of-province drivers who owe the good people of Saskatchewan money through traffic violations?

**Mr. Quaye:** — What was your question, please?

**Ms. A. Young:** — Whether there is a success rate for payment of fines from out-of-province drivers.

**Mr. Quaye:** — Oh, I don't know what percentage we are collecting. We'll have to find out from the Justice folks.

[09:30]

**Ms. A. Young:** — Thank you. That was my last question in regards to fines. Moving on to 4.8 of chapter 11, better monitoring of the automated speed enforcement IT system needed. It's noted in the report, which I believe is from 2019, that since the inception of the program there had not been that assessment done. And I'm looking for comment on the current state of any assessment done on the integrity of the data in the automated speed enforcement IT system.

**Ms. McCune:** — So we have processes in place where the vendors do periodic audits, and we also have third-party audit reports — they're called service organization control reports — which provide assurance that the vendor is sufficiently maintaining the data integrity in their IT systems.

**Ms. A. Young:** — I also note in the report, within the scope of this chapter, that SGI had limited its assessment to determining whether changes to fine rates in the automated speed enforcement IT system were correct and monitored whether fine recipients challenged the fines in court. What are the results of the fines challenged? And is there a number available for the proportion that were overturned?

**Ms. McCune:** — Sorry, we don't have those numbers here, and I imagine that would come through Justice.

**Ms. A. Young:** — Thank you. Mr. Chair, I have no further questions for chapter 11.

**The Chair:** — Thank you. The 2019 report volume 1, chapter 11 has four new recommendations for the committee to consider. What is the wish of the committee? I recognize Mr. Dana Skoropad.

**Mr. Skoropad:** — Mr. Chair, I move that the committee concur with recommendations 1 through 4 and note compliance.

**The Chair:** — Mr. Skoropad has moved that the committee concur with the recommendation and note compliance.

Moving on to the 2020 report volume 1, chapter 23, Saskatchewan Government Insurance, confirming only qualified drivers remain licensed. Ms. Clemett, please make your presentation to the chapter.

**Mr. Deis:** — It's Mr. Deis. SGI is responsible for issuing licences to eligible drivers and confirming that only qualified drivers remain licensed to operate motor vehicles. It may suspend or revoke licences from individuals whose habits or conduct make their operation of a motor vehicle a source of danger to the public. Alternatively it may sanction them: for example, require the completion of a defensive driving course.

SGI, on behalf of the Saskatchewan Auto Fund, registers vehicles, licenses drivers, and provides related services to approximately 800,000 drivers and approximately 1.2 million vehicles and trailers in Saskatchewan.

Chapter 23 of our 2020 report volume 1, starting at page 241, reports that by November 2019 SGI continued to work on implementing one outstanding recommendation we originally made in our 2016 audit of SGI's processes to confirm only qualified drivers remain licensed to operate motor vehicles. We found SGI entered information promptly into its IT system, consistent with its procedures for vehicle impoundments, Criminal Code convictions, and roadside suspensions.

However, staff were not always entering driver information about out-of-province summary offence tickets into its IT system within the expected 14-day time frame. Delays in entering traffic offence information can delay the commencement of SGI drivers' disciplinary processes for unsafe drivers. SGI received more than 11,000 out-of-province tickets for the just over 10-month period of January 1st, 2019 to November 15th, 2019. This concludes my presentation.

**The Chair:** — Thank you. Minister Morgan, please make your comments.

**Hon. Mr. Morgan:** — Mr. Chair, we are ready to take questions in this hearing.

**The Chair:** — Do any members have any questions? I recognize Ms. Aleana Young.

**Ms. A. Young:** — Thank you, Mr. Dennis. I appreciate the indulgence of the officials. This is one of the few opportunities we do have in opposition to have access to you and to the public service, so if some of my questions to you seem fairly basic, it's pretty much me wading through my binders here. And so I appreciate your indulgence in my questions for clarifications as I strive to get up to speed on the important work that it is that you do on behalf of the people of Saskatchewan.

So in regards to chapter 23, from my own understanding, the lag in the information, this is what was discussed previously about this occurring due to the nature of this actually being a paper copy that is transmitted between provinces. Is that accurate?

**Mr. Cartmell:** — Yes, that's accurate.

**Ms. A. Young:** — Thank you. And for the record, would you be willing to provide comments on . . . I believe I recall from earlier

this morning, there was some discussion of advocacy that the province had undertaken in collaboration with other jurisdictions to move this to an electronic exchange. And I'm looking for any update or information you'd be willing to provide on that.

**Hon. Mr. Morgan:** — Mr. Chair, the comment I'll make — I'll certainly have the officials provide some background — is that tickets that are issued on in-province vehicles is relatively sophisticated. The photo radar takes the picture of it and then everything else is automated. The information is available on the computer system. The summary offence ticket is processed and mailed out with very little human interaction with it.

When an out-of-province vehicle goes through, a human has to look at it, identify — is that an Ontario plate, an Alberta plate — to the extent whether the software can identify it, and then move on from there to try and contact the other jurisdiction, to try and get the particulars of who the registered owner of the vehicle is and then send it out. And I appreciate the recommendation that it should be done within 14 days, but sometimes just the sheer process to find it, identify it, look at it, was taking longer than that.

But I'll certainly let the officials answer it. And the question, as I recall, was regarding what were the state of the negotiations if we're to try and speed up this process. And it's a good comment and a fair position to take.

**Ms. McCune:** — Yeah, because it is very paper-based. So we put in some improvements; we hand-stamp and make sure that we're prioritizing. But it is a priority for all Canadian jurisdictions as signatories to the Canadian driver's licensing agreement to develop this electronic conviction exchange between provinces. So that will dramatically increase efficiencies and ensure the information is done in a more timely manner. And I'm told that the Canadian motor transport association estimates that the project scoping will be completed for this in early 2022.

**Ms. A. Young:** — Excellent news. Thank you. Mr. Chair, I have no further questions on chapter 23.

**The Chair:** — Thank you. The 2020 report volume 1, chapter 23 has no new recommendations for the committee to consider. I'll ask a member to move that we conclude the consideration of this chapter.

**Mr. Skoropad:** — Mr. Chair.

**The Chair:** — The member has moved that we conclude the consideration of the 2020 report volume 1, chapter 23. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. That concludes our business with the provincial auditors this morning. You are free to leave the committee room now, and we'll see you this afternoon.

**Hon. Mr. Morgan:** — Mr. Chair, I would like to take this opportunity to thank the officials from the Provincial Auditor's for what they've done with regard to this particular Crown corporation. I know we'll have them back later on for this. But

the work that they do in ensuring the professionalism and competence of our Crowns, it is absolutely imperative that we maintain that. And the work that they do raises issues that were not otherwise raised.

And we thank them on a continuous basis for the work that they do, so on behalf of not just the people that are here today, but on behalf of all the citizens, I want to thank them for their work. I know they're going through the process of having an interim chief auditor right now, and I know Ms. Ferguson has retired or has left, and I would like to thank her on the record for the work that she did over the last number of years. So thank you, Mr. Chair.

**The Chair:** — Thank you, Minister, and thank you for your comments. Well noted.

The committee will now be considering SGI's annual reports, including the 2019-2020 and 2020-21 SGI Canada annual reports, 2019-20 and 2020-21 Saskatchewan Auto Fund annual reports, 2019 and 2020 SGI Canada Insurance Services Ltd. annual report, 2019 and 2020 Coachman Insurance Company annual report, 2019 and 2020 SGI Superannuation Plan annual report. Minister Morgan, would you please make your opening remarks.

**Hon. Mr. Morgan:** — Mr. Chair, I have no opening remarks on this. Any opening remarks I've done, I've made already, so I'm prepared to answer questions.

**The Chair:** — Okay. Before we open it for questions, I'd remind the officials to please state their name for the record when they're speaking and when they first speak. Again, do any members have any questions? I recognize Ms. Aleana Young.

**Ms. A. Young:** — Thank you, Mr. Dennis. Given the nature of the agenda and that we're reviewing the two years, what I intend to do perhaps is to group my questions by theme as opposed to breaking it up for, you know, 2019-2020 and then 2020-21 for the sake of efficiency and also ease of moving through the agenda. And what I believe I will do is perhaps start with SGI Canada and proceed with my questions for SGI Canada, and then perhaps with the consent of the Chair and the other members propose a brief five-minute recess at 10:30 if that is acceptable.

**Hon. Mr. Morgan:** — Mr. Chair, if the member's request is that they not break up by the two years where we've had the discussion here, and we're comfortable with taking them across that, the entire info that's been there. And we didn't have a lot of discussion about moving back and forth on themes, but that's certainly the member's prerogative to ask those questions, so we'll certainly try and accommodate as much as we can.

**Ms. A. Young:** — Thank you, Minister. So as noted, I will begin with SGI Canada. And I think I would be remiss if I didn't congratulate SGI Canada and its partners on achieving those goals in regards to the over a billion dollars in premiums. That's a remarkable accomplishment, and I do commend you and all of your staff and your partners for that success on behalf of the Crown corporations.

I note that your previous strategic plan came to a close in 2020-2021 with a new direction provided until 2022-23. I'm

looking for comments and detail on the change in direction, and specifically in addition to that for the record and for the committee, some of the subtle changes that were made to those value statements and what the intention is behind those.

[09:45]

**Mr. Cartmell:** — Andrew Cartmell. So we finished our five-year strategic plan a little bit early because we had met the goals that we had wanted to achieve. And so the direction for our next strategic plan is one focused on becoming, for lack of a better word — and I hate to use buzzwords — but to become a digital insurance company. The insurance industry has always been seen to be a bit of a dinosaur with respect to embracing technology and doing what other industries have done, particularly in the retail sector with online sales and you name it.

So in the insurance industry there's a lot of catch-up being done by ourselves and other insurance companies to have the technology to support a new business model. It's a very manually intensive business with a lot of transactional work being done. And of course, we all know today that computer systems can handle transactions more accurately and efficiently than humans can. And in fact, for our own employees when they touch a policy to make a decision or to support a customer or a broker partner, would be a far better use of their time and more interesting roles for our own employees than simply processing transactions. So the gist of what we're trying to basically do over the next two or three years is to transform the organization — and that would be both SGI Canada and the Auto Fund — and leverage technology to support that.

A lot of it involves data and data analysis. Insurance companies by their very nature collect lots of information on our customers. We have claims information and you name it. Of course, we follow all the protocols we should with respect to protecting that data and that information. But nonetheless, that information allows us to tailor products and services to meet the needs of our customers. And that's another aspect of transforming our company.

So we tweaked, I guess, our value statements, as opposed to a wholesale change. I don't have the detail in front of me. But basically, we've had very similar values in our company for as long as I've worked at SGI, which is 12 years. And we added one value statement about being passionate about transforming our company to really try to get our employees engaged and supportive of the change we're trying to achieve as we work towards our new strategic plan.

**Ms. A. Young:** — That's a wonderful transition to my next line of questioning, which I believe can be broadly grouped under workforce.

And I guess just one point of clarification. The report speaks about the significant cultural transformation, I believe it's noted on page 12, and this is consistent with the remarks that you've just shared around the shift to, really, an insurance company for the 21st century and that skilled digital workforce that you'll have within the company. Correct?

**Mr. Cartmell:** — Correct.

**Ms. A. Young:** — And I notice within the annual report that there is a new HR [human resources] management system which, I believe, quotes as delivering “more robust talent management programming.” Is this in a similar line with those previous comments?

**Mr. Cartmell:** — It is. As we undertook to start to transform our company and upgrade our computer systems, we started with some of, I guess, the background or foundational systems. Our HR system was quite old. It needed to be upgraded. We have our chief human resources officer here and, Tamara, maybe you want to come up and speak to the reasons behind the change in the system.

**Ms. Therrien:** — Tamara Therrien. Yes, we just recently upgraded and launched our new human resources management system. It's called Workday. It was implemented last August after a number of years of working on that configuration and conversion. It's largely web based and easier for both employees and managers to get information about their workforce.

**Ms. A. Young:** — The web-based nature of that seems timely given the work-from-home implications for many employees over the past 18 months. In regards to workforce development, as SGI Canada is seeking to transform to exist in the digital era, are there comments that can be offered in regards to some of the workforce development that's necessary to achieve this, whether internally or with other institutions within the province?

**Ms. Therrien:** — Over the last number of years we have certainly been working on foundational areas of development. Some of those include our leadership development programs through the cultural work we've been doing. We have also identified other technical training areas and have brought together a framework for the organization to work collaboratively and collectively on these skill gaps that need to be addressed as we pursue transformation.

**Mr. Cartmell:** — In addition to that, we've had programs through the University of Regina in particular with respect to the actuarial science programs. So we're a major funder and, I guess, employer of graduating actuaries from the University of Regina. We also have recently provided funding to them to develop a data management, data analysis area within the university because we know we need the skill sets that deal with statistics, mathematics, actuarial science in order to be a competitive company on the SGI Canada side in the growing years.

**Ms. A. Young:** — For the information of those present I am also, in addition to the critic for SGI, one of my many, many critic portfolios is also immigration. And I've heard since taking over this role — as I'm sure many of us have, you know — just a devastating number of lived experiences of newcomers to Saskatchewan who struggle to have their credentials recognized or to bridge their credentials to Canadian or Saskatchewan standards. And I personally believe there's more that we can and should do as a province, not just specific to SGI and certainly the country, in regards to helping everyone who moves here actualize their full potential.

And with that preamble I'm curious if comment can be offered in regards to the workforce makeup and diversity of SGI Canada. And then I will have a couple more questions after that.

**Ms. Therrien:** — We don't break our numbers, our diversity numbers down based on the two sides of our company. But I can tell you that, as of 2021, 34.33 per cent of SGI's workforce was comprised of disability groups. About 9.88 per cent are Indigenous, and 10.45 per cent are from the disabled community. I don't have the number for the visible minorities, but I can tell you that it does exceed the Human Rights Commission targets in this province.

**Ms. A. Young:** — Excellent. Thank you. And is there any monitoring of — I'm not sure of the technical term — but the employment level of people? For example, are people that you are employing employed at a level suitable with their education level, or are people underemployed or overemployed, and is that anything that you track internally?

**Ms. Therrien:** — Well we are a unionized workforce, and the vast majority of our employees come in through entry level and then work their way up into other qualified roles in the company. We do have professional roles that do require specific educational requirements, and we do our best to ensure that people that are coming into those roles have those qualifications.

**Ms. A. Young:** — And in addition to tracking diversity within your workforce, do you have any processes in place which track the diversity of applicants? For example, if there is a role being interviewed for or posted, do you . . . Sorry. I'm very tired. Do you track or interrogate the data in regards to the people who apply for those jobs? For example, you know, if 10 people apply, are six of them consistently Indigenous? And do then 60 per cent of the jobs go to Indigenous people, or anything like that?

**Ms. Therrien:** — Not specifically. However, I can tell you that diversity is an important component of what we look for when we do recruitment. So when we have diverse applicants, we ensure that they are forwarded for consideration on roles. And I can tell you that as the makeup of our province changes, the proportion of candidates who are diverse has definitely increased.

**Ms. A. Young:** — Thank you. I believe that is my last question on workforce development, so thank you very much. Proceeding now to a group of questions focused more around customer experience, I do note in the report that that efficiency target was missed, although only marginally, and I am looking for some introductory comments on that before I proceed.

**Mr. Cartmell:** — I'm sorry. I didn't quite hear what you were looking for.

**Ms. A. Young:** — Sorry. I note in the annual report under customer experience, I believe the efficiency target was missed for — God, which year am I on? — I believe the most recent year. And I was looking for comment on that.

**Mr. Cartmell:** — Oh, okay. I think you were referring to our customer satisfaction score. And yeah, it was slightly lower than what we had expected. I'm not certain we know the exact reasons for why it was a little lower than what we had anticipated. We have historically been one of the top insurance companies in Canada with respect to customer satisfaction and customer experience scores, based on the independent third party that looks after that for us. We did note, however, that there was a drop, I

think, amongst many of our competitor companies as well. We assume it's COVID-related for whatever reason, but we simply haven't had the time to dig into the details of why it dropped.

**Ms. McCune:** — Penny McCune. I can speak to that. Just recently we did a follow-up. And we do our perception surveys with the public — just how do you feel about SGI? And the survey went out right at the heat of the pandemic when we were just sending everyone home, and we did have quite long queues in the call centre. It took us a little while to get things up and running. So we believe that that is why we had a bit of a drop.

**Ms. A. Young:** — And I'm curious, who would be considered a customer of SGI? Is that a very technical label that you give to people? Is it simply people purchasing insurance or would that include, you know, contractors being paid out? Or who is included in that broad designation?

**Mr. Cartmell:** — Our definition of customer is the person that pays the premium. And everyone else — our brokers, contractors, repair shops, physiotherapists, medical practitioners — they're business partners.

**Ms. A. Young:** — I have a question in regards to your business partners, and for context, this is through some casework which has come through my office as SGI critic. And I do hear through business partners, specifically through contractors, that anecdotally it is taking longer and longer for contractors to be paid for work that they're doing in relation to claim. And I'm wondering if that is something that is tracked or how that is measured year over year.

[10:00]

**Hon. Mr. Morgan:** — Mr. Chair, we're not aware of any specific or general information that would indicate that claims or payments were being processed at any different rate. It's always possible that during storm season, something would get delayed briefly or whatever else, but we're not aware of any kind of a systemic issue. So if the member has got specific issues, we'd be pleased to handle them by way of casework, which she can either send through my office or send directly to SGI.

**Ms. A. Young:** — Thank you, Minister. I appreciate that. Is there like a standard period of time that SGI strives to achieve?

**Ms. McCune:** — Without knowing the specific claims, if you're talking about property claims, typically we just try and pay them as we get the invoices, etc., in. Some of our renovations or repairs can be complicated and sometimes there is extra dialogue between the contractors, but generally speaking, we try and keep current.

**Ms. A. Young:** — Thank you very much. In regards to property claims, I know this was a bit of a year. We had that storm in January, I believe, which likely would have contributed, and I recognize that that's essentially the nature of the business. You will have some better years and you will certainly have some more expensive years. And another piece which has come through my office, which I have not forwarded to the minister as it's largely just been complaints, but certainly this summer or over the past few years we've seen an increasing number of outages related to SaskPower. And I'm curious if SGI

specifically tracks claims for property or damages due to power outages. For example, the wildfires this summer led to certainly a number of our neighbours in northern Saskatchewan losing large amounts due to not having power for a significant amount of time.

**Mr. Cartmell:** — I'm not aware if we specifically track power outages per se. We would know . . . So for example, if it was in the summer and there was a power outage, usually you'd get food freezer damage, that kind of thing. So we would know that type of claim. If it's in the winter and you have frozen pipes, and of that nature again, we would likely note that information. But I don't know if we specifically track power outages as a cause of loss.

**Ms. A. Young:** — Thank you. If anyone does discover that that is something that is recorded anywhere, that would be of interest. And if that does exist and it could be tabled with the committee, that would be fabulous. If not, I understand.

I guess before moving on from this general topic, I do note that '19-20 was a relatively good year for catastrophic claims. And is there any more that could be said about 2020-2021 or what the committee can anticipate as we look forward? Recognizing storms and catastrophic events are certainly impossible to predict, but I believe there has been some international hardening of the insurance markets and certainly some additional attention being paid to weather-related catastrophic events and what impact that may have to SGI Canada.

**Hon. Mr. Morgan:** — Mr. Chair, I'd make a bit of a general comment on this and then I'll let Mr. Cartmell. Prior to the pandemic, SGI was in the fortunate position of not having any adverse weather claims of any huge magnitude, and the safe driving programs were yielding some fairly significant benefits.

Once we got into the pandemic, we were into an area that the insurance industry and society generally had never experienced before. People were staying off the roads. People were staying home, so they were looking after their homes better. Everything else was taking place. So claims generally dropped off during that period of time. In the early parts of the pandemic, there was virtually no traffic whatsoever on the roadways, so road collisions were way down. And as the pandemic went on and even returned, there was a period of time where there was no significant amount of adverse weather claims.

The fortunes of SGI can be badly damaged with one large hailstorm that damages houses, vehicles, and sort of across the spectrum. You can have a loss period of a few hours that claims tens if not hundreds of millions of dollars. So with that, I'll let Mr. Cartmell speak to the broader things. But we've gone through a period of time where we've had some good fortune from weather and also that the pandemic has provided a benefit. And I'll let him speak more specifically to the benefits that market returns have been in. We're not sure how long those might be, but I'll let him speak to all of those.

**Mr. Cartmell:** — Okay. So the 2019-20 year, we had a relatively light, I guess, catastrophe claim total. It amounted to about \$32.5 million. And the last fiscal year, 2020-2021, it was more normal, a more normal level of 78.4. That did include the January winter windstorm, which was kind of unusual for us. We were

looking at another low year until that happened. And that event was just under \$25 million of losses for SGI Canada. All the numbers I'm speaking to are SGI Canada.

We have seen over the last 10 or 15 years an increase in weather-related losses between wind, hail, flooding, wildfires across Canada, across Western Canada. From an insurance perspective, climate change certainly appears to be something real, and we're seeing the outcomes of that in our own claims experience. We do purchase reinsurance to protect our company against a frequency of storms as well as a magnitude of a particularly large one.

But for both years, you know, yet the 2019-20 year was a light catastrophe claim year. The last fiscal year was more normal. So far — and we don't like talking about current timing particularly to jinx it — but it's been relatively normal again since.

**Ms. A. Young:** — Thank you very much. Speaking specifically to this year's past annual report, a couple questions in regards to some of the issues that the minister raised in his comments. It was noted that SGI has provided some understanding for customers who were struggling due to the COVID-19 pandemic. And I'm wondering if there are any numbers that can be attributed to that in regards to either the number of customers who were impacted, what the total value would be, and whether those . . . I'm not sure if deferred payments would be the right language there, but whether those deferred payments are seeing any interest charges.

**Mr. Cartmell:** — I don't believe we tracked the number of customers where we basically deferred premium renewals or were more lenient from that perspective. What we did do was try to accommodate our customers as best as possible given their own circumstances. So if we did defer payments, we charged no interest.

**Ms. A. Young:** — Thank you. And those customers with payments being deferred, they would of course still have insurance?

**Mr. Cartmell:** — Well yes. We encouraged our customers to also work with their brokers from the SGI Canada side. We deal through brokers, and we instructed brokers to assist customers with respect to coverage options, particularly, you know, if they had two or three vehicles but weren't driving them because of the pandemic. Well then you can change the level of coverage that you have on those vehicles. You may still need coverage, but you may be able to change or reduce the coverage that you have.

**Ms. A. Young:** — Yeah. If those numbers do exist anywhere, just in regards to the number of customers who did take advantage of that offering, that would be information that would be appreciated, certainly by myself, for the committee.

The minister, I believe, also spoke of the increased benefits for customers who are the most impacted by their disability. I believe this was in this past year's annual report. For the record, what is the total cost of this increase? And what is the net benefit to the customers who are recipients of this? Both in total and what that means, really, month to month for these individuals.

**Mr. Cartmell:** — You're speaking, I think, of the Auto Fund,



and we changed two benefit levels with respect to injury claims.

**Ms. A. Young:** — Pardon me. If I am, I can defer. I thought the minister referenced that in his SGI Canada comments. But I may have written that down incorrectly.

**Hon. Mr. Morgan:** — No, it actually would have been part of the reference to the additional money was paid out of the Saskatchewan Auto Fund. There was a portion of that payout did not go back by way of a rebate. It was used to try and benefit the customers that were most impacted by their injuries. So it provided additional care benefits for people that needed housekeeping costs, yardwork, etc., to maintain their ability to stay in their homes.

And there was also a provision, or had been a provision that if somebody was receiving a Canada Pension Plan disability benefit, that the SGI benefit was reduced and essentially clawed back. So that was done away with, and the amount of the aggregate was how much?

**Ms. McCune:** — Well we had to increase reserves for all the claims that have been open and will increase going forward. So for the living assistance benefits, it was an increase of \$36 million to the reserves, and for the CPP [Canada Pension Plan] change it was \$41 million.

**Ms. A. Young:** — Thank you. And is that for the projected lifetime of that benefit, or just for this past year?

**Ms. McCune:** — That applies to all of the injured customers that had an open claim. And so we upped the reserves too because their ongoing benefits will increase. And then it applies going forward to any new injured customers.

**Ms. A. Young:** — Thank you, Ms. McCune. And do we have information in regards to what the month-to-month benefit would be on average?

**Ms. McCune:** — I don't have it at my fingertips, but I believe we do have that.

**Ms. A. Young:** — Thank you, I look forward to that. And apologies, I said I would stick to SGI Canada and then I jumped to the Auto Fund. I wrote it in the wrong column. So thank you for the indulgence to the committee.

[10:15]

As the administrator of the Auto Fund, I noted that administration fees were up about 20-odd million dollars year over year, which seemed like a significant increase in admin costs.

**Mr. Cartmell:** — Those costs were transformation costs, upgrading systems costs.

**Ms. A. Young:** — Sorry, I'm not sure I understand.

**Mr. Cartmell:** — As part of our new strategic plan, we're aiming to transform the company and invest in technology. So that would be, of SGI's total, that would be the Auto Fund's share of those transformation costs in the last fiscal year.

**Ms. A. Young:** — Understood. I would note in regards to the MCT [minimum capital test] within SGI Canada, it seems that it is operating well above the target. While I'll certainly have some more questions for the Auto Fund later, for the committee and for the record could you explain what happens to that excess capital within SGI Canada?

**Mr. Cartmell:** — Certainly. So SGI Canada has a different minimum capital target than the Auto Fund. And with SGI Canada we follow essentially what a federally regulated insurance company would need to follow through OSFI, and OSFI's the Office of the Superintendent of Financial Institutions in Ottawa. So OSFI has a regulatory minimum of 150 per cent for MCT, but they expect a company to operate at a level above that. And they leave it to the discretion of the company to be prudent with respect to what that is. And there's actuarial calculations that go into that level.

So for SGI Canada, we've determined our minimum capital test that we target is 242 per cent. And so simply put, any time at the end of a fiscal year, if our MCT is above 242 per cent, we dividend to Crown Investment Corporations the excess above that.

**Ms. A. Young:** — Thank you. So I'm trying to read the table on page 13 of — which year am I in? — the '19-20 annual report. I know it's in the '20-21 as well, although I don't have the page number handy. So just to understand, so for SGI Canada the 242 is the internal target that you strive to maintain. Anything above that then goes out as a dividend.

**Mr. Cartmell:** — Right.

**Ms. A. Young:** — So then what is the distinction between the internal target at 213 per cent for that year and the operating target of 242? Is that internal target the OSFI requirement, that legislative requirement or regulated requirement, I should say?

**Mr. Stepan:** — Jeff Stepan. The distinction between the internal target and the operating target, again using OSFI best practices, the way OSFI would look at this is, if a company is approaching its internal target or breaches its internal targets, there is requirements for OSFI to take action. So insurance companies don't want to get near their internal target. That effectively is the minimum level.

So Mr. Cartmell talked about the 150 being OSFI's minimum. For most companies it's well above that. So that's the 213, that's the minimum, and because we don't want to breach that, all insurance companies have an operating target that's above that. And that's what we target. So that's the distinction between the 213 and the 242.

**Ms. A. Young:** — Thank you very much. So I note for Coachman Insurance, I think it's at, like, 540 per cent. It's significant. And I believe their target is still around the 300 per cent, if I'm accurate in that recollection.

**Mr. Stepan:** — Yes. Yes, you're accurate. The numbers for SGI Canada are consolidated, so that brings in both the SGI Canada Insurance Ltd. capital as well as the Coachman capital. Because Coachman is such a relatively small entity, that level of capital can vary quite a bit. So the Coachman organization was,

effectively it was shrinking as we were moving any of the standard business out of Coachman into SGI Canada Insurance Services Ltd. And that's why the capital level is high. We're in the process of dividending that back to its parent company, which is Insurance Services Ltd.

**Ms. A. Young:** — Thank you. That is much easier to understand. I appreciate the answer. I note that, I believe it was this past year or, pardon me, in 2019-2020 there was I think \$83 million that went to — oh the acronym, is it SCISL [SGI Canada Insurance Services Ltd.]? — for growth initiatives. I'm looking for comment on those initiatives, as well as I believe then this year there was \$7 million, which is a considerable difference. And just looking for some explanation in regards to what those funds are for, just for the accountability and what that difference is.

**Mr. Stepan:** — So just for simplicity, the acronym is SCISL that we say for SGI Canada Insurance Services Ltd. The \$83 million, in fact it was \$90 million. The \$7 million was just the tag-on of . . . When we were transferring capital we wanted to make sure we did it efficiently, so there was some investments that were transferred in kind that happened after. So that's why there was that relatively small amount.

The injection of capital was to make sure that SCISL was operating with an appropriate level of capital. The FCAA [Financial and Consumer Affairs Authority of Saskatchewan] in Saskatchewan is the regulator, and they're looking at the level of capital for SCISL. They don't necessarily care about SGI Canada consolidated. So we had to make sure that SCISL effectively in its bank account, in its investments, that it had sufficient capital to operate. So there wasn't any specific initiative that was used for that money. It was just to make sure that the level of capital was sufficient. Now if you roll forward another year, the level of capital is well beyond its internal target and operating target. So it was just to make sure that the company had sufficient capital to operate.

**Ms. A. Young:** — In the SGI Canada report, I believe it details real estate leases, which I'd understand would largely be for offices. And I believe in this past year's annual report, I think it's on — actually I did write it down somewhere — on page 51 it notes a fairly decent depreciation of assets and a disposal. And I'm looking for comment on that.

**Mr. Cartmell:** — Can we ask for clarification on your question, please?

**Ms. A. Young:** — Sure. Hopefully I can provide some. Yes. I believe on page 51 of the SGI Canada annual report, it notes that at March 31st the corporation held 18 real estate leases, which I would imagine would be for offices and facilities within the province and outside. And I thought I noted that in this past year there was a disposal of right-of-use assets as well as some significant ongoing depreciation.

**Hon. Mr. Morgan:** — Is there a specific line or a page where those numbers are there so that I can ask them to . . .

**Ms. A. Young:** — Yes, as noted, page 51 of 2020-2021.

**Mr. Stepan:** — So the information on leases reflects a new accounting standard, IFRS [international financial reporting

standards] standard. You can see that the balance at the beginning of 2020 was zero. So this is the new standard that requires us to capitalize all of those leases and show the difference between the operating leases and capital leases.

What you see, the depreciation there, that's just normal. Because it's capitalized, it's going to be depreciated. And the disposals, they would have been more than just the real estate. There's all the information in there, so it could have been photocopiers or things like that that the corporation owns that would have been disposed of. So we're talking about disposals of \$264,000 on the right-of-use assets. And I think that it's just because it was zero one year and 264. It's because of the change in the accounting treatment.

**Ms. A. Young:** — Thank you. Apologies if I missed a note on that. I hadn't seen one in this section detailing that. And those disposals would just be kind of like the business-as-usual disposals that happen in any large corporation as it relates to equipment.

**Mr. Stepan:** — Correct.

**Ms. A. Young:** — Yes. Excellent. I think my last question before we break . . . You know, the minister spoke of the hot topic of the Crown rebranding exercise that was widely reported on. And I believe you noted, Minister, that this was initially initiated within SGI as a request to kind of update the branding. And then other Crown corporations had also made some requests to that effect, but that it is on pause, may at some point in the future be reconsidered but is certainly not being pursued right now. Were there any expenditures that went towards this exercise in the scope of the two annual reports that we're examining?

**Hon. Mr. Morgan:** — I think we'd be prepared to give you sort of a broader answer across the entire period of time. Obviously SGI had done some work before they came forward with a request. And it was somewhat interesting because they came and there was the history of where they were with trademarks, logos, etc., because it originally was SGIO for Saskatchewan Government Insurance Office, and then it had different ones, and then there was different signage and everything over the last number of years.

So they came forward with, and they, I believe, had used a consultant, prepared some different graphics or something, and then that's sort of what the triggering process was for us to have discussions with some of the other Crowns. So I'm told, as a result of our queries to them about what else we might do, there was no cost. It was internal discussions, whatever, but there certainly would have been some costs that SGI had done prior to that of their own volition. And I'll let Mr. Cartmell speak to those.

**Mr. Cartmell:** — So, certainly part of our previous strategic plan was to consider looking at brand, and we worked with our board of directors and CIC with respect to that project. We did an RFP [request for proposal] for a brand consultant, I think it was in 2018, and 2019 we awarded that contract. It was about \$125,000. We did focus groups across the country — in particular across the country because our brand and any work on it hadn't been updated in something like 30 or 40 years, a very long period of time.

[10:30]

And of course our company's quite different today than it was back then. We have over 40 per cent of SGI Canada's business is outside of Saskatchewan. Within Saskatchewan, for the Auto Fund, you know, we've always had a focus on traffic safety. But certainly in the last 10 or 15 years, we've really ramped up our focus on safety in order to bring down fatalities and injuries in the province. And so we wanted to take a pulse of both employees and customers and business partners. And we wanted to work with a brand consultant that would know what they were doing and would help guide us with that process.

We did that. They came up with options and ideas for us. We presented it to our board of directors, got support from them. We then spent about another 60 to 80,000 on further development with what logos should look like and the image that we are trying to portray to employees and customers and business partners. So all told, we spent approximately \$200,000 over the last two to three years with respect to that exercise.

**Ms. A. Young:** — And does SGI have an agency of record, in general, for branding or marketing?

**Mr. Cartmell:** — We do have an agency of record for advertising, yes.

**Ms. A. Young:** — And is that someone local to Saskatchewan?

**Mr. Cartmell** — Yes, it is.

**Ms. A. Young:** — So just to make sure I'm crystal clear here, for the record, there was an exercise under way in 2018 that you've just spoken about at length involving, you know, consulting with people and focus groups outside of Saskatchewan to really bring up that national brand and to revitalize that, which cost approximately \$200,000.

**Mr. Cartmell:** — Correct.

**Ms. A. Young:** — And that was initiated within SGI Canada as a part of the realization of its strategic plan. Is this fully distinct from the process then that the minister described in regards to potentially bringing all of the Crown corporations under one brand?

**Hon. Mr. Morgan:** — It was significantly the triggering event for it, especially when we realized it was coming from other Crowns as well. Then it was, oh, should we be looking at it in the context of what CIC does and whether there's a provincial direction that should be given? Given the current state of the province with COVID and various issues with people, we think it's inappropriate to be having those discussions with any of the Crowns at the present time. So we've asked them just to pause until we take a deeper look at where we are going.

The discussion was whether this was a benefit to all of the Crowns, especially the utility Crowns, to be closely aligned under a common brand that would symbolize or indicate the strength of the province generally. And the reputation of the province would spill over and would be shared by the Crowns and vice versa. But given where we're at with COVID recovery, which we're still under way at and probably will be for some

time, we're not going forward with it.

**Ms. A. Young:** — Okay. Thank you. So there was no money over and above that \$200,000 then to have SGI Canada on this.

**Hon. Mr. Morgan:** — No.

**Ms. A. Young:** — And, Minister, just my very last question on that. You said "we." Is that CIC or Exec Council? Who would be making that decision that it's not going to be pursued?

**Hon. Mr. Morgan:** — Well direction was given to CIC by Exec Council that this was not proceeding, to put it on pause. If there was anything going across the Crowns, it would have been done through CIC as being the parent of all of the Crowns. But the direction has been given to CIC and to the individual Crowns, or will be going to the individual Crowns, that we're not proceeding any further at this time.

**The Chair:** — We'll now take a 10-minute recess and reconvene at 10:45.

[The committee recessed for a period of time.]

[10:45]

**The Chair:** — Okay, I'd like to welcome everybody back and open up. Mr. Minister.

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. During the break, the officials were able to make some inquiries of their office with regard to the photo radar and some background information. So I have Ms. McCune available to provide a bit of . . . and then, if the member has some additional questions, she'd be prepared to take those.

**Ms. McCune:** — Okay. This was related to the expenses for the photo speed enforcement cameras. So we have it by location. For Regina it's \$21,976, and that's for three cameras that are placed in 10 possible locations. And these amounts stay fixed. They aren't based on number of tickets. Saskatoon was 15,540 for two cameras, 10 possible locations. Moose Jaw, 20,375, three cameras, four possible locations. And highways was \$7,000. That is the monthly expenses for cameras.

**Ms. A. Young:** — Thank you. I appreciate the quick work on that and look forward to reviewing the record after, so thank you very much. I have no further questions on that subject.

Prior to moving into the '19-20 and '20-21 Saskatchewan Auto Fund annual reports, I'd just like to ask if there's anything that any of the officials would like to note for the committee or for the record as it relates to the superannuation plans.

**Hon. Mr. Morgan:** — The information is provided in a report. So if there's any kind of a specific question, the officials are here and we'd certainly be prepared to do it. But it was not our intention to make a specific presentation with it other than to note that the information is there.

**Ms. A. Young:** — Thank you, Minister. So moving on to the Auto Fund annual reports for '19 and '20. And I will continue to endeavour to keep my questions to those two reports and

approach them by theme which I will strive to actually introduce before I ask the question. And I think I will start with a few questions about specific areas and then move into some of the financial statements.

Specifically to autobody shops, this is an area I still receive a fair amount of casework. And I know previously at SUMA it was suggested that the province would step in and assist some of these autobody shops in smaller centres struggling with the accreditation changes. I recognize it's somewhat divided in between some shops who are quite happy with the changes and some who are really struggling. And I'm looking for comment on any of the options that have been pursued in regard to supporting smaller shops to date.

**Hon. Mr. Morgan:** — I'll certainly let the officials provide some specific detail. Over the last number of years, the processes required by the automobile manufacturers to return a vehicle to the original status have become increasingly complex and require somewhat more specialized equipment to do it. The autobody shops that are affiliated with or work under the direction of a new car dealership worked with the manufacturers and worked with SGI, and those ones there has been no issue with. The ones that are independent, there's been a significant amount of support provided by SGI both by way of providing training and providing allowances for the equipment.

There is ongoing efforts to try and work with the body shops to try and ensure that the work is of a quality that meets the requirements of the vehicle manufacturers so the vehicles are safe and on the road. They're providing methods of working with them so that the body shops aren't tied up, so that photographs where additional work might need doing are emailed back and forth and they're working with trying to get timelines sorted out.

But it's still very much a work in progress to try and get that. There was timelines that were initially given to try and get the accreditation process done. Because of the pandemic, we were unable to ensure that there was sufficient ability for people to travel to get the training, and so an extension was granted until this summer.

So we think all or most of them are at a point where the accreditation has been dealt with or is under way, and now we've got, you know, ongoing issues to make sure that we're monitoring work to make sure that the work continues to be of the high quality and understanding the complexity of it that's there. I certainly wouldn't say at this point in time that all of the shops are entirely happy with it, but I know that SGI is working with them and is communicating with them on an ongoing basis. With that, I'll let Mr. Cartmell provide some specifics — or Ms. McCune, as the case may be.

**Ms. McCune:** — Yeah. We know this is a significant change for the body shops, but we also know it's really important to the people of Saskatchewan to maintain a viable repair industry. So since 2018, we've been talking to them about this change, and it's been a transition and it's something we recognize we have to work with them to help them through the change.

We do so in a variety of ways. Financially our labour rate is the highest in Canada based on every comparison we've looked at, as are a lot of compensable operations that they do for us. We're

always talking with the associations and looking for ways to be fair and if there's anything we've missed, like the COVID protocols. We were the first province to introduce that.

But besides the labour rate, every initiative we've done has been undertaken financially to help them be able to prepare for the safe quality repairs and to be educated about what they can repair and what they can't. So about \$2.2 million annually is paid to help them get those repair procedures, which was a significant cost for them, but we are covering that. We had an incentive in place to get them to get the tooling and training that they're required, up to \$15,000.

And like I said, we're out constantly speaking to them about other compensation issues that they have, and if we think it's fair, we listen, and we do that. We've been subsidizing training for welding, and we've also hired a few extra staff to be able to go out to the shops and build relationships and help them through the change. So I just got a few compliments last week about our reps that go out to the body shops from the repair industry. So we are really doing our best to help them with a fairly significant change, but a necessary one for safety.

**Ms. A. Young:** — I appreciate those comments. As noted, this is something I do still hear a fair bit about, and it is quite polarized, but I'm happy to hear that the engagement is ongoing and will continue to be so.

In regards to claims and salvage centres, a fairly straightforward question: have any claims or salvage centres been sold, or are there any plans or discussions to offload any of these?

**Mr. Cartmell:** — We have no plans.

**Ms. A. Young:** — Excellent, thank you. I note that in the annual report of 2020-2021, it cited that, I believe it was in June 2020, driver road-testing resumed. And of course it's acknowledged that there was a backlog due to COVID-19. Is there an applicant-to-instructor ratio that is considered in staffing licensing centres?

**Ms. McCune:** — The driver examination backlog has been definitely about COVID. We had to get our examiners out of the car because of the social distancing issue. And we knew as soon as we stopped, it was going to create a backlog because the transactions are high. So right now, we are in a backlog. We've been hiring more driver examiners, and unfortunately some of them decided to retire as well.

So we believe by the fall we'll have the correct level of driver examiners up and trained by September, and we're hoping that the backlog will start to fall. And then we can get out to some of our satellite locations that we haven't been testing in because it takes them time to drive. So we're trying to get at the backlog first, is our priority, although we did do some testing in La Ronge because they are particularly in a remote area.

**Ms. A. Young:** — Thank you for that. That was going to be my next question. I know this was some work that was forwarded to Mr. Dunlop, and I appreciate his assistance in that. People in La Ronge in particular were frustrated with their inability to obtain that licensing, especially as it related to the summer months and people trying to obtain employment that required that driver's

licence and a whole backlog of predominantly young people, as I understand it, who were unable to do that.

And I know this question has been posed, but is there consideration for communities such as La Ronge and those in the more rural and remote parts of the province to even have seasonal instructors to fill any backlog that may occur? Even a small amount annually due to the seasonal nature of some of the work.

**Ms. McCune:** — We typically have 40 satellite locations that we service. It's just because of the backlog that we aren't doing that right now, but we do intend to go back to that. At one point in time we used to have a permanent, but it wasn't efficient. We didn't have as many exams to justify the salary in those positions. But we do our best to make sure that when we have enough examinations, we send people to them.

**Ms. A. Young:** — Thank you. One last question on driver testing and licensing. Had a call from someone quite frustrated with some of the requirements for providing proof of residency in order to obtain a driver's licence. And you would know, I don't, off the top of my head, what some of these are. But their concern in particular was that there isn't a standard lease template that is in place in Saskatchewan. And yet this individual had been turned away three times because their actual lease was deemed somehow insufficient. I think it was their landlord's phone number wasn't on it, only an email address.

And I'm just wondering if there's any consideration to introducing more flexibility around, basically, proof of residency documents, like there's no mandate for what a lease should look like. And you know, for somebody trying to get their licence to drive, having to go back and forth can be a challenge.

[11:00]

**Hon. Mr. Morgan:** — Mr. Chair, I thank the member for the question. To obtain a licence in this province, you need to be a resident of this province. And there are a number of international reciprocity agreements with other jurisdictions to allow people to obtain a licence if they're working on an agriculture program or whatever, you know, and those programs exist. The applicant is required to provide proof of citizenship or proof of residency, whatever. And there are a number of different things that would potentially do that. And there's some discretion that SGI uses.

What I would encourage the member to do, if there is a specific instance or a number of them, is to refer them to SGI or to refer them to our office and we'd be glad to treat it as casework. Our goal is and should be that we assist people that have come here to obtain a driver's licence so that they can work. Also a driver's licence is one of the most universally used pieces of ID [identification] to open banking accounts, etc. So if there is somebody that the member has, we'd be glad to work with them to try and find a resolution.

**Ms. A. Young:** — Thank you, Minister, for that. And I'm not sure if you would also be responsible for the office of residential landlords and tenancies. It's not my file. I can't remember what it's called, but it was just that piece around leases in particular. There isn't a standard template? It just seems . . .

**Hon. Mr. Morgan:** — No. There's not a required one that's used

out of Residential Tenancies. So it'll depend on the landlord and whether or not that's sufficient or whether a utility bill might be or something else. I know when the voting requirements were updated a number of years ago there was long list of pieces of ID that would be acceptable, and I don't think these were ever formally adopted by SGI. I think the goal is to try and identify what a person needs, and if the lease isn't there, if there's other things that would be, that it would prove their residency. So we'd be glad to look at the specific instance for you.

**Ms. A. Young:** — Excellent. Thank you. Moving on, my next questions will pertain to investments. So I note on page 19 of the '19-20 annual report and also in the '20-21 annual report, there is that rolling chart provided of market-based returns on a four-year period. What is the investment return sought year over year by the Auto Fund? I imagine there is a target.

**Mr. Stepan:** — The investment return target is based on market indices. So it'll vary year by year. We have a benchmark portfolio. Depending on the market returns for that benchmark portfolio, that target will vary.

**Ms. A. Young:** — I'm correct, there are external managers for the Auto Fund investments?

**Mr. Stepan:** — Correct. Yeah, all of our investments are managed externally.

**Ms. A. Young:** — Is it an individual company or is it a group of managers?

**Mr. Stepan:** — There are a number of managers that invest the portfolio.

**Ms. A. Young:** — And are those managers internal or external to the Auto Fund? They're external, correct?

**Mr. Stepan:** — Correct. All external.

**Ms. A. Young:** — And are you able for the record to say who those are?

**Mr. Stepan:** — Yeah, we can provide a list of who the investment managers are. I'm not sure if that is in the annual report or not. I don't think it is.

**Ms. A. Young:** — If it is, I didn't see it. But that's certainly not a sure thing.

**Mr. Stepan:** — I can provide who most of them are if it's of interest.

**Ms. A. Young:** — In writing later is totally fine.

**Mr. Stepan:** — Okay.

**Ms. A. Young:** — So I noted — Jeff, I saw you there at the rate review panel hearing, I believe it was a week ago — SGI presented a slide showing . . . do we call it the RSR [rate stabilization reserve]?

**Mr. Stepan:** — Rate stabilization reserve, correct.

**Ms. A. Young:** — Okay. I believe SGI presented a slide showing the rate stabilization reserve over the recent past — I'm trying to pull it up here; it went back considerably, I believe, to 2005 — of the available capital. And pardon me, it was the 12-month average for the MCT in terms of available capital from 2005 to 2021 that was provided. And this slide was used to illustrate that the available capital has not always been above that 140 per cent target, I believe.

So speaking plainly, there's some wild fluctuations in that, some of which I imagine can be attributed to the market, but some of which may not be. So given in, I believe, 2005-2006 it looked like the available capital was around 150 per cent, and then by 2011 it dips down to 60 per cent, I'm curious.

**Mr. Stepan:** — Most of that decline can be attributed to investment markets. If you recall 2008, the market correction in 2008, that is primarily what took us down. There was also a rebate in that time just before the market correction, so the combination of that rebate and the market correction brought us down.

There was another correction in 2011. Call it a correction; call it a crash. The investment markets, you can look at that volatility and attribute it primarily to those market events. Some of it is claims. We have significant reserves, and even a small change in a factor in one of those reserves can cause a 50- to, say, \$100-million impact on the claims level which impacts the rate stabilization reserves which impacts the minimum capital test. So all in, those factors impact the reserves, but it's primarily investments.

**Hon. Mr. Morgan:** — The reason for having the fund is to maintain the stability so that they are always in a position to be able to satisfy the claims as they arise. The issues that you raise are, every time that there's a drop in market values, it makes a vast difference in the fund's value that are there. Fortunately for us, every time there has been one of those declines, within a few months afterwards it comes back and then gains some additional ground. We had one point where there'd been a drop in excess of \$150 million and then with the recovery that took place, within about a six- or eight-month period, there had been an increase in the value from the bottom of in excess of \$400 million.

So for those kind of reasons it's imperative that the fund be maintained at the levels that are there. There is another reason to play as well. There's international accounting standards, IFRS, that are used on this that would indicate what the funds should be, what the percentage would be, what the capital tests would be.

Those funds for the last number of years, that process, the IFRS, has been under active review. Some of the recommendations that might come out of that change would require SGI to hold larger amounts of reserves. That has not yet happened yet. But SGI is adopting a cautious approach so that they would be in a position to adopt those more rigorous standards when and if they're actually in place. The expectation is it could come any time, as has been the case for a number of years.

So when SGI chooses to pay out excess, they're doing it in a manner that is responsible and reflects the need to maintain the viability of the Auto Fund. I don't know if either of the officials

want to add any more to that or not.

**Ms. A. Young:** — And remind me, the 140 per cent, is that the internal target?

**Mr. Stepan:** — That's our operating target for the Auto Fund. The internal target is 90.

**Ms. A. Young:** — 90. Just making sure I have all of this straight in my head. 90. Is that target that's required by . . . is it OSFI?

**Mr. Stepan:** — For the Auto Fund, because we're not . . . As a monopoly we're just a different animal, so the 90 is our calculation of . . . We don't want to be in a position if we have an event like a market correction that we are operating without capital. So we calculate that to say that if we did have an event, how much capital would we have to have in order to have at least \$1 of capital left. So you know, completely different than what a competitive property and casualty company would want, but because we're the Auto Fund, we can get away with holding substantially less capital.

**Ms. A. Young:** — Thank you. So for those years that the available capital for the MCT was substantially lower, and I remember 2008 in particular . . . It was when I graduated university, and that was a stressful time to be thinking about a first employment. You know, there was a . . . I guess what I'm asking is, there's a substantial period of time in which those numbers are even well below that internal threshold. And it wasn't just an odd year; I believe it was like 8 out of 10 years by that chart. And that seems noteworthy.

**Mr. Stepan:** — It does, and steps were taken in order to increase that capital level. There's only so much an investor can do with respect to the markets if the markets aren't performing. We have to keep a long-term focus. And us, along with other insurers, were keeping that focus long term. But what we did do is make some rate changes that would get us up to that level. So we put in place a capital charge of 2.3 per cent that allowed us to slowly build that capital back over time. And you'll recall from that chart that over that time we were able to get back up to that 140 target. And then we know what happened after that with the markets, unusually strong market returns, which allowed us to provide the rebate.

**Ms. A. Young:** — Thank you, yes. And during that period of time, you know, appreciating all of that — and it does appear to be a bit of a steady decline and then a steady climb out — were the investment managers changed at any point?

**Mr. Stepan:** — Yeah, the investment portfolio is not static. It changes over time. We're always doing our research. We're always introducing new mandates. Over that time we introduced new mandates, being infrastructure. And that, again, that's an asset class that has a very, very long-term focus that provides some stability for the Auto Fund. Any time you introduce a new mandate, that introduces a new investment manager. So there were changes made. There were changes made with respect to investment managers.

The biggest change over that time was to introduce an asset liability matching approach, which is, simply put, we have a matching portfolio that will pay out claims for the next 20 years.

[11:15]

And then we have a return-seeking portfolio that allows for growth in the portfolio that will allow us to . . . Because we have customers who are catastrophically injured and we know we're going to be making payments out for the rest of their lives, we have a very long-term focus for that return-seeking portfolio. But the shift to that asset liability and having the matching portfolio allowed us to really focus on that long term, knowing that if something happened in the markets, we had that matching portfolio there to allow us to continue to make payments to our customers regardless of what was happening with the rest of the market.

**Ms. A. Young:** — Seems like a savvy decision to provide that long-term stability and should be applauded. A significant part of the discussion so far has been around the MCT. And I'm curious, I didn't see it in the annual reports. Is this a board policy? Or is this of the Auto Fund, separate from its governance structure?

**Mr. Stepan:** — The capital management policy is an SGI policy that is board approved.

**Ms. A. Young:** — Okay. So developed by management and experts in-house and brought to the board for discussion and approval for that accountability check.

**Mr. Stepan:** — Correct, yeah. Using industry best practices in terms of how we come up with the level of capital and the stress testing that we do, that's all done internally with advice of external parties to make sure that we're following best practices in the industry.

**Ms. A. Young:** — And is that regularly reviewed by the board? I know some corporate governance organizations review their policies, you know, in a five-year period just as a course of due business. Or is this as needed?

**Mr. Stepan:** — This is reviewed annually. We do annual stress tests to the portfolio. It's called a financial condition testing. So we look at that annually and see if any of the information would cause us to change what our capital levels are. And that is brought to the board on an annual basis.

**Ms. A. Young:** — Thank you. So then how do we still sit with that target of 90 and 140? You know, the presentation on Monday I attended and the case was made by SGI that in order for that long-term stability and to provide, you know, assurance and security for customers that maintaining well above certainly the internal target of 90 and then that other goal of 140 — indeed, we need to keep it above 160.

So how do those targets stay static? And how does the committee reconcile or how do I reconcile the presentation on Monday and the need to keep the RSR funded well above 160 per cent with these targets set by the Auto Fund and the board?

**Mr. Stepan:** — The targets stay static because they are a measure of our liabilities and our assets. So we're saying it's 140 is our target, but that means a different level of capital as our assets grow and our liabilities grow. It's not a static number. When we're establishing the targets, we're looking at effectively what

could happen to the Auto Fund in terms of a massive storm that would cause catastrophic claims or investments or changes in the liabilities, or indeed changes in accounting requirements that cause us to make changes. So we factor all of that in to say, we want to stay at 140.

You know, if we did have an event that took us down, we don't want to drop below that 90 because then if we have another event, then we're in a position where we're operating without capital. So I think to bring in the . . . We're now above 140. Simply put, the investment markets have been unusually strong that put us in that place. So it's nothing more than that.

Along with being prudent, along with knowing what's coming down the pipe with IFRS 17, the estimates . . . And that will come into place now January 1st, 2023. We don't know yet what the impact is going to be on our liabilities. And that's the big hitter that could cause . . . like, the estimates are in the hundreds of millions of dollars. So again, we want to be prudent and not be in a position where we're going back to our customers saying, we had all this capital. Sorry, we need to raise rates to rebuild our capital. So that's kind of where we're at.

**Ms. A. Young:** — Thank you. Would you be willing to speak, for my understanding, a little bit more on these changes? You said the accounting requirements are shifting in fact on January 1st, 2023. So that's a bit of a runway. What can be anticipated and what impact are these changes likely to have? I know you said hundreds of millions of dollars. I'm looking, I guess, for a bit more specific information to your ability to provide it.

**Mr. Stepan:** — Right. There's going to be a number of changes with respect to how the financial statements look, what they look like, how we calculate the liabilities. That last point, how we calculate the liabilities, is the big one. I don't want to get too technical, but how we calculate the liabilities now, we know that for the Auto Fund especially we've got long long-tail liabilities. We've got people who are paying out their claims for the rest of their lives. But for accounting purposes we discount that back to the present.

And what we do now is we use the actual yield on the portfolio to discount that back. The change for IFRS is to say you can't use your portfolio to calculate that discount rate anymore. You have to use the market rate. And as discount rates drop, liabilities go up, and what we don't know yet — there's still guidance coming out — is how that liability discount rate is going to be calculated.

So again, it's really technical, but until we know how that rate is going to be calculated, what the market rate is on January 1st of 2023, we don't know the impact on our liabilities. And because we have \$1.5 billion in liabilities, a small change in that discount rate could mean hundreds of millions of dollars in additional liabilities, which impacts our rate stabilization reserve directly.

**Ms. A. Young:** — And as a consequence of those anticipated changes, are there accompanying changes to the necessary policies being contemplated? Or is it more of a wait-and-see approach for January 2nd, 2023?

**Mr. Stepan:** — The internal policies, the only thing that would potentially impact . . . And it wouldn't be an SGI policy, it would

be an industry policy in terms of how the MCT is being calculated. If the industry is recognizing a difference in how that, because of IFRS, if there needs to be a change in how the minimum capital test is being calculated, from an SGI perspective we will know. We'll do our annual review of the capital management policy.

We'll have that in place in our models with the new IFRS standards, and that's the one thing that could impact what our targets are. Again, looking at what event could take us down to a dollar, and then how much more above that do we need to have kind of a 1-in-10-year comfort level that we don't drop below that minimum target.

**Ms. A. Young:** — And for consumers in Saskatchewan, you know, the thousands of people sitting at home watching this right now I'm sure. All of these changes to accounting standards — while substantial, and I appreciate impact your work life and the Auto Fund significantly — what, if any, implications are everyday people in Saskatchewan going to see as a consequence of this when they look at the Auto Fund?

**Hon. Mr. Morgan:** — I think you're getting into an area of speculation, but it's a fair question. We know and we anticipate that there will be a change in the accounting standards that will be applied to the Auto Fund. It will require somewhat higher reserves to be paid, so I think it's incumbent on SGI to calculate how that's done in the context of using market rather than their returns. And I think, looking forward, whether that makes a difference in rates or not, it's not a matter that this is an ongoing expense. This is an increase in the amount of reserves that are to be held. And so I think what SGI is doing is saying, now we want to hold a larger amount of reserves and be cautious so that it doesn't become an effect of any significance on people's costs of licensing or premium costs going forward.

**Ms. A. Young:** — My question was genuinely just intended around, you know, if the average person is sitting looking at . . . I'm not sure what the RSR is at right now, but in the report it's — and I'd very much be interested in that — in the report it's listed, I believe, 168 per cent. It's hard to reconcile.

**Hon. Mr. Morgan:** — I mean, any insurance company, whether it's the Auto Fund or whether it's SGI, has to maintain reserves to deal with things. And the reserves are calculated according to industry or legislated standards, and as those standards change over time, usually it's becoming more cautious rather than less cautious. And reflecting that, over the last number of years, interest rates have declined.

So I think SGI, Workers Compensation Board, any of those entities that owe monies on behalf of members of the public, are doing the right thing by adopting a careful approach, trying to make sure that the reserves are built up until they get a sense of the effect of those changes, so that people don't become unnecessarily surprised by any of the changes that are there. But I don't think any of us can guarantee what's going to happen or that there isn't going to be another market correction. The things that have affected us most over the last number of years are the periodic corrections that happen in market values, and so far we've been fortunate that there has been relatively quick recoveries and we've moved on.

**Ms. A. Young:** — And what is the current value either by percentage or dollar value of the RSR right now?

**Mr. Stepan:** — As of June it's 1.2 billion.

**Ms. A. Young:** — And do you have that by per cent in comparison to . . .

**Mr. Stepan:** — Yeah, the MCT is sitting at 184.

**Ms. A. Young:** — Okay. Thank you. In the discussions of, you know, capital and liquidity for the Auto Fund, I believe it notes that capital can be recovered or it can be released. Is this charted or recorded anywhere for the committee in terms of times in which it's been either recovered or released?

**Mr. Stepan:** — A rebate, for example, is a capital release. That's happened twice before and it happened again just this year. The capital build is currently what is in rates right now, and the application that's before the rate panel is effectively eliminating that capital build portion.

**Ms. A. Young:** — Thank you. You noted in discussions about the RSR the need to maintain that stability there for individuals who are catastrophically injured and will need that stability for the duration of their life. I also noted, in wending my way through the annual reports, I believe they're off-balance-sheet arrangements which in the report are cited basically as the Auto Fund purchasing structured settlements for long-term disability. Are these speaking about the same things?

[11:30]

**Mr. Stepan:** — They are, but that practice is very rare, and the actual structured settlements are pretty minor in the grand scheme of things. It's an exceptional kind of practice depending on specific customer issues or requirements.

**Ms. A. Young:** — Could you expand on that for me? I'm not sure I totally understand the nuance that would go into evaluating whether it's just . . . Not speaking specifically to any kind of privacy concerns, but in general what would lead to something that would be in the off-balance-sheet arrangements versus . . .

**Mr. Cartmell:** — I'll try to answer that for you. So for the vast majority of our customers that are injured it's our responsibility as the administrator for the Auto Fund to pay the benefits to which the person is entitled for as long as they're entitled to them. So those would all be our claims reserves that we, you know, hold billions of dollars for to make sure that we are going to honour our obligations to our customers.

In very rare circumstances a structured settlement would be . . . Basically we would provide the funds for that customer to buy that benefit level from another insurance company. That's all that it is. It's another way so it's not on our balance sheet anymore. We've paid the money out to a third-party company to then provide the benefits to that customer.

The reasons for it? It's pretty rare. Could be anything: person moves away to a different jurisdiction, another country. There could be issues with the relationship that they have with us. But it's pretty rare.



**Ms. A. Young:** — Okay. So it's certainly not universal, and the reason for it will vary from essentially case to case.

**Mr. Cartmell:** — Right. And honestly the reason the Auto Fund is so stable in terms of its rates and pricing, and has been for such a long time, is the fact that we do not cash settle claims. If you're injured in an auto accident you're entitled to the benefits. And we pay the benefits; we do not cash settle. And a structured settlement is like a cash payout. If you start doing that as an insurance company, it invites the legal profession in to find ways to increase the cash settlement. And it then ends up in a spiral, which most other jurisdictions in North America have gone through, where auto insurance rates go up catastrophically because of claims costs going up.

**Ms. A. Young:** — Yeah, I can appreciate that might not be, that's not ideal necessarily for the customers and for the consumers in the long term. And I did note it was minor. I think it was like 24.3 or \$25 million were those off-balance-sheet arrangements. Is that fairly stable or has there been any trend up or down? It's stable?

**Mr. Stepan:** — Stable.

**Ms. A. Young:** — Thank you

**Hon. Mr. Morgan:** — Mr. Chair, not wanting to interrupt. If the member's finished that portion of it, she had asked about the average increases that were costed, and we have that information now. So if Ms. McCune comes back, we can provide that on the record.

**Ms. A. Young:** — Sure. Thank you, Minister.

**Ms. McCune:** — Okay. These increases were the ones related to the injury benefit changes. So the average increase for the CPP customers — there was about 200 of them — is \$884 a month. That's about 42 per cent. And for about the 1,100 that were getting a living assistance the increase was \$236 a month.

**Ms. A. Young:** — That is significant. That must be an incredibly welcome change. And I'm glad it's happened and sad it hadn't happened — casting no aspersions — previously. I can imagine an average of \$800 making a, like, life-changing impact to some people.

**Ms. McCune:** — Yes. Especially if they're also seriously injured.

**Ms. A. Young:** — It's great to hear. Thank you.

Leaving the off-balance-sheet arrangements, which I believe I now fully understand, moving back to the RSR and the subject matter of the past year's rebate. When did discussions begin with the province about the potential rebate to policyholders? And were these discussions initiated by management, by the board, CIC, the minister?

**Mr. Cartmell:** — We started discussions with our board and the minister and CIC in January. And the reason for that was that the investment markets were substantially higher. The RSR numbers were very, very strong. We were concerned about investment volatility, but we felt that the cushion was large enough that it was worth doing a rebate of a magnitude that would make the

effort and the cost to do it worthwhile.

**Ms. A. Young:** — Thank you. So not trying to speculate, is January a natural time of year to have those discussions in regards to looking at the RSR and the market?

**Mr. Cartmell:** — I'd say no. I think it was just the events at the time that the investment markets continued to be very strong. The RSR was doing very well, and it made sense at that time to do that.

**Ms. A. Young:** — Thank you. One, I suspect, general information question about the Auto Fund and its cash flow. The cash flow of the Auto Fund is noted, and I note that it describes annual premium taxes paid to the province. And I'm sorry for what's probably a very essential question to you, but what are those?

**Mr. Stepan:** — Yeah, the premium taxes are 5 per cent of the premium that's paid. That is a consistent practice for all jurisdictions. So SGI Canada operates in Manitoba and Ontario, and all provinces, all jurisdictions charge a premium tax.

**Ms. A. Young:** — So 5 per cent of all premium is then paid back not to the Auto Fund, but to the province of Saskatchewan?

**Mr. Stepan:** — Correct.

**Ms. A. Young:** — Moving on to outstanding accounts and folks in arrears, do we know how many people or how many accounts have been written off due to non-payment or collection efforts being exhausted?

**Mr. Stepan:** — I don't have that exact number at hand.

**Ms. A. Young:** — Would you know perhaps what the trend is here? Certainly we've discussed a lot the impact of COVID-19. I'm wondering if there has been an impact in nonpayment of accounts or if this, I should say, if this was trending up or down previously.

**Mr. Stepan:** — There hasn't been a notable trend with respect to COVID. The trend generally is our allowance is growing, but our assets, our customer base, our revenues are growing. So that's just kind of a natural tendency that that would continue to grow. In terms of the number of customers, that too will grow because we keep the people who haven't been able to pay. They stay on the record so that if they do want to do a transaction with the Auto Fund, in order to allow them to do a transaction we will go back and we will allow them to set up some sort of a payment plan to help them along so that they can continue to operate a vehicle or get a driver's licence.

**Hon. Mr. Morgan:** — The utility companies provided interest waivers and continued service during the pandemic where they might otherwise have suspended service. SGI premiums, whether it's Auto Fund or SGI Canada, are usually paid on an annual basis. There would be, of course, people that would be buying their licence plates on a monthly basis, and usually those people would be able to continue to pay.

SGI has gotten sort of complex issues with regard to people that have got outstanding money that was from uninsured accidents,

etc., and some of those things have been on the books for years and money is coming back gradually. But I think it probably would be a fair comment, and I'll let one of the officials . . . that the pandemic did not significantly affect their ability to collect outstanding premiums, certainly not the case with the various utility companies.

**Ms. A. Young:** — I have one question that I'll admit I'm actually not sure if this is for the Auto Fund, but I know it is from SGI. I'm just unsure whether it's SGI Canada or the Auto Fund. In regards to home-built trailer registrations, would this be from . . . Purchasing a VIN [vehicle identification number], would this be through the Auto Fund or SGI Canada?

**Mr. Stepan:** — That would be the Auto Fund.

**Ms. A. Young:** — Delighted that I am still on subject here. So in regards to home-built trailers, recognizing this is a fairly specific group of people in the province — and would that I had the skills to be that handy — but my understanding is that one used to be able to build a trailer and obtain a VIN quickly and easily from an SGI issuer. And it appears that SGI is now partnered with an external agency, I think, assignedvin.ca, to provide this service.

And I guess I'm looking for some context for that business decision. But full disclosure, the feedback that my office has received is that, you know, VINs used to be relatively easy to acquire for home-built trailers, and now it can cost anywhere up to about \$500 to obtain one, which can be, you know, 10, 15 per cent of the cost of the trailer, which is fairly ridiculously expensive in the context of the trailer overall. So yeah, I'm just looking for some information on that business decision and more information on, I guess, assignedvin.ca.

**Ms. McCune:** — So in Saskatchewan, we were finding on our claims that we had a loophole in the province and it was leading to a lot of fraud. So our investigators that looked into some of these, they called it ghost trailers. So people were actually saying hey, I've built a home-built trailer — here's my VIN, and getting insurance on it when the trailer actually never really existed.

When we looked with other jurisdictions, we were applying VINs to home-built trailers significantly more, in the thousands relative to other jurisdictions that maybe did it a couple hundred times a year. And what they did is they had this independent service where when you're buying, you do a VIN verification to make sure that it is all on the up and up. And so we implemented that process and it's been really improving the numbers that we've seen as far as what we were experiencing with fraud.

**Ms. A. Young:** — I don't want to dwell on this too much, but I feel like I don't understand. People were applying for VINs for imaginary home-built trailers, to what end?

**Ms. McCune:** — To get a claim payout.

**Ms. A. Young:** — To say, for example, hail destroyed my home-built trailer and . . .

**Hon. Mr. Morgan:** — Like if the trailer was stolen or went missing. Hail claim is easy to look at the value of it, but it went missing. So you apply for a VIN for a trailer that's non-existent and then whatever time later on you report it stolen or lost and

have a claim. And then home-built is that much more difficult to prove a valuation on it because there isn't a market value for a home-built. So it was an area of fraud.

**Ms. McCune:** — And it was a trend that had been going on. So we made sure, you know, we made sure it was a trend. It was significant particularly to other jurisdictions.

**Ms. A. Young:** — That's wild to me. Clearly I am unskilled in low-level insurance fraud. I would note for the record that I have received obviously some calls through my office and casework in regards to this. And people, I assume genuinely with home-built trailers, frustrated at the cost increase while noting no real improvement in service received. So I would, I suppose, note that for the record, and perhaps ask on behalf of those people who genuinely do have home-built trailers that at least some of the fees perhaps be reconsidered because it does seem to be substantial for those people largely trying to build something themselves due to either a passion project or to save themselves a few dollars on the increasing cost of trailers.

[11:45]

**Hon. Mr. Morgan:** — I'll leave it to SGI to sort out where it goes forward, but obviously eliminating the fraud in that category would reduce the number and cost of the claims and it should be applied. The process of that, you know, the rebalancing, it should be revenue neutral on it. So hopefully the work that they're doing has that effect. So thank you for raising it.

**Ms. A. Young:** — Thank you. I have, I suspect, or at least one, possibly a couple more questions just about the relationship between SGI and STARS [Shock Trauma Air Rescue Service]. And I did do some research into this previously and I was unsuccessful, so my apologies to the committee if this had been canvassed some years ago. But I was curious just in general why SGI provides funding to STARS in particular and not STARS and the air ambulance service that is run by the province and just that . . . And I guess I'm just curious about the nature of that seemingly unique relationship between STARS and the Auto Fund.

**Ms. McCune:** — My understanding is we make a contribution to STARS because it's related to our injury program. So it helps our customers who live in rural areas to get the care they need in a more timely manner.

**Hon. Mr. Morgan:** — I think your question is about why STARS and not air ambulance. Air ambulance is a service that's been around for decades and is 100 per cent funded by . . . So it's never looked for outside funding elsewhere. Now that you've brought it up, I hope they don't show up on SGI's doorstep. But seriously, STARS is a relatively new program and they've had enormous support from Nutrien and from a number of other private entities. So it's done well and I'm pleased that SGI has been able to provide some support for it as well. It's certainly something that's saved lives, so we're glad it's there.

**Ms. A. Young:** — Absolutely. That makes sense. And I note the most, I think, recent expansion of the fleet. And I know they undertake significant fundraising efforts to do so across Western Canada. And yeah, Minister, you're right. My query was just, you know, we have a service provided by the province dating

back to . . . I think I've seen some, like, old-timey fan boats that operated on skis to provide ambulance services across rural and remote parts of the province.

**Hon. Mr. Morgan:** — I think I was in my early 30s at the time.

**Ms. A. Young:** — I was going to make a joke, but I wasn't sure if we were good enough friends for that yet. So glad to know for next time.

**Hon. Mr. Morgan:** — It's okay. If it didn't come from your side, it would have come from those over there, so I might as well have made it myself. So thank you.

**Ms. A. Young:** — I guess, aside from STARS, does the Auto Fund have any similar commitments to any other private or not-for-profit organizations, or just STARS due to the nature of the service they provide?

**Ms. McCune:** — We have a corporate donations policy annually. We do help non-profit organizations around the province. And we also have some partnerships that are ongoing related to acquired brain injury, things of that nature, because when we put in the no-fault program, those were really important partnerships for us. And to just keep an eye on the head injuries and how some of our recovery programs are operating and are they effective and how can they be improved. So there's some ongoing partnerships like that.

**Ms. A. Young:** — Thank you. And I have I think just one more question, so I may end five minutes early, which I feel like is potentially sacrilegious being in opposition.

I guess I'm just curious, and perhaps Jeff, this is for you. I'm not sure; I shouldn't presuppose. But going to the RSR and the rate review panel hearings, my understanding is obviously SGI isn't compelled to accept the recommendations of the panel. The panel goes around, talks to people, gets feedback, and brings forward a recommendation which is, of course, non-binding.

For the record, can someone detail what the actual process is of those recommendations as they come in terms of, like, the governance structure of the recommendation process? Does it go to the board? Does it go to management? Does it go to CIC? Does it go to the minister? How does this rate adjustment process work?

**Hon. Mr. Morgan:** — I think all of the above. I think it comes back to SGI, who would in turn forward it to CIC, who would in turn forward it to cabinet. And none of those entities along the way, as you mentioned, would be bound by it. But, I mean, you go through a process like that because you've got some confidence in the public utilities review, so you want to make sure that you give credence to it.

But we've certainly not always accepted the recommendations in the past for a variety of reasons — that it was too big a shock or we've gone back and said, can you revisit it so that it gets phased in over a period of time? But the process goes on. The rate review panel will complete their work, forward it to SGI, and then we'll come up through their board to CIC and ultimately have a determination made by cabinet.

**Ms. A. Young:** — Okay, so thank you. So again, it goes back to SGI management who then brings it to the board, which then makes a recommendation to CIC, which ultimately does go to cabinet for the final decision.

**Mr. Stepan:** — Ultimately that's where it ends up. The information that comes to SGI from the rate panel initially is just the report without the recommendations. So they're just checking for factual accuracy and then they do their release, and all of the information comes to us and we're able to then respond.

**Ms. A. Young:** — Thank you very much.

**Hon. Mr. Morgan:** — Mr. Chair, we have a response . . . Mr. Cartmell has got some information regarding missed payments and everything else. So I'm trying to provide all the information so it's on the record at once. So we have the folks here, so I'll let him . . .

**Mr. Cartmell:** — So this is in respect to breaks we gave our customers during the first part of COVID. So from March 2020 through to the end of September 2020, SGI Canada deferred 7,756 monthly payments. And over the same time period, SGI Canada waived 10,258 NSF [not sufficient funds] fees. The Auto Fund, during that same time period, waived 17,876 NSF fees.

**Ms. A. Young:** — Thank you. That is good stewardship on behalf of the people of Saskatchewan.

I did have one more question. I was reminded I should ask questions about some of the controversial news items. And a question I suppose for the Auto Fund but SGI Canada as well: do there remain any executives living out of province who are working for the Crown?

**Mr. Cartmell:** — So we have no executives working for SGI that are involved with the Auto Fund which is solely Saskatchewan. We currently have two executives working for SGI Canada whose responsibilities include operational responsibilities for our offices in Toronto and Edmonton and Winnipeg, as well as broker relationships on a national basis.

One of those executives retires at the end of this calendar year and is being replaced by an executive resident here in Saskatchewan, and so that would leave us with one executive whose home base is outside of Saskatchewan. He, pre-COVID, made regular trips, of course, to Saskatchewan. He has employees both in Saskatchewan and outside of Saskatchewan. With COVID and all the restrictions on travel, he was 100 per cent not in Saskatchewan, and only recently has started to resume his trips back to this province.

**Ms. A. Young:** — Thank you. And for my understanding, then is it, recognizing that SGI Canada does business across the country, is it the nature of the role?

**Mr. Cartmell:** — It's definitely the nature of the role. Forty per cent of SGI Canada's business is outside of Saskatchewan. Our growth is focused on outside-of-Saskatchewan growth. The geographic diversification is a fundamental principle of insurance, spreading risks so we're not, you know, totally dependent upon storms in Western Canada or in Saskatchewan. And his job responsibilities are of a national nature that he

regularly would have to travel to visit brokers and offices in jurisdictions beyond Saskatchewan.

**Ms. A. Young:** — Okay, so then there is like a formal office that is maintained outside of Saskatchewan for this role?

**Mr. Cartmell:** — Yes. Well we have offices in Toronto and Winnipeg and Edmonton.

**Ms. A. Young:** — What I'm trying to get at, it's contained within one of those . . . this role is contained within one of those offices? Excellent. I understand.

Thank you, Mr. Chair. That ends my questions for today. And I would extend my thanks to the minister and your staff as well as all the officials here today for being available for this bright and early on a Monday morning. It is much appreciated, and I have thoroughly enjoyed myself and feel much more knowledgeable about the good work that SGI Canada and the Auto Fund and its subsidiaries do for the province. So thank you very much.

**The Chair:** — Thank you. Seeing that we've reached our allotted time, I will now ask a member to move that we conclude consideration of the 2019-2020 and 2020-21 SGI Canada annual reports, the 2019-20 and 2020-21 Sask Auto Fund annual reports, the 2019, 2020 SGI Canada Insurance Services Ltd. annual report, the 2019 and 2020 Coachman Insurance Company annual report, the 2019 and 2020 SGI superannuation plan annual report.

**Mr. D. Harrison:** — I so move.

**The Chair:** — Mr. Daryl Harrison has moved to conclude the consideration of the annual reports for SGI. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. That concludes our business with SGI. Minister, do you have any final comments?

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. I'd just like to take this opportunity to thank you, your staff here, and all of the committee members. This is an important process and this is one where the members of the public get a chance to have questions and hear things as to how things work, so I want to thank the member opposite for asking questions that gave the SGI officials the opportunity to explain things, how it works. And I think it's a good process and I want to thank her for that.

I want to thank members and the people that work in the Legislative Assembly Service, Hansard, security, building staff for the good work that they do keeping this building operational. But in particular today I'd like to thank the SGI staff and all of their workers across Canada for the great work that they do, especially given the ongoing challenges faced by COVID. They have continued to provide great service for everything here, and for that we thank them.

**The Chair:** — Thank you, Minister. Any closing comments from you, Ms. Young? You've already kind of thanked everybody. At that point I would just now take . . . We'll now recess till 1 p.m. and reconvene.

[The committee recessed from 11:58 until 13:00.]

**The Chair:** — Welcome back, committee members. And joining us this afternoon is Nicole Sarauer. And, Minister Morgan, good afternoon to you and your officials from SaskGaming. We have a busy agenda this afternoon. We'll be considering the annual reports and Provincial Auditor chapters for SaskGaming, SaskWater, and SaskEnergy. But we will begin with the consideration of annual reports for SaskGaming and financial statements for SGC Holdings Inc., and then we'll move on to the auditor chapter for SaskGaming.

### Saskatchewan Gaming Corporation

**The Chair:** — We will now begin our consideration for the 2019-2020 and 2020-21 SaskGaming annual report and SGC Holdings Inc. financial statements for the year ending of March 31st, 2020 and March 31st, 2021. Minister Morgan, please introduce your officials and your opening comments.

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. I have officials with me today. On my left is Susan Flett, president and CEO. Behind us and present today are Blaine Pilatzke, vice-president of corporate services; John Amundson, senior vice-president of finance and IT; Steve Tunison, vice-president of marketing and strategic planning.

Today we are considering the corporation's annual reports for 2019 and '20 and 2020 and 2021, as well as chapter 38 of the 2019 Provincial Auditor's report, which deals specifically with minimizing employee absenteeism.

At the end of the gaming day on March 16th, 2020, SaskGaming made the difficult but necessary decision to temporarily close Casinos Regina and Moose Jaw in response to the COVID-19 pandemic. However this closure did not detract from the corporation's success in 2019-2020. SaskGaming reported a net income of \$40.2 million and paid \$20.1 million to the province's General Revenue Fund to support the First Nations Trust, Community Initiatives Fund, and the Clarence Campeau Development Fund.

The corporation also declared a dividend of \$13.1 million to its shareholder, the Crown Investments Corporation, for the period ending March 31st, 2020. It is important to note that this dividend payment did not include special dividend or Q4 [fourth quarter] dividend payments which were cancelled by CIC as a result of the temporary closure of the casinos.

Mr. Chair, part of SaskGaming's mandate is to assist the communities in which it operates. In 2019-20 the corporation's community giving program provided more than \$384,000 in sponsorships and in-kind donations to 71 worthy organizations, projects, and events. These included the Regina & District Food Bank, Riverside Mission, Dress for Success, and Ignite Adult Learning Corporation, just to name a few.

Casinos Regina and Moose Jaw also hosted their fourth annual Charity Championship fundraising event in August 2019, with 19 teams having raised over \$74,000 for Saskatchewan's charities and non-profits.

In 2019-20 SaskGaming's employee absentee rate was 5.9 per cent, ahead of the 2018-19 result of 6.0 per cent, and a significant improvement from a one-time high of 9.5 per cent. The positive

results are indicative of the corporation's efforts to address absenteeism in the workplace. After receiving the Provincial Auditor's report in 2017, SaskGaming quickly and effectively implemented three recommendations in the auditor's report. The corporation continues to remain focused on improving its employee absentee rate.

SaskGaming's workforce was proudly represented by 41.2 per cent Indigenous people, the highest representation across the Saskatchewan public sector. This one is in addition to 19.5 per cent visible minorities and 4.6 per cent persons with disabilities. The corporation has devoted a considerable amount of time developing strategies, programs, and services that support its diverse workforce. As such, it was no surprise SaskGaming was proudly selected as a finalist for the Mercer Award for excellence in diversity and inclusion as part of the 2019 Canadian HR Awards.

Mr. Chair, SaskGaming's promise is to deliver an always entertaining experience to its guests. As such, the corporation spent a good part of the reporting year focused on elevating the guest experience through reinvestment in its employees, casino properties, and gaming technology, as well as product upgrades.

The corporation also enhanced its customer service training for employees with a GameOn 2.0 customer service program in an effort to take its customer service experience to the next level.

SaskGaming also made significant upgrades to the interior of Casino Regina, including the construction of The Midway Bar and a brand new stage floor and upgraded lighting in the show lounge. This was in addition to kicking off the first phase of a multi-year facilities modernization plan to renovate Casinos Regina and Moose Jaw, starting with the restaurant in January of 2020. These renovations have continued throughout the pandemic to support the local construction industry and subtrades.

The corporation also invested in modernizing its gaming technology products with the installation of iView on slot machines, the replacement of blackjack and roulette tables, as well as upgrades to the sound system at Casino Regina to elevate the guest experience.

On March 16, 2020, two weeks prior to the end of the 2019 fiscal year, Casinos Regina and Moose Jaw had to close temporarily due to the onset of the pandemic. Like so many businesses provincially and nationally, SaskGaming was not immune to the challenges stemming from COVID-19.

After reopening at a limited capacity and with scaled-back services on July 9th, 2020, Casinos Regina and Moose Jaw closed for a second time on December 19th, 2020. All told, these temporary closures have had significant implications on SaskGaming's operation and on its bottom line. For the fiscal year ending March 31st, 2021, the corporation recorded net losses of \$13.4 million. For the first time in its history, the corporation was unable to make a dividend payment to its shareholder, the Crown Investments Corporation, or to contribute to the province's General Revenue Fund.

The communities in which Casinos Regina and Moose Jaw operated also faced hardships during the pandemic. Despite its

community giving program being significantly scaled back in 2020-21, the corporation still endowed \$167,371 to 20 organizations, greatest impact and in need during the pandemic, including the Regina & District Food Bank, Moose Jaw & District Food Bank, Habitat for Humanity, Carmichael Outreach, and Mobile Crisis Regina, just to name a few.

The corporation also made the difficult decision to temporarily lay off a number of its permanent employees on April 3rd and again on December 28th, 2020. These temporary layoffs were made under the public emergency provisions in *The Saskatchewan Employment Act*. Employees who were temporarily laid off were recalled as parts of steps 2 and 3 of the Saskatchewan Re-Opening Roadmap. To date, all employees have been recalled, which has resulted in approximately 570 permanent employees returning to the workplace.

It is important to note that when the casinos were operational in 2020 SaskGaming made every effort to ensure the health and safety of its guests and employees. Working alongside the province's business response team, the corporation developed comprehensive health and safety protocols that supported guidance from public health. Operating hours were also modified at Casinos Regina and Moose Jaw with 24-hour weekend operations suspended until further notice. This was done so the casinos could have ample time to conduct a full cleaning of its properties with an electrostatic sprayer prior to opening for business each day.

Needless to say, these efforts were successful in minimizing the risk of COVID-19 for both guests and employees. During the entire pandemic, the corporation was alerted by public health of only two COVID-19 cases in its casinos: one at Casino Regina and the other at Casino Moose Jaw. Neither of these cases resulted in community spread.

On June 20th, 2021, the corporation reopened both its casino properties in step two of the Re-Opening Roadmap, with limited services and capacity restrictions. On July 11th, 2021, the state of emergency for the province ended, allowing Casinos Regina and Moose Jaw to be fully operational. This included the reopening of all gaming services, food and beverage services, the removal of mandatory masks, and the lifting of all capacity limits at Casinos Regina and Moose Jaw.

SaskGaming is eager to normalize its operations as soon as possible so that it may again begin to generate a profit for the benefit of Saskatchewan people in 2021-22. Mr. Chair, this concludes my opening remarks. I will now turn it over to the members for their questions. Thank you.

**The Chair:** — Thank you, Minister. Do any members have any questions? I recognize Ms. Sarauer.

**Ms. Sarauer:** — Thank you, Mr. Chair, and thank you, Minister, for your opening remarks and to all the officials for being here this afternoon. I just have a few questions for you with respect to the annual reports, and I do appreciate the comments in the minister's opening remarks.

As we all know, we are in the midst of a pandemic, and as you saw from the 2020-21 annual report, it resulted in quite a significant operating shortfall for SaskGaming. My question is,

now that the casinos have reopened from what I understand, what is the plan for moving out of the red into a more profitable situation for this upcoming annual report?

**Ms. Flett:** — Good afternoon. Susan Flett, SaskGaming. Thank you for that question. I'll respond to just some of the things that we had been doing to sort of try and minimize that loss for 2021, and then maybe I'll move on to some of the things that we have planned for this upcoming year. You know, like everybody else it was an extremely difficult year for us at SaskGaming, and I certainly hope we don't ever have to repeat that year again.

If you recall, we were one of the first organizations that did shut down with the onset of COVID. And if you recall, at that time vaccines weren't readily available, and we were hearing all sorts of information about how dangerous this was and how, you know, much more susceptible among seniors and much more dangerous if contracted by those with underlying health conditions. And so this is the very demographic that Casinos Regina and Moose Jaw service, and so of course we closed in an overabundance of caution. So being closed for those seven months, and then when we were operational it was under reduced capacity for about five months, which of course resulted in that net loss for the year.

But in efforts to minimize our loss we certainly took extreme austerity measures and retained a sort of a minimal level of staff in order, really, to keep the lights on. We were able to decrease our direct operating expenses by about 48 per cent, and this covered all expense categories.

Our plan for this upcoming year is really to normalize our operations as much as possible. We are not yet at previous levels of revenues. There still is a reluctance to come back to the casinos and we are experiencing, you know, about 85 maybe 90 per cent of our previous levels. We would like to continue on with the work that sort of had stalled prior to the onset of COVID, which is really embarking on a complete modernization of not just our properties, but you know, reinvesting back in our technology, gaming products, really reinventing ourselves and looking to remain financially sustainable in this upcoming year.

[13:15]

**Ms. Sarauer:** — Thank you. As you had mentioned, there was a period of time when casino attendance was limited to . . . I think it was about 30 people, but please correct me if I'm wrong what the limit was. What percentage of your usual daily revenues were you able to obtain despite having limited attendance?

**Mr. Amundson:** — John Amundson, Saskatchewan Gaming Corporation. So when we were closed initially, when we reopened initially in June of 2020, we had 250 allowed in Casino Regina, and I believe it was 60 in Casino Moose Jaw. After a period of time, we were able to increase that to 318 at Casino Regina and 69 at Casino Moose Jaw, which was about a third of what would be available.

At that level, we were able to turn a profit. We were turning a profit of about 2 million a month. So that would be about 35 to 40 per cent, you know, of traffic but about 75 per cent of slot revenue. We hadn't opened the restaurant, though, and we did not do table games, so we're just talking now about slot revenue.

So we were about 75 per cent.

At 30 people, when we went to 30 people in Moose Jaw and 30 people in Casino Regina — and that was in November of 2020 — we were not able to turn a profit, and our revenue fell to about 15 per cent of what our normal revenue would be for slots. And of course, we still hadn't opened table games or the restaurant, so there was no revenue there or at the show lounge. So we were at about 15 per cent, and that was not profitable for us.

**Ms. Sarauer:** — Thank you so much. You also mentioned, Ms. Flett, about the unfortunate situation where you had to lay off staff and then bring them back when you reopened. I just was wondering if you could speak to that a little bit. I'm curious to know what percentage of the original staffing complement came back once the casinos reopened. Any information that you can provide would be appreciated.

**Ms. Flett:** — Sure. We did two rounds of layoffs last year. The first round was on April 3rd, 2020, and at that time there were 549 employees whose positions were directly tied to the gaming floor and the service of guests and unfortunately had to be laid off. It was about a 90 per cent unionized/10 per cent non-unionized split at that time.

Some of the things that we really tried to be cognizant of is that these employees were being laid off, you know, through no fault of their own and through COVID. So we were very cognizant of providing all sorts of supports and whatever we could during this difficult time. So throughout this whole process we did things like providing full salaries to employees for an additional two weeks despite being laid off.

And if you recall, at that time there were not yet any federal government supports announced yet. We were hoping during that time that something would be announced to make that transition a little bit easier, and it was — CERB [Canada emergency response benefit], other mortgage deferrals, you know, loan relief programs and such were made available.

We did provide full group benefits coverage for all of our laid-off employees, including the employee family assistance program, just to make sure that they had the supports that they would need for any counselling or, you know, mental health issues during this time. Just really tried to provide support as much as possible, setting up employee phone lines. We provided record of employments directly to Service Canada. We were in constant communication with them.

The second round of layoffs occurred on December 28, 2020. Now when we had been allowed to partially reopen, we did recall about 300 employees. About 250 remained on layoff. And this second round affected 327 employees in December, and at that time, that included a majority of the corporate staff as well. And that was more of a 75/25 split, unionized versus non-union.

So with having been allowed to fully reopen in July, we have now recalled every single one of our employees that had been laid off, and everybody that wanted to return has been offered employment. And they have returned, with the exception of about 80 employees who were able to find employment elsewhere during the time that we were closed.

**Ms. Sarauer:** — So that I understand, you said everybody who wanted to return has returned. The people who did not want to return, that was those 80 of the employees who found other employment. Is that what you're saying?

**Ms. Flett:** — That's correct.

**Ms. Sarauer:** — Thank you so much. I understand the government has indicated that they are planning a rebrand for the Crowns. Could you speak to the rebrand that is happening, apparently, for SaskGaming? And if so, what's going on with that?

**Hon. Mr. Morgan:** — I don't know if you were aware this morning when I spoke to the branding issue first thing this morning. I indicated at that time that when I took the portfolio we were contacted shortly by SGI, who were wanting to rebrand and had some significant work in place. We were also contacted by CIC as well as SaskGaming, who were wanting to consider doing some form of rebranding.

That led us to the discussions that we had as to what the role of the Crowns should be, what could be done to strengthen the Crowns, how the image of the Crowns tied to the image of the province, and whether the Crowns or the province would benefit from having a common image or a common identity.

We asked the Crowns to look at what the costs are and to give us their thoughts on them. The responses that we started to get were that it was unwieldy, difficult. And they started talking about what . . . For example, the valves on gas lines would have tags on them that had a logo. And based on sort of the preliminary discussions we had before we went too far down the road, we decided that this was not the time in the face of what our citizens were doing with COVID and where we were at going forward. So we made the determination we're not going to go further with it at this time. So we gave the direction that no further work was to be done. It was to be paused. No money was expended on it other than the discussions that took place.

SaskGaming is one of the entities that actually had come forward with some form of a rebrand request, and I'll let Ms. Flett answer more specifically. But as an overall branding process they had no desire to do anything overall for the corporate entity, but did want to do something with regard to logos or images at each of the two casinos to reflect the overall update that they'd done in the interior. And I know they had spent some time and some money on it as part of their internal operations. I don't think CIC or Exec Council would have been privy to those discussions. They were certainly before my time. But I'll let Ms. Flett give you any further specifics as to what took place prior to . . .

**Ms. Flett:** — Thank you. Just to expand on the minister's comments, our brand, SaskGaming Corporation, we had not undertaken any work on that. But we did begin to rebrand what we call our sub-brand. So we operate the two properties, Casinos Regina and Moose Jaw. And historically, SaskGaming logo or brand has typically been used for government reporting; it's been used on annual reports. Sort of corporate communications only. And so when we're out in the market, in the competitive marketplace, we have always used our Casino Regina and Casino Moose Jaw sub-brand logos. And so that's the work that we had begun in conjunction with some of the renovations and our

thought to, you know, reinvent ourselves.

So this is something that you typically see in the gaming industry. So for instance, Saskatchewan Indian Gaming Authority would use their SIGA brand for corporate whereas they market individually for all seven of their properties. And this is something that, for instance, Manitoba Liquor and Lotteries would also do, but they have a separate sub-brand for its two casino properties.

So as we were going through the renovations and we had a brand new restaurant — we had a brand new name for it — we wanted to take a look at really the sub-brand of Casino Regina and Moose Jaw. There was a little bit of work done with focus testing of our guests: does this still conjure up an always entertaining image for you? And that's the work that we had undertaken.

**Ms. Sarauer:** — Thank you so much. In your annual reports and also in your statement, you speak a lot about the importance and the amount of Indigenous representation in your staffing complement. I was wondering if you could provide some more detail as to how that breaks down at the different levels of management and the executive level as well.

**Mr. Pilatzke:** — Blaine Pilatzke, SaskGaming. Thank you for the question. As you've indicated, yes, Indigenous employment is very important to us. I mean, I think that from an economic reconciliation perspective, we certainly are leading, I think, in that front in terms of the Crown corporations and have been for many years. In terms of the breakdown of Indigenous employment, obviously our front-line staff, which is the biggest complement of staff, is where the majority of our representation lies.

So as an example, our representation in Moose Jaw CMJ [Casino Moose Jaw], which is certainly a challenge, is about 26.4 per cent Indigenous employees there. Casino Regina is about 46.9, and corporate office is about 27 per cent. So that's kind of the breakdown in terms of Indigenous employment. A couple of things though. We have been quite successful in terms of a number of our departmental levels in terms of, you know, working towards the 50 per cent Indigenous employment. You know, our bank, our food and beverage operation, slots, security, are all well above the 50 per cent. So quite a good news story on that front.

**Ms. Sarauer:** — Can you provide some more information? I'm more particularly interested in the upper management, executive level, what percentages of representation are there.

**Mr. Pilatzke:** — So representation, executive is 17 per cent. And at the director level, we currently have no representation at the director level.

**Ms. Sarauer:** — What work is being done to improve those numbers?

**Mr. Pilatzke:** — So we undertook in '18-19 a review. We had a strategy in place around Indigenous employment. We reinvented an Indigenous employment strategy in '18-19 which contained essentially four recommendations to do some of that work. And we continue to implement that strategy and the tactics in an effort to try to improve those numbers. One of the challenges we've

had at the executive and the director level is that we haven't had any vacancies in which to hire for. So that remains a focus and as vacancies occur, we will be working towards recruiting and hiring qualified Indigenous candidates.

**Ms. Sarauer:** — I just have a couple of questions around SaskGaming's plans for now that single-event sports betting is allowed. Has SaskGaming made any plans for who will be running that in Saskatchewan?

**Hon. Mr. Morgan:** — I can answer it this way. We want to take advantage of the change in the federal legislation. We've had ongoing discussions with a number of entities and that work is under way and we hope to have something we're able to announce.

**Ms. Sarauer:** — Are there any plans to form a relationship with SIGA [Saskatchewan Indian Gaming Authority Inc.] around this particular opportunity?

**Hon. Mr. Morgan:** — We would certainly want to work with SIGA on it, SIGA as a professional partner.

**Ms. Sarauer:** — Is there a timeline for when this will be ironed out?

**Hon. Mr. Morgan:** — I don't have a timeline I can give you. My timeline would be measured with a watch. Other people's timeline would be measured with a calendar, if that helps.

[13:30]

The simple answer is, the sooner, the better. It's an area that the province has not been engaged in for some time for a variety of reasons, and we think it's appropriate to proceed with it now.

**Ms. Sarauer:** — Thank you. More specifically, is SaskGaming making any plans to set up outside casinos at, like, arenas and stadiums to take bets, as an example?

**Hon. Mr. Morgan:** — All I can say right now is there's work being done at the present time.

**Ms. Sarauer:** — It's ongoing, to be determined at a later date, potentially?

**Hon. Mr. Morgan:** — I would say it's ongoing and we hope to have stuff under way soon.

**Ms. Sarauer:** — Thank you. I have a few questions about the auditor's report. I'm going to move on to that, if that's okay. I understand the minister's already made some remarks.

**Hon. Mr. Morgan:** — Mr. Chair, I'd indicated this morning that we have no problem answering the questions for any of the relevant periods of the annual report or the auditor's report. All that's part of the same. So if the member chooses to do that, that's fine.

**The Chair:** — Maybe at this point, we'll just have Ms. Clemett come down and do her report, and then we can move on with the questions.

**Ms. Clemett:** — So thank you, Chair, committee members, ministers, and government officials. With me today is Carolyn O'Quinn. She's the deputy provincial auditor that is responsible for the audit of the Saskatchewan Gaming Corporation.

The chapter before us does not contain any new recommendations for the committee's consideration. And before Ms. O'Quinn does present the chapter, I do just want to thank the president and CEO and her staff for their co-operation extended to us during the course of this audit. Ms. O'Quinn will now provide you with an overview of the chapter that is on the agenda.

**Ms. O'Quinn:** — Thank you and good afternoon. So common to the service and casino industries, SaskGaming does have challenges with employee absenteeism. So for example, a lot of the employees work shift work. They have a lot of direct contact with customers and they're also handling a fair volume of cash.

Chapter 38 of our 2019 report volume 2, which starts on page 289 of our report, reports the result of our first follow-up on three recommendations that we initially made in our 2017 audit of SaskGaming's processes to minimize employee absenteeism. We were very impressed with the pace of SaskGaming's implementation of these recommendations.

By August of 2019, SaskGaming had implemented all three outstanding recommendations within two years of our initial audit. This fast pace shows SaskGaming takes addressing reasons for employee absenteeism seriously. Its improvements reflect good practice and will help it achieve its long-term employee absenteeism target of 5 per cent.

So what we found, we found SaskGaming updated its attendance support policy to require its managers to document reasons for not referring employees with high absenteeism rates to attendance support programs. And it's also requiring its HR staff to review those decisions. HR staff are also expected to provide support to the managers in managing employee absenteeism.

Secondly, SaskGaming updated its IT systems and is using its human resources staff to support its managers in analyzing absenteeism trends and patterns. In addition, SaskGaming analyzed its attendance patterns and trends to identify the root causes of its employees' absenteeism and to assess the effectiveness of its various attendance management strategies. Based on this analysis, it did revise its support programs and strategies to better address the root causes of its employees' absenteeism. This concludes my remarks on the chapter.

**The Chair:** — We will now move back. Do we have any questions regarding . . .

**Ms. Sarauer:** — Thank you so much for those remarks. I will say that's pretty high praise from the auditor's office. I haven't heard that high of praise before, so good work on implementing their recommendations so quickly. And as a result, I don't have any questions criticizing the work that you've done. I was just curious to learn more about the analysis you've done with respect to the root causes of employee absenteeism, so I was wondering if you could speak a little bit about that.

**Mr. Pilatzke:** — Thank you for the question. So in terms of our analysis, we had a very critical look at the nature of the leaves



that people were taking, essentially the pattern of shifts in terms of when absenteeism was occurring. We also had some interviews with some of our employees as well to get a better understanding of the challenges they face.

As a result of all of that work, we then went ahead. In fact in '19-20, we developed an employee wellness strategy that really made a number of recommendations and identified a number of focus areas in which to continue to support our employees. And one of the main things was a little bit better case management around injuries and some of the other reasons why people have to be away from work. So we've done a bit of work around that as well.

So overall, it's just really about those patterns. It's about, you know, getting a better understanding of why people aren't coming to the workplace, and more importantly, what we as an employer can do to assist them in that regard to attend the workplace on a more regular basis.

**Ms. Sarauer:** — Thank you. So I'm curious to know more about that. Why were people not coming to the workplace, and what specific measures did you implement to address those issues?

**Mr. Pilatzke:** — A lot of it was around shift patterns. So we implemented a number of years ago a block scheduling system, if you will, where people can bid on shifts with consistent days off, relatively consistent start and end times so that people could better plan their lives around those shifts and have a greater opportunity to attend to the workplace.

One of the other supports that we looked at is we had a third-party service provider, but that particular program didn't seem to align very well with what the employees needed. So we changed service providers. We now use CBI and they provide more individualized supports to employees. They have a good, a really excellent list of community resources as well that employees can access to help them with, you know, particular issues that they're faced with. We have a very complex work environment and workforce, and there's many reasons for absenteeism, but generally the biggest one is work-life balance, family care, and things of that nature.

**Ms. Sarauer:** — Can you speak a bit to what the trend has been for employee absenteeism? I know you're working toward a goal, but I'd like to know what, from a percentage basis, what it's been over the past, you know, several years up to now.

**Mr. Pilatzke:** — So we have seen a decrease in employee absenteeism up until 2019-20. As a result of COVID, we suspended our attendance support program for obvious reasons. If people were ill, they should not be coming to the workplace or anything of that particular nature. So we have seen a decrease year over year, and we have just reactivated our attendance support program once again. And we find that one of the key elements of that is making sure that the managers and the employees have a conversation about their lives, what's going on in their lives, and you know, what kind of supports we could provide to them.

And that's going to continue to be our focus going into the future and try to reduce the absenteeism rate further. I think our long-term goal would be around 6 per cent, and I think that's

reasonable given the shift work environment such as ours.

**Ms. Sarauer:** — Sorry if I missed it. What are you at right now?

**Mr. Pilatzke:** — Well I haven't measured it. So I think in 2019-20 we were at — sorry, just got to pull it up here — 5.9 per cent.

**Ms. Sarauer:** — What about staff turnover? Are you monitoring that as well, staff turnover?

**Mr. Pilatzke:** — Oh yes. Yeah. So we do measure that. It's an internal metrics that we watch. So obviously, as Susan has indicated earlier today that we lost approximately 80 people since we closed first in April of 2020, and we're continuing to lose a few people here or there. I think that this reopening and this reintroduction into the workplace, people have maybe changed their areas of focus. And we hear lots of things in the media about that. Anyways, we'll continue to monitor that.

I think that, generally speaking, we've tried to benchmark our turnover rate a little bit. You know, our turnover rate averages somewhere around 20 per cent per annum. Historically I think the high was 24 or 25 per cent. The low was around 16 per cent. But what we hear from our other gaming operators in Canada is that's quite a good turnover rate. Very high, you know, in comparison to the rest of the Crown sector, but for the sector in which we operate it's quite good.

**Ms. Sarauer:** — Thank you so much. No further questions.

**The Chair:** — Seeing that we've reached our allotted time, I will now ask a member to move that we conclude consideration for the 2019-2020, 2020-21 SaskGaming annual reports and SGC Holdings financial statements for the year ending March 31st, 2020 and 31st, 2021. Do I have a mover? Mr. Jenson has moved. Is that all agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Now we'll move on to the Provincial Auditor's report volume 2, chapter 38, SaskGaming Corporation, minimizing employee absenteeism, has no recommendations for the committee to consider, I'll ask a member to move that we conclude consideration of this chapter.

Mr. Derek Meyers has moved that we conclude the consideration of the Provincial Auditor's 2019 report volume 2, chapter 38, Saskatchewan Gaming Corporation, minimizing employee absenteeism. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. That concludes our business with SaskGaming. Minister Morgan, do you have any final comments?

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. I'd mentioned earlier in the day that this is a process where the public can watch members from both sides ask questions and get a bit more of a detailed explanation of how our Crown corporations work, so to that extent I want to thank all the committee members on both sides for having participated in the process.

Mr. Chair, I'd like to thank you and the committee members for the work they do as committee members, and also would like to thank the Legislative Assembly staff, Hansard, security, building staff, but in particular today I would like to thank the workers at SaskGaming for the work that they do year-round. It's been of course a challenging year with COVID, with the casinos being closed for that period of time, and I think they've done an admirable job of working through the challenges that are there. And I'm pleased that they are now open and operational and hopefully continuing to yield revenue. So with that, Mr. Chair, thank you and thanks to them.

**The Chair:** — Ms. Sarauer, do you have any closing remarks?

**Ms. Sarauer:** — Yeah, I would like to echo what the minister had said in thanking everybody involved in the committee work today. My time here today was brief but meaningful for me. I learned a lot, so thank you for answering all of my questions and providing the information as well as the work that you do every day in helping to strengthen what is a very important Crown for the province.

**The Chair:** — Thank you. We will now take a short recess to bring in officials from SaskWater.

[13:45]

[The committee recessed for a period of time.]

### Saskatchewan Water Corporation

**The Chair:** — I'd like to welcome the officials from SaskWater and also Deputy Chair Ms. Erika Ritchie here. Our next item of business is the consideration of the Provincial Auditor's 2020 report volume 1, chapter 31, Saskatchewan Water Corporation, purchasing goods and services. I will now turn it over to Ms. Clemett to make a presentation on the Provincial Auditor's 2020 report volume 1, chapter 31, Saskatchewan Water Corporation, purchasing goods and services.

**Ms. Clemett:** — Good afternoon, Chair, Deputy Chair, committee members, Minister, and officials. With me today is Mr. Kelly Deis, deputy provincial auditor responsible for the audit of Saskatchewan Water Corporation. The chapter before us does not contain any new recommendations for the committee's consideration. Before Mr. Deis presents the chapter on the agenda, I would like to thank the president and CEO of SaskWater and his staff for the co-operation extended to us during his audit work. I will now turn it over to Mr. Deis to give you an overview of the chapter.

**Mr. Deis:** — Each year SaskWater Corporation purchases over \$40 million of goods and services, including professional services, materials and supplies, and repairs and maintenance. The yearly amount fluctuates . . . or of purchases fluctuates depending on the extent to which it is expanding or maintaining the infrastructure used to deliver its water and wastewater services. And for example, those would include wastewater facilities or pipelines.

SaskWater must use purchasing processes that are transparent, fair, and achieve best value. Not having adequate purchasing processes increases the risk of not receiving best value in

procurements.

[14:00]

Chapter 31 of our 2020 report volume 1, on pages 281 to 286, reports the results of our first follow-up of SaskWater's process towards addressing seven recommendations we initially had made in our 2018 report volume 1, chapter 10 about its processes for purchasing goods and services. We found that by December 2019, SaskWater had implemented three recommendations, partially implemented three recommendations, and has not yet implemented one recommendation.

The three improvements were the following. Effective November 2018, SaskWater required its entire staff to confirm compliance with the conflict-of-interest policy annually. We found they did so. SaskWater clarified its procurement policy to set out when it is appropriate to sole-source transactions, which decreases the risk that staff make inappropriate procurements. We found the revised policy sufficiently addresses when it is appropriate for the staff to use the sole-sourcing method of procurement, and it includes an appropriate definition of what can be classified as an emergency. And SaskWater has updated its contract templates after a legal firm reviewed them.

However, further work remains in the following four areas. SaskWater staff were not always following its procurement policies. Our testing found staff did not always obtain approval of their purchase order before SaskWater committed to the purchase. For one instance, staff approved a purchase order 27 days after SaskWater had ordered the item. Approving the purchase order after making the commitment to buy the goods or receiving the goods increases the risk of making inappropriate purchases or using inappropriate procurement methods.

SaskWater staff did not always document rationale for selecting non-competitive procurement methods. For four of the six sole-sourcing procurement items we tested, staff did not document the rationale for sole-sourcing with approval of the purchase. Without documentation and approval of sole-sourcing before a purchase is made, the risk of inappropriate sole-sourcing procurement increases, which may result in SaskWater paying more than necessary for purchases.

While SaskWater provides its board with quarterly reports on sole-source procurements, including rationale for sole-sourcing the procurement, we found the reports were not complete. For two of the three quarterly reports we tested, the reports missed including two sole-sourced items that SaskWater procured during those quarters. Providing complete and regular reporting of sole-sourced procurements informs the board of the level of use of sole-sourcing and provides information about SaskWater Corporation's compliance with its procurement policy.

SaskWater did not track the performance of suppliers in past contracts. It plans to implement new software by 2022 with this capability. Not tracking supplier performance increases the risk that SaskWater may use a supplier with known performance problems and is contrary to the best-value approach. This concludes our presentation.

**The Chair:** — Thank you. Minister Morgan, please introduce your officials and make your comments, please.

**Hon. Mr. Morgan:** — Thank you, Mr. Chair and committee members. I'm pleased to be here today on behalf of SaskWater and the Government of Saskatchewan for consideration of chapter 31 of the Provincial Auditor's 2020 report volume 1. Prior to my opening remarks, I would like to introduce the officials from SaskWater who have joined us here today: Doug Matthies, president; Eric Light, vice-president, operations and engineering; Jacquie Gibney, vice-president, corporate and customer service; Trevor Boese, senior accountant; and my chief of staff, Jared Dunlop.

As the Provincial Auditor has noted, this chapter deals with a follow-up audit conducted to assess the progress SaskWater made on seven recommendations previously included in the auditor's 2018 report. I noted with interest when the 2018 report was considered by the committee that SaskWater felt it had already addressed six of the seven recommendations and welcomed the auditor to return to confirm their progress.

The 2020 Provincial Auditor report has confirmed that three of the seven recommendations have been fully implemented, but based on the auditor's testing, there is still more work to be done. I will limit my remarks to those recommendations the auditor has assessed as partially implemented or not implemented.

On page 284 the auditor recommends SaskWater follow its established procurement policies. The auditor's testing noted three instances where purchase orders were approved after the company had already committed to the supplier for the purchase. In response to the 2018 auditor's report, SaskWater provided instructions and refresher training to employees involved in procurement activities to ensure that they were aware of and following the procedures.

In the follow-up audit, for three of the 15 purchases tested, the approval date on the purchase order was after SaskWater committed to the purchase. For these three purchases, there is evidence that the approval was given at the time of the order through a review of email communication, but not properly documented on the purchase order. Following the 2020 auditor's report, SaskWater once again embarked on an education process with its employees to impress upon them the importance of following the established practice.

I think it's relevant to note that SaskWater's procurement system at this point is largely a manual process. On one of the occasions the company is currently engaged in is the development of enterprise resource planning software, or an ERP system, which includes a purchasing module. This will allow the company to better manage the procurement process to ensure procedures are followed and approvals are in place before purchases get committed to suppliers. SaskWater is implementing its ERP system in phases and the procurement module should be fully operational in 2022.

Also on page 284 the auditor recommends SaskWater provide documented rationale when non-competitive procurements over \$25,000 are utilized. Examples of non-competitive procurements include emergencies or urgent situations, if there is only one supplier, or if an item is being sent back to the original manufacturer for repair. Following the 2018 recommendations, SaskWater amended its procurement policies to require documentation supporting the use of sole-source procurements

over \$25,000.

The auditor noted in the 2020 report that follow-up testing found two instances where the documentation was available but not matched with the procurement information and two instances where it had not been prepared. SaskWater's follow-up actions on this recommendation are similar to the previous recommendation. It has again reinforced the requirements with staff involved in procurement and is focusing on training and awareness of the rules. As well, when the new ERP system is implemented, SaskWater will be able to move away from a manual system and allow management to have better controls and monitoring of the procurement process.

On page 285 the auditor recommends SaskWater regularly report to senior management and the board of directors where sole-source procurements were utilized. This recommendation also pertains to procurements over \$25,000. SaskWater implemented this practice beginning with the 2019-20 fiscal year and has diligently included this in every quarterly board meeting since August 2019.

The 2020 auditor's report acknowledges this while noting two items were not brought to the board's attention in the report for the quarter in which they arose, but were reported in a subsequent report. I think there may be two different issues involved here. The first is the process to report to senior management and the board. That has been implemented, and there has been seven consecutive quarterly board meetings where the agenda included consideration of any sole-source procurements. In fiscal 2019-20 a total of nine items were reported to the board. In fiscal 2020-21 four items were reported to the board.

The second issue may be the question of completeness of the reporting to the board. Management has reported all items it is aware of. The auditor's testing identified two instances it found that management had not been previously aware of. Similar to the corporation's response on the previous two recommendations, moving from a manual process to an automated ERP system would allow for better tracking and monitoring of purchases. However, it seems to me the process of reporting to the board is relatively well-established.

The last item that I will address is on page 286, the recommendation to track performance problems with suppliers. The auditor correctly notes right now that this is a manually driven process based on the knowledge of the people involved. The auditor also acknowledges SaskWater's plan to develop a performance tracking system where issues can be logged and used as a reference for future competitions. This will be incorporated in the new ERP system and should be available in 2022. One further step that the company has taken with regard to this recommendation is that four of its senior engineering staff involved in a procurement have participated in vendor performance evaluation training.

That concludes the comments that I have on the Provincial Auditor's report, but I would like to now talk briefly about the corporation itself so that we can deal with all matters at once.

I want to reflect on the remarkable success that the corporation has achieved. SaskWater has a strong focus on customers and on growing its business while keeping to its mission of providing

safe, reliable, and sustainable water services. In the 11 years from 2009 to 2020-21, revenues have almost tripled, going from 20.8 to \$63.3 million. Given that same time period, the volume of water provided and wastewater treated has also grown impressively, going from 18 million cubic metres up to 44.1 million cubic metres per year. And also very notably, total income has grown from less than 500,000 in 2009 to 7.85 million in 2020-21, dramatically improving the sustainability of the corporation and its ability to reinvest in infrastructure and pursue other growth opportunities.

It is interesting as well to consider the large differences between SaskWater and some of the other large Crown corporations. Unlike SaskPower, SaskEnergy, SaskTel, or even SGI, who all focus on retail service to individuals, households, and businesses, SaskWater is primarily a wholesale water provider. SaskWater's potable water customers are basically communities and rural pipeline associations and not individual residents. In 2020-21 SaskWater reached 68 communities and 79 rural pipeline associations, who in turn served 108,000 people in Saskatchewan, up from 50,000 in 2009.

SaskWater plays an important public policy role in helping communities, particularly smaller communities, come together to explore regional co-operation, potential economies of scale, and operational efficiencies, and comparing that to the costs and risks of continuing to run their own individual facilities. Regional systems may not be the right solution in every case; particularly the cost of connecting small user groups or villages over large distances would be financially burdensome. But just having the discussion is often beneficial, and you never know where it is going to lead in the future.

A major portion of SaskWater services are also derived from providing non-potable or processed water to large industrial customers to support economic development outside of major communities. The potash industry is in particular a key customer, accounting for approximately 78 per cent of all non-potable water distributed and approximately 33 per cent of all water service revenue in 2020-21.

Potash production is hugely influenced by what happens in the international marketplace. It is not uncommon to see Saskatchewan mines respond to these forces through periodic production slowdowns to match global supply and demand. In order to mitigate the business risk associated with such heavy reliance on one industry, SaskWater is focusing on identifying and developing new or expansion opportunities for regional and municipal services.

The 2019-20 annual report identifies a number of successes in this regard, including completing the construction and commissioning of a new water supply system to serve the city of Melville and approximately 1,000 other residences through the Yorkville Public Utility Board; signing a new 30-year water supply agreement with the city of Meadow Lake, which also serves the Flying Dust Nation; being awarded a grant under the New Building Canada Fund program to help develop a new regional water supply around the city of Lloydminster.

Other notable accomplishments in 2019-20 include, SaskWater has consistently received top marks for overall customer satisfaction in every survey year going back to 2012. The 2019

customer satisfaction score of 8.66 out of 10 is the highest over the decade. Furthermore, in the 2019 survey a phenomenal 94 per cent of survey respondents indicated they would recommend SaskWater to others. Those are incredible results and speak to the commitment of the team at SaskWater. This success helped earn SaskWater the position of 87th in the Saskatchewan Chamber of Commerce top 100 companies of Saskatchewan in 2019. I don't think that was even a dream back in 2009.

SaskWater was awarded two other grants under the New Building Canada Fund: one for upgrades to the regional water treatment plant at Melfort, the other for upgrades to the sewage lagoon at Pierceland. Work on both projects had begun during the year under review.

[14:15]

SaskWater continues to support northern Saskatchewan. It's providing project management services for 38 projects on behalf of the Ministry of Government Relations in northern communities. And SaskWater's long and strong relationship with northern communities resulted in 2 of those 38 projects being requested to provide project management services for new regional solid-waste facilities. SaskWater will neither own nor operate those facilities, but it does have the expertise to provide the assistance.

Notable achievements outlined in the 2020-21 annual report include major projects including a \$9.4 million expansion upgrade of SaskWater's regional water treatment plant in Melfort, a \$3.4 million expansion of Pierceland wastewater lagoon, both partially funded by the New Building Canada Fund, the NBCF. SaskWater also secured funding from the Investing in Canada fund for a potable water pipeline project for the village of Edenwold and the replacement of a pipeline segment on its Saskatoon East potable water supply system. Both projects are scheduled for the summer of 2021.

SaskWater exhibited a renewed commitment to Saskatchewan communities and industry leaders and renegotiated long-term service agreements with several municipal and industrial customers, laying the foundation for economic growth and healthy, vibrant communities in Saskatchewan.

I would like to note that SaskWater is embracing innovation in technology in the 2019-20 and 2020-21 annual reports which describe work done on initiatives such as a new enterprise resource planning software program, completing an advanced metering infrastructure program to allow remote access to real-time water use, installation of solar panels, development of a water analysis and validation application for data entry, storage and analysis of water use and system performance, and using drone technology for field survey work.

And finally, Mr. Chair — nearly done — I would like to just touch on the COVID-19 pandemic and how SaskWater managed. The provincial state of emergency was declared just near the end of the 2019-20 fiscal year, so obviously most of the impact occurred in 2020-21. I can report to the committee that SaskWater has not had any service disruptions due to the pandemic, that customers continued to pay their bills, and staff have followed all the appropriate health and safety guidance from our chief medical officer.

With that, Mr. Chair, the officials and myself would be pleased to respond to any questions from the committee.

**The Chair:** — Mr. Morgan will now take questions on the Provincial Auditor's 2020 report volume 1, chapter 31, Saskatchewan Water Corporation, purchasing goods and services; and 2019-20 and 2020-21 SaskWater Corp. annual reports. Do any members have any questions?

**Ms. Ritchie:** — Yes.

**The Chair:** — Ms. Erika Ritchie.

**Ms. Ritchie:** — Thank you, Mr. Chair. Thank you very much also, Mr. Minister, for that overview. I can agree with you in terms of the important service that SaskWater provides to many communities and other clients here in Saskatchewan, and from my perspective, the crucial issue of ensuring that it is a safe supply, one that is also ensuring that we're achieving that excellence in terms of delivery of service.

And of course procurement is a vital part of that, not only just in terms of the service that is received, the value that the shareholders of SaskWater are receiving for the monies they're paying, and also that, you know, system reliability and integrity is being maintained by ensuring that those that are being contracted to provide services are indeed the best to complete that work. So it certainly is very important that the Provincial Auditor's recommendations are implemented in a timely fashion, and I'll turn my attention to that first of all.

So I appreciated receiving the documentation last week regarding the status of implementation for chapter 31, and just a few questions I'd like to ask in regards to that. The ERP system, enterprise resource planning system that is being implemented in phases over the current and next year of 2022, I'd like a description of the features of the system and how, generally speaking, that's going to allow for improving compliance monitoring.

**Mr. Matthies:** — Doug Matthies, president of SaskWater. Thanks very much for the question. I think what I would do, I would maybe first of all point the member to page 35 in our 2019-20 annual report. We have a little bit of a write-up in there, so public record information in terms of what the ERP system will do. So it is fairly comprehensive in nature and it will incorporate our financial systems, our procurement, our project management systems, asset management, our human resource systems, and customer engagement as well. So it's a fairly broad approach. We were looking to make sure we had a system that would be comprehensive and enable all of our teams to sort of be able to freely share information to help advance our projects.

Specific to the procurement pieces, because we're moving from really a manual system to an automated system, it will have a number of checks and balances in place. You have to complete the documentation and it has to go through different supervisory levels for approval before you can actually issue a purchase order. So a lot of the pieces that I think the auditor had identified where we had tripped up a little bit, we hope to then see those eliminated just through the ability to electronically track and monitor the procurement process as we go through it.

**Ms. Ritchie:** — So are you saying that in order to advance to the next step in a procurement process, basically the system ensures that you go through that stage gate of an approval received before it advances?

**Mr. Matthies:** — That's correct. There are different authority levels and different approvals that have to be initiated through the procurement process and documentation that has to be attached to the purchase order before it can actually be issued and approved. And so that's built into the system basically as a control function.

**Ms. Ritchie:** — Okay. And then just wanting a little bit of clarification, because I was unclear on whether some of these checks and balances had previously been in place and just not followed through, or is this a new procedure as well?

**Mr. Matthies:** — What I would say is that it's not so much that the procedures are new because we've definitely told our staff this is the way to do it, but what we found and what the auditor found was that it didn't happen in 100 per cent of our procurements. So this will basically ensure that we're following the rules.

**Ms. Ritchie:** — Right, yeah. And so what about in the case of purchases over \$25,000? Was that a new requirement? I'm just trying to understand, you know, at what point were those senior sign-offs required previously as opposed to now?

**Mr. Matthies:** — There was no change in terms of where the senior sign-off was required, but we did have, as the auditor noted, there were some times when they didn't get elevated appropriately. So the requirement for the senior sign-off has been in place for a number of years, but because it was a manual-based system the people that were involved in the procurement didn't always realize that they needed that approval. So that was why we focused on education and training, and that's why we're looking to the ERP system to make sure that you can't get through the gate until you've got the step in place.

**Ms. Ritchie:** — That makes sense. And as I understand it, by going through the audit and the annual report, is that essentially you've got your project team and your operating and maintenance team, sort of primarily the groups that do the bulk of the procurement. Is that correct?

**Mr. Matthies:** — Yes. Our engineering and operations folks are the ones that are responsible for most of what we do. We're basically an infrastructure organization, and so that attention to construction for new or refurbishment of existing assets and then running the facilities, that's where most of our procurement happens.

**Ms. Ritchie:** — Okay. And I'm just wondering if you have certified procurement professionals as part of the staff that's undertaking procurement.

**Mr. Matthies:** — We do not have individuals who are designated as a professional procurement individual. We are a small shop, and so what we've done is we've undertaken training for those people who are involved in procurement so that they understand the steps and procedures. Our folks have gone through work with Priority Saskatchewan and SaskBuilds, for

example, as they've offered procurement training and that sort of thing.

And so we've utilized the services of other agencies. We've also even at times drawn upon the expertise of Central Services to assist us in some procurement pieces. But a lot of the large pieces around capital are folks who have got several years of experience, and they've worked with the other agencies to make sure we're following the appropriate steps. Or so we thought until there were a few hiccups here.

**Ms. Ritchie:** — So again, just maybe to summarize that, there isn't a specialist or expertise, necessarily, in-house? You're relying on other government agencies to provide you with guidance on best practice and procurement.

**Mr. Matthies:** — No, I guess I would clarify that a little bit. We do have several people who are directly involved in procurement, and we have had them involved in training activities. But we do not have anyone in our shop who is dedicated as a procurement expert or as sort of a procurement officer. So for example, we have construction engineering managers and they are each responsible for the procurement activities related to their projects, and they have all received the training from SaskBuilds.

**Ms. Ritchie:** — Okay. I don't know if it's a fair question or not but, I mean, I'm a little bit surprised that there could be that kind of disregard for procedure from professional staff, or the fact that it would take an audit to uncover it. It's kind of an open-ended question, but I'm just wanting to know if you can sort of help me understand how that situation might have arisen in the first place.

**Mr. Light:** — Eric Light, SaskWater. So first off, the responsibility of procurement in SaskWater rests with the director of engineering, so the director of engineering is our representative or our contact with respect to procurement. And so he's also responsible for maintaining our procedure documents and policies with respect to procurement and training of staff. And so we have the training that Doug has described as far as external, but we also have internal training and have responsibility of people when it comes to procurement inside.

So as far as the audit findings — for example, the audits on page 284 around the procurement policies — as noted in the minister's comments, three of the purchases that were tested didn't have the signature and date. As far as authorization, that was after the purchases were approved or ordered. There was documentation in the files of emails between the manager and the person that was procuring those items where he had provided his authorization and was aware of the purchases that were taking place. What didn't happen was it wasn't properly documented on the purchase order.

[14:30]

Now in some cases, the manager is not in the same location as the person that is buying the goods, and the purchase order is a physical hard-copy document. And so the ERP system will help alleviate those types of issues because they'll be done electronically.

Another example, I guess, that's in the audit, on page 285 where we're talking about the two instances where management was not

aware of the sole-source procurements, in that case the manager had authorized the procurement but it hadn't been reported to myself to get noted on the report. And so subsequently became aware of that through the Provincial Auditor and then put that on the report and reported it to our board. So in that case I just wasn't aware that that had happened because the manager had approved it.

**Ms. Ritchie:** — You note on page 286 that a legal firm reviewed the contract templates and that this will be sort of a regular occurrence now every five years. I'm just wondering whether, you know, that is going to be sufficient moving forward, or how, you know, a change in external factors might need to adjust that time frame. Or have you given any consideration to that? I mean, I think obviously, you know, contract templates are extremely important and need to be, not living documents, but regularly updated.

**Mr. Light:** — So the documents that are being referred to there are primarily used by our engineering area for capital projects. And so those documents are updated and available on our internal intranet and when engineering staff are putting together the packages for procurement, they pull the latest version of those documents. And so the review that was done was a timely review and a good review, and we'll be doing that as noted in the auditor's report to go forward.

**Ms. Ritchie:** — Thank you very much. Just a couple final questions on the system that's being implemented. Is that being done internally? Is there an external service provider that's pulling it together? Are you building on something else?

**Mr. Matthies:** — It's a combination of resources, actually. We have a fairly substantive team within SaskWater that's dedicated, and then we're also relying on the expertise of consultants.

**Ms. Ritchie:** — And how are those consultants being retained?

**Mr. Matthies:** — We went through a competitive procurement process to secure their services.

**Ms. Ritchie:** — And would that be an example too though of coordination with, say, SaskBuilds or other Crown agencies to ensure . . .

**Mr. Matthies:** — What I would describe is, prior to embarking on the ERP project, we actually had a lot of discussion with other government agencies in terms of, you know, lessons learned or important points of consideration. So we drew upon the advice of other government partners in terms of helping us to craft what the RFP should look like and what, sort of, the system should look like.

And we were also able through that process to, I'll say, leverage financial gains for ourselves because we were able to, through a Crown collaboration, we've received discounted pricing from suppliers on some of the software pieces, and so we were able to gain a reduction in the regular price for Microsoft licensing and for Oracle licensing.

**Ms. Ritchie:** — You've mentioned in the update that's provided to . . . page 286 and the recommendation to track performance problems, that SaskWater has implemented best-value

procurement and that there'll be a system developed to rate performance. And when you talk about best-value procurement, I wonder maybe if you could explain that to me a little bit, what considerations are in place.

**Mr. Light:** — So as far as best-value procurement, it is considering a number of factors other than just price. So we consider things like experience of the firm doing the work, experience of the team members of the firm doing the work, whether they have experience with similar projects in the past that we're trying to procure, and things like their approach to the problem, their methodology. Things like the experience of their team members and the team that they are assembling or put forward to do the work are some of the things that we look at when it comes to best value.

**Ms. Ritchie:** — Just the way that it's mentioned here in the status update, it sounds like it's, you know, a little bit of a buzzword with some typical components. Is that the case here? I think I ran across it in the SaskEnergy reports as well, because it talks about best-value procurement. So I'm just wondering if that's a standard.

**Mr. Light:** — Yeah. So I guess I should explain a little bit further to that. For a best-value procurement we would typically either do a pre-qualification step and/or a request for proposals. And in the request for proposals and the pre-qualification you have an evaluation criteria that you set up with different weightings. And we set up the RFP document so that the information that is requested matches the evaluation criteria so that we can rate the firm on how well they achieve the criteria that we're looking for that we are rating as important for that particular project.

So as opposed to a tendered procurement where it's the lowest price with a best value procurement, you have a rated criteria. And we also do evaluate price as well too as far as one of those criteria. But there's other things that we're looking at.

**Ms. Ritchie:** — And so would that include Indigenous participation and local suppliers?

**Mr. Light:** — Yes. So in our procurements as far as RFPs, Indigenous procurement is something that we do include and rate. And another thing that we also consider is whether a firm has experience working in Saskatchewan. And so when I say that, I'm not saying that they are a Saskatchewan-based business. What I'm saying is, is that they have experience working in Saskatchewan because that is of value to us. Because if you have worked in Saskatchewan before, that is good local knowledge with respect to the way a project works.

**Ms. Ritchie:** — So you don't provide any additional points for being a Saskatchewan-based company?

**Hon. Mr. Morgan:** — Mr. Chair, I can inform the committee that there is a tendering and procurement process that's used that mirrors the processes that are followed at SaskBuilds, and it's a point system based on local knowledge or the local issues that are there. And I'll certainly have the official answer any more, but there is a specific process that's in place, has been, and is part of the tendering package which is information that's available online and is used, I think, across all of the entities such as this.

[14:45]

So I think ordinarily one would assume the starting point should be the lowest bid, but that certainly doesn't necessarily give the best value for the taxpayers. An understanding of soil conditions where excavations have to take place and local community benefits are all a significant part of the process. So it's a complex points-based process that takes place on the procurement. I'd certainly be prepared to answer any more specifics or have one of the officials do it.

**Ms. Ritchie:** — I appreciate that there's both quantitative and qualitative aspects to the process. And maybe you could provide me with a little more specifics then in terms of . . . Like if this is based on an overall score, what's the maximum points one might receive as a service provider for local content?

**Hon. Mr. Morgan:** — I think I'll ask the official to provide a hypothetical bid for whatever might include points for whatever, so you know, rather than . . . Anyway, certainly go ahead.

**Mr. Light:** — Yeah, for sure. It would vary depending on the specific procurement, but I would say it's in that 5 to 10 points out of 100.

**Ms. Ritchie:** — Okay. So I guess overall there's some . . . You're saying that it varies depending on the nature of the project? Or are these sort of fixed scales?

**Mr. Light:** — I'm just having a little trouble hearing you here. I can hear you a lot better when I'm sitting there. But could you repeat the question?

**Ms. Ritchie:** — I'm just looking for a little bit of clarity. You mentioned 5 to 10 points and I'm just wondering what factors would influence that number.

**Mr. Light:** — So it would depend on the nature of the specific procurement. And so you could have a procurement where it's primarily a supply contract, where you're supplying materials that could come from in or outside the province where that would be less of a consideration, as opposed to a major construction project where there'll be a lot of opportunity for local suppliers of materials as well as labour and subcontractors.

**Ms. Ritchie:** — Thank you for that clarification. Just looking at the time here, I think it's probably best we move along and have a look at the annual reports for SaskWater. Well I guess you talked a little bit about the biennial customer satisfaction survey in your remarks, Mr. Minister, and looking for a bit of more detail in terms of by what methodology that survey was undertaken and how many customers would have been surveyed and the type of, you know, within each category that those surveys were completed. I'll start with that.

**Mr. Matthies:** — Thanks for the question. What I would do is I would first reference the member to our 2019-20 annual report, and on pages 30 and 31 of the report there's a fairly good write-up in terms of the survey itself. What we have been doing for years with our customer satisfaction survey is we hire a consultant to run it so that there's no bias from the corporation that's introduced into the process. As the minister indicated, we're primarily a wholesale provider of services, so our total list of

customers is in that neighbourhood of 400. And so on the bottom of page 31 it's noted that there were 121 of our customers who actually completed the interviews.

**Ms. Ritchie:** — So you've roughly been able to reach out to a quarter of your customer base?

**Mr. Matthies:** — That's correct.

**Ms. Ritchie:** — Okay, yeah. That's helpful. You know, the one question I suppose . . . I mean you're getting, you know, very impressive results in terms of overall satisfaction. I noticed that on perception of fair prices, that was one where the results were a little lower than the other criteria. I'm wondering what factors might be contributing. Have you been able to sort of delve into that a little bit? How do you understand those results and what are they telling you as a corporation?

**Mr. Matthies:** — I think one of the messages that we see is that, first of all, for every year since we've done the survey, we have scored exceedingly well on safe, reliable drinking water. And customers have always told us that those are the two top criteria that they look at. When it comes to price though, everybody's looking for a bit of a deal. Everybody wants a bit of a price break, and so as you pointed out, there was a little bit of a dip in this year's results in 2019.

And I guess I would say over the last several years, SaskWater has been gradually moving to address some of the pricing on our systems. We had a number of systems that, when our mandate changed in 2002, we went from basically being under the umbrella of the Water Security Agency to being a stand-alone entity on a commercial basis.

A number of the agreements that we had when the mandate changed were not struck under commercial terms. So we were not necessarily even recovering all the operating costs or the capital costs or the financing costs. And so what we have tried to do over time is to try and address those so that they became a commercial contract. And so when you do that, that means you try to adjust your price.

Now our strategy over time has been to work very closely with customers on that, so we'll usually get into a pricing discussion with customers, especially around a major capital upgrade if there's a big upgrade required on the system. That certainly helps communities, I think, because then they can turn to their ratepayers and say, well we need that new water storage facility or whatever it might be, and so they understand that.

So we do that, and then we tend to use a phased approach with rates so that you will see rate increases over a period of time in smaller steps rather than a big leap over time. And I think what our observation is in the survey here, is we had been trying to adjust a lot of the previous contracts to make them more commercial. And people were saying, okay we're starting to see that now and feel it. So that was sort of the message.

**Ms. Ritchie:** — I think it kind of ties into one of the risks that you identified in that same report around there being some of that confusion around the brand for SaskWater, and I noticed that it fell off the list for the most current year. Do you care to comment on that right now? I guess I would like to know is that no longer

seen as a risk or it just doesn't make the cut in terms of the ones you're reporting on?

**Mr. Matthies:** — So in terms of the brand pieces, the write-up that's in both annual reports regarding brand was work that we had undertaken to try to address the issue so that customers understand who we are versus the Water Security Agency for example. And also as a commercial entity, it's important that we understand how do the non-customers think of us. We've obviously got the customer satisfaction survey, which is very positive for us for existing customers.

But as we try to break into new markets, we wanted to make sure we had a good understanding of what the non-customers think of us. What do we need to know to better position ourselves to get their attention, get their business, and how do we need to change any internal thinking from our side so that we can secure those new opportunities.

So you know, contrary to something that might be focused on visual identify, this was about how do we do business? How do our prospective customers see us? Are there any gaps that we need to fill to try and make our self more commercially attractive to them?

**Ms. Ritchie:** — Okay, well I guess I'm hearing two things there both in terms of that sort of broader public perception and understanding of the role SaskWater plays relative to other government agencies, but then also like you're saying be attractive to your customers. And I can appreciate that that would be twofold.

But would it be fair to say that even though . . . I mean maybe I missed it, but what I was observing was that there was a risk that was spoken to in the 2019-20 report and I didn't see it in the next . . . It seemed to be a change that it was no longer in the '21 report. So back to the original question just in terms of has there been a change in focus or priority on that matter?

**Mr. Matthies:** — So every year what we do, we'd go through a process and we use an enterprise risk management approach. So we review the top priorities for risks on every single year. And yes, there is change in different years. And so because we had started the work on brand in the previous year already and we had sort of pieces in place, then it didn't rank sort of in the list of those that are highest to focus on. So that's why you see the change.

**Ms. Ritchie:** — And I'm wondering how it relates to recent announcements around rebranding for Crown corporations. What efforts were taken in the last two years around any sort of rebranding for SaskWater? How much money might have been spent on those, and where is that work intending to go moving forward?

**Hon. Mr. Morgan:** — I'm not sure if you were picking up the notes from this morning's committee meeting, but I'd indicated at that time that when I took the portfolio earlier this year following the last election, we were approached by SGI as well as a couple of the other Crowns, saying that they wished to consider rebranding or wished to consider what they were doing with visual identity. We had discussions at that point in time with those Crowns as to whether there was benefit to the Crowns to



be more closely aligned with the province and whether the strength of the province would help them, or vice versa, and whether it would be beneficial to have a common visual identity all the way across. We asked all of the Crowns to have a look at what the costs might be and what the process might look like.

The replies came back that it was an expensive exercise if they were looking at changing all the signs, vehicles, etc. all the way across. We gave the direction that, given the current state of the pandemic, that we weren't prepared to have further discussions on it, so any further work is to be paused. So there was no expenditure done by the Crowns or by Exec Council up to this point in time. It was a matter of, the inquiry came from the Crowns. We looked at it and thought there might be merit in having discussions, but we've directed a pause to be put on it.

Now I don't know whether this particular Crown has done any work themselves otherwise, but I'm told that all the Crowns have expended no money as a result of the discussions that took place this year. But there certainly may have been work that they had done previously with things that were done in-house as there was with SGI and some of the others. SGI had done some considerable work on it, but I don't think there's anything under way at SaskWater of which I'm aware.

**Mr. Matthies:** — So what SaskWater had done over the previous three years, we've probably spent about \$200,000 related to this project. A significant portion of that was actually spent in redoing our corporate website. We also hired a consultant to undergo sort of a customer journey mapping process with us and to do interviews with both customers and non-customers alike to gather feedback in terms of that market positioning kind of work. But that work was concluded prior to the discussion that the minister was referencing.

[15:00]

**Ms. Ritchie:** — Okay. Thank you for that response. Are we getting short on time? Okay. Well I'll make it a loaded question in that case, since it's my last one. And that was just . . . Okay.

You know, I'm seeing that there are new risks identified in your most recent report. I'm both pleased and concerned to see those there. From my perspective, I think they definitely should be on the books and should have been on the books for quite some time. You mentioned security of water supply, regulatory change, and business continuity.

So maybe in the interest of time, it'll be more a comment than a question. And I guess my biggest concern right now is around the objective to both grow the business and conserve water, and I guess that relates to security of water supply. So what can you tell me further about mitigation measures that you've listed for ensuring security of water supply moving forward as SaskWater?

**Mr. Matthies:** — Okay. First of all, maybe just to the first part of your question or your preamble regarding the risks, so I mentioned that we do that risk assessment every year, and we will update sort of the top. But in addition to the risks that are listed here, we probably have another 10 or 15 that are on our books as well. So if you don't see one here, it might still be on our list, but it didn't make sort of the top 10. And we tend to report on the top 10. In terms of water security issues, as . . .

**Ms. Ritchie:** — Pardon me. Would it be possible to receive a list of those risks and any information regarding their risk rating?

**Mr. Matthies:** — We share that with our board members. We will vet out whatever is inappropriate, but the list is . . . I think we can absolutely share that. It's just sort of, a lot of it is common-sense items.

**Ms. Ritchie:** — Okay.

**Mr. Matthies:** — Okay. And then specific to the question on mitigating water security supplies, those sort of risks, first of all, as you may be aware, the Water Security Agency has the responsibility within the provincial government to sort of look after the big picture. What we do as a supplier, we do consider what is a long-term, sustainable water source when we're looking to construct new facilities or when we're looking at how we're serving existing customers, and so what I would say is that that becomes sort of a continual assessment.

And I would point you to the work that we're doing this year regarding the village of Edenwold. It is probably our customer community that's had one of the most at-risk water supply sources for a number of years, and so we have been able to put together a solution where we're going to join them to a regional system. Currently their water service comes from basically surface run-off into a dugout, and it's been challenged for years to have adequate quality and quantity. And so we've been able to put a solution together that will give them a secure supply from a different water source, from a reliable aquifer that will address those needs.

Other pieces that we do is we work very closely with the Water Security Agency to understand, you know, what are the expected flows and whatnot coming down the streams. We have worked with customers in the past where it may be required that some sort of water rationing might be required because of intense heat or challenges to the supply levels. You know, those are sort of as they are required. They're not necessarily sort of an everyday occurrence, but we'll work with customers around those sort of things as well.

So understanding the source for your siting decisions, looking for solutions when there's a problem identified, and working with the customers themselves to facilitate any conservation measures. And then I guess maybe the fourth thing I would say is we actually also support awareness campaigns. And so we'll include with some of our customer invoicing information or other communication material, tips for conservation, for example. So we try to promote that as well.

**Ms. Ritchie:** — Are there targets set for conservation by your clients?

**Mr. Matthies:** — So recognizing that we're largely serving a community, and so often those targets become how do they translate that to their own residence, as opposed to . . . We don't tell that community, you can't get this much water. We try and work with them to work with their customers to sort of . . . you know, less watering of grass or whatever might be required. But we do not impose a reduction target on any community.

**Ms. Ritchie:** — Thank you.

**The Chair:** — Thank you. Seeing that we've reached our allocated time, we'll move on to the Provincial Auditor's 2020 report volume 1, chapter 31, Saskatchewan Water Corporation, purchasing goods and services, has no new recommendations for the committee to consider. I will ask a member to move that we conclude the consideration of this chapter.

Mr. Dana Skoropad has moved it, that we conclude the consideration of the Provincial Auditor's 2020 report volume 1, chapter 31. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I will now ask a member to move that we conclude the consideration of the 2019-2020 and the 2020-2021 Saskatchewan Water Corporation annual report. Do I have a mover?

Mr. Tim McLeod has moved that we conclude the consideration of the 2019 and 2020 and the 2020 and 2021 Saskatchewan Water Corporation annual report. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. That concludes our business with SaskWater. Minister Morgan, do you have any final comments?

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. I'd like to thank the committee members that are here today for their time and their deliberation on this important process. Mr. Chair, I'd like to thank you and the Legislative Assembly staff, people from Hansard, building security, the building people, for their work that they do. But more particularly, I would like to thank the employees of SaskWater Corporation for the work that they do, not just today but all year round, and the reliable water that we've had for a number of years through all of the communities that receive water from them, and for that we thank them.

**The Chair:** — Thank you, Minister. Ms. Ritchie, do you have any closing comment?

**Ms. Ritchie:** — I would like to thank the president and CEO for being here today with his staff to answer questions about operation and the Provincial Auditor's report and appreciate the work that you and your team do to ensure that safe, reliable service is provided to clients here in Saskatchewan. Thank you.

**The Chair:** — Thank you. We'll now take a short recess to have the officials from SaskEnergy join us.

[The committee recessed for a period of time.]

### **SaskEnergy Incorporated**

**The Chair:** — Welcome back, Minister Morgan, and officials from SaskEnergy. I'd also like to welcome back Ms. Clemett and her staff.

[15:15]

Before we begin, I would remind the officials from SaskEnergy the format that we'll be using today. For consideration of the Provincial Auditor's chapter, I'll first recognize our Provincial

Auditor, and then we'll proceed to introduce her officials and provide a presentation on the chapters under the consideration. Once completed, I will recognize the minister to introduce his officials and respond to the chapters under the consideration. After the chapter has reviewed, I will excuse the auditors and then move on to consideration of annual reports. Are there any questions about the process? I'll now turn it over to Ms. Clemett, please.

**Ms. Clemett:** — Good afternoon, Chair, Deputy Chair, committee members, Minister, and officials. With me today is Ms. Linda Klassen who led the audit at SaskEnergy. Before Ms. Klassen presents the chapter on the agenda, I would like to thank the president and CEO and his staff for the co-operation extended to us during our audit work. This chapter includes three new recommendations for the committee's consideration. I will now turn it over to Linda.

**Ms. Klassen:** — Thank you and good afternoon. SaskEnergy is responsible for the safe operation of its natural gas transmission pipelines. It owns and operates about 15 000 kilometres of transmission pipelines. SaskEnergy transports natural gas to about 390,000 residential, farm, commercial, and industrial customers throughout the province. Its stated priority is to maintain a safe and reliable pipeline system.

Without properly designing effective processes to operate pipelines safely, SaskEnergy faces risks of fire or explosion caused by ignition of natural gas that is leaked from transmission pipelines. This can cause serious injury, death, or significant property damage. Also the release of natural gas, which is primarily methane, contributes to climate change.

Chapter 11 of our 2020 report volume 1 is located on pages 135 to 154, and it reports the results of our audit of SaskEnergy's processes to keep existing natural gas transmission pipelines operating safely. We concluded that for the 12-month period ending January 31st, 2020, SaskEnergy Inc. had, other than our recommendations, effective processes to keep existing natural gas pipelines operating safely. We made three recommendations, and my presentation will focus on these three recommendations.

Our first recommendation is on page 143. We recommend SaskEnergy document the rationale for how often it carries out each of its transmission pipeline inspection activities.

SaskEnergy pipeline integrity management policies are consistent with applicable provincial regulatory requirements. We assessed policies for each of its 10 inspection activities and found that they set out clear requirements for various types of pipeline inspections and surveys designed to detect damage to the pipelines. However we found neither SaskEnergy's policies or supporting procedures documented the rationale for frequency of the following three types of pipeline inspections: block valve inspections, depth-of-cover surveys, and gas leak surveys.

Block valves are used to stop the flow of gas through a pipeline. Block valve inspections look for corrosion, cracking, and leaks, and of course damage to the block valves. Each block valve is inspected every 20 years.

Depth-of-cover surveys assess the depth of ground soil covering the pipeline to ensure it's sufficient. Depth-of-cover surveys are

done on all pipelines every three years.

Gas leak surveys look for dead spots in vegetation to identify that a pipeline may be leaking. Ground leak surveys are completed on the entire transmission system every four years.

Lack of documented rationale for the frequency of all its inspection activities limits SaskEnergy's ability to address risks in its pipeline integrity management program. Also, because SaskEnergy contracts engineers for inspections, having documented rationale for the frequency of inspection activities is crucial for their understanding.

Our second recommendation is on page 148. We recommend SaskEnergy implement time frames for including the results of inspections of transmission pipelines into its risk-modelling IT system.

In-line inspections really are SaskEnergy's primary inspection activity to gather information about the structure and the integrity of its transmission pipelines. In-line inspection is a non-destructive examination of the pipeline performed by equipment that can really travel through the pipeline 6 inches in diameter or larger.

SaskEnergy policies require all contractors to notify SaskEnergy immediately if they find significant defects in these in-line inspections, and they're also required to complete inspection reports. Contractors submit those preliminary and final inspection reports to SaskEnergy, and SaskEnergy personnel review and approve these inspection reports.

However SaskEnergy does not track when it receives, reviews, or approves the results of all in-line inspections. For 10 in-line inspections we tested, we found for seven in-line inspections, SaskEnergy received a final report between 27 and 86 days after the contractor performed the inspection. For three in-line inspections, SaskEnergy had not received, as at January 31st, 2020, the final report for between 43 and 64 days after the inspection. For seven in-line pipeline inspections, they completed a more in-depth review of the final inspection report, and that took between 3 and 62 days after they received the final inspection report.

We also found SaskEnergy does not have well-defined time frames to when personnel should enter this inspection information and reports into its risk-modelling IT system. We found that personnel entered the results of the in-line inspections into the risk-modelling application before they had completed their review and approval of the final in-line inspection reports. Entering inspection data before a review and approval of a final inspection report increases the risk of using inaccurate data in the risk-modelling IT system, which may lead to less reliable pipeline risk assessments.

In our last recommendation on page 148, we recommend SaskEnergy include the results of key inspection activities and repairs done during the year in its pipeline data storage IT system and to do it within specified time frames.

Each year, typically in the spring, SaskEnergy checks whether it's included all in-line inspection reports and dig inspection reports from the prior construction season into its data storage

system. However, we found that SaskEnergy does not check whether reports from other types of inspections — for an example, the block valve inspection — are in this data IT storage system. Then this system is used to develop SaskEnergy's annual inspection plans.

For our testing, we found that as of January, two close interval surveys and five block valve inspections done five to seven months earlier, these reports were not included in the IT data system. Only 6 of 10 in-line inspection reports we tested were in the IT system. The other four had not yet been finalized, and there were no reports entered in the IT system for five repairs that had been done four to five months earlier.

Having up-to-date records in its IT system reflecting current, reliable assessments of pipeline conditions better supports their decisions about future inspection plans and repairs. This concludes my presentation. Thank you.

**The Chair:** — Thank you. Minister Morgan, please introduce your officials and make your comments.

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. And thank you to the members of the committee for requesting SaskEnergy to appear to discuss the corporation's 2019-20 and 2020-2021 annual reports and financial statements, and the results from the 2020 Provincial Auditor's report volume 1, chapter 11.

SaskEnergy officials accompanying me this afternoon are Ken From, president and chief executive officer; Christine Short, executive vice-president and chief financial officer; Kevin Adair, executive vice-president, customer service operations; and Mark Guillet, Q.C. [Queen's Counsel], executive vice-president in stakeholder engagement, chief legal officer and corporate secretary. And, as I've said before, Mr. Chair, you can never have enough lawyers.

I will touch on the Provincial Auditor's report, provide an overview of SaskEnergy's operational and financial highlights from the 2019-2020 and '20-21 fiscal years, and then we would be pleased to take questions.

With regard to the Provincial Auditor's report, system integrity was the focus of a chapter in volume 1 of the 2020 Provincial Auditor's report, which assessed whether SaskEnergy had effective processes to keep existing natural gas transmission pipelines operating safely for the 12-month period February 1, 2019, to January 31st, 2020. After assessing SaskEnergy's pipeline integrity processes, the Provincial Auditor recognized that SaskEnergy has effective processes in place, and made three recommendations for further improvements.

These recommendations were focused on determining rationale for the frequency of certain inspection activities and determining managing timelines associated with receiving and analyzing inspection results. I'm pleased to share that SaskEnergy has implemented the auditor's recommendations and will continue to explore ways to build off these improvements going forward.

With regard to the annual reports, the 2019-20 fiscal report was not without its challenges for SaskEnergy, first with the labour disruption in the fall of 2019, followed by a significant downturn in the oil and gas industry, and of course the onset of the global

pandemic in early 2020. Despite these challenges, SaskEnergy was able to maintain strong financial and operational results, successfully delivering on its mandate of providing safe, reliable, and affordable natural gas service while achieving strategic goals and high levels of customer service. This was highlighted by an impressive 99.99 per cent reliable rating in 2019-20 and 2020-21, as well as high customer satisfaction survey results year over year.

I'd like to talk about customer focus. Consistently producing quality customer service while providing customers with energy solutions is one of SaskEnergy's key objectives. The corporation strives to implement solutions that make it easy for customers to do business with SaskEnergy, such as the 2019 industry-award-winning customer connect constellation initiative and the launch of its new website in 2021 to provide enhanced online experience and additional self-service options to customers.

As it continues to meet customer needs today, SaskEnergy must also adapt to customers' changing expectations in the future, which includes helping customers meet their evolving environmental goals. During 2019-20 and 2020-21 fiscal years, the corporation invested close to \$2.9 million in energy efficiency rebates to help customers install high efficiency natural gas appliances, reducing their energy consumption and greenhouse gas emissions. Over the last 10 years, SaskEnergy has invested more than \$6.3 million in rebates to help homeowners and businesses improve their energy efficiency.

Looking internally, SaskEnergy continues to concentrate on environmental sustainability throughout its operations. In the 2020 calendar year, the corporation significantly reduced emissions from above-ground infrastructure by enhancing its operational leak detection and repair program. As a result, carbon dioxide emissions reductions from this is equivalent to taking 10,000 cars off the road.

As a founding partner of the Natural Gas Innovation Fund, SaskEnergy is investigating the development of new technology that will help reduce emissions in the natural gas industry. In 2020, SaskEnergy worked with local and industry partners to fund the installation of high-end efficiency furnaces and smart thermostats in Saskatchewan's first net zero multi-unit residential building in Saskatoon.

To promote carbon monoxide safety in 2021, SaskEnergy helped homeowners across the province install more than 25,000 carbon monoxide detectors in the home — I meant to say in 2020 and 2021, sorry. The Canadian Gas Association recognized SaskEnergy's efforts with its annual Michael Mulcahy Award in customer service. During the pandemic, SaskEnergy implemented the Government of Saskatchewan's Crown utility interest waiver program in March of 2020 and ensured the proper processes, plans, and equipment were in place to support safe and reliable operations in customer-facing work throughout the pandemic.

[15:30]

I'd like to talk about rates. In addition to safe and reliable service, SaskEnergy understands that customers expect affordable, stable natural gas prices. This continues to be a key driver of customer

satisfaction levels. SaskEnergy implemented its lowest commodity rate in more than 20 years on April 1st, 2019. Combined with its delivery rate, SaskEnergy's total residential gas utility rate is currently the third lowest in Canada.

I'd like to move on and talk briefly about growth and capital spending. In 2019 and 2020, demand from SaskEnergy's industrial transmission customers increased for the fifth straight year, driven by growth in the mining, enhanced oil recovery, and power production sectors. In 2019 SaskEnergy has added 5,500 new distribution customers, bringing its customer base up to 400,000, the highest level to date.

In 2019-20 SaskEnergy invested \$330 million to expand its natural gas storage and delivery capacity throughout Saskatchewan. A key achievement was completing the 62-kilometre South Saskatoon gas line in October 2019, more than doubling the natural gas capacity to the east side of Saskatoon to meet the rising customer demand. In 2020-21 SaskEnergy invested \$49 million in transmission infrastructure near Shaunavon and Pierceland to secure a natural gas supply from Alberta.

Strategic capital investment has become increasingly important as Saskatchewan is a net importer of natural gas. Securing reliable supply and the appropriate infrastructure level both now and into the future remains a high priority for the corporation.

Investment in a safe and reliable system. SaskEnergy's number one priority is to maintain a safe and reliable natural gas pipeline system. Thanks to the corporation's comprehensive safety and integrity programs and its dedicated provincial workforce, most customers never experience an unplanned natural gas outage.

SaskEnergy customers once again set a daily natural gas consumption record in 2020-21. This was the eighth year in a row a record was met or exceeded. These winter events highlight why SaskEnergy's system design, gas-purchasing strategy, and maintenance and integrity programs are so critical. SaskEnergy invested \$111 million in safety and system integrity programs in 2019-20 and an additional \$89 million in 2020-21.

Talking about the financial performance, looking back, SaskEnergy's recorded income before unrealized market value adjustment was \$66 million in 2019-20 and \$59 million in 2020-21. These numbers demonstrate SaskEnergy's strong performance and resulted in a \$24 million dividend paid to the Crown Investments Corporation for 2019-20 and \$21 million dividend for 2020-21.

The corporation's continued focus on operating efficiencies resulted in overall savings of approximately \$56 million since 2009. Key drivers were process improvement initiatives related to construction and procurement activities. SaskEnergy maintains a healthy balance sheet with a 58/42 debt/equity ratio at March 31st, 2021.

I would conclude by saying that, as a company that exists to serve its customers, SaskEnergy has been quick-thinking and flexible in order to respond to the current business environment, turning the challenges of a changing industry and growing province into opportunities. The future of SaskEnergy will depend on many factors: innovative energy solutions, initiatives to meet evolving

customer expectations, promoting the benefits of natural gas and the reliability of its energy delivery system, and engaging in the communities which it serves.

It is imperative that the corporation remains committed to environmental stewardship in its operations as SaskEnergy continues to provide critical energy for a greener Saskatchewan. This commitment includes reducing its emissions from operations by 35 per cent by 2030 and supporting customers in increasing their energy efficiencies.

I'd like to commend SaskEnergy's leadership and its hard-working people for successfully managing these competing priorities and challenges. Thank you. And with that, Mr. Chair, we would be pleased to answer your questions.

**The Chair:** — Thank you, Minister Morgan. Do any members have any questions on the Provincial Auditor's 2020 report volume 1, chapter 11, SaskEnergy, keeping existing transmission pipelines operating safely? Ms. Erika Ritchie.

**Ms. Ritchie:** — Thank you. I'm happy to see that the recommendations have been addressed and solutions implemented for the three that were identified. I would like to understand . . . There is mention with the last recommendation regarding including results of key inspection activities and repairs. You make mention both of a spreadsheet but then consideration of a specific software tool for this purpose. Can you tell us the status of that consideration? Are you planning to move forward with a software solution beyond just the spreadsheet? And the time frames for that.

**Mr. From:** — Ken From, SaskEnergy. Thank you for that question. As noted in the report by the Provincial Auditor, there were three main administrative functions that were found to have some degree of improvement, and we have done so. With respect to the one that you just mentioned about the repairs and whatnot, my understanding is that at this present time they are done by a spreadsheet and we will be looking forward to, in the upcoming months or years, to put that into the actual software that can more adequately track that.

**Ms. Ritchie:** — Is there any time frame under which that is planning to go forward?

**Mr. From:** — That specific item, I don't recall the time frame that we have on there. We have a number of activities that we're doing with respect to pipeline integrity, a number of audits besides what the Provincial Auditor has done, and so we're looking at all those and prioritizing the work and the appropriate schedule so we can indeed meet our criteria that we have set for ourselves.

**Ms. Ritchie:** — Okay. Yeah, because I think that, you know, something like a spreadsheet can only be as good as the degree to which it's actually . . . you know, the solution is implemented. And typically a software solution allows for a higher degree of compliance, I would suggest. So I was very interested to know if that was really given sort of serious consideration or priority. I'm just wondering if the spreadsheet is going to be adequate. Or maybe you could tell me a little bit about how you ensure that it's working in the way that it's intended.

**Mr. From:** — Sure, I'll do my best. You know, a spreadsheet is actually a software program that can interact with a variety of Microsoft software that are out there. So by having it on a spreadsheet, that does not diminish our ability whatsoever to ensure that it's on there and is monitored, and then the actions appropriately taken. So it just happens to be that particular tool at this time. And if there's a tool that is going to enhance that, perhaps make it a bit easier, then we will obviously implement that as well.

**Ms. Ritchie:** — Okay, thank you for that. I guess we'll move along into the annual report at this point. Those were all my questions for the auditor.

**The Chair:** — Okay. The 2020 report volume 1, chapter 11 has three new recommendations for the committee to consider. What is the wish of the committee? I recognize Mr. Dana Skoropad.

**Mr. Skoropad:** — Mr. Chair, I move that the committee concur with recommendations 1 through 3 and note compliance.

**The Chair:** — Mr. Dana Skoropad has moved that the committee concur with the recommendations and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Thank you to Ms. Clemett and the officials from the Provincial Auditor's office. We will see you tomorrow. Thank you.

We will now be considering the annual reports. We'll take questions on the 2019-2020 and 2020-21 SaskEnergy annual report and the 2019-20 and the 2020-21 SaskEnergy Incorporated and subsidiaries financial statements. Do we have a member . . . We'll continue on with questions. Ms. Erika Ritchie.

**Ms. Ritchie:** — Thank you, Mr. Chair. I'm going to start, I guess, on page 14. And in terms of the commodity margin that's listed, it seems to be down significantly from the past two years. I wonder if you could explain the reason for that.

**Mr. From:** — Sure, thank you very much. Are you referring to the annual report or the financial statements? Just so I can get the right reference on there.

**Ms. Ritchie:** — Yeah, I'm in the '20-21 annual report page 14 showing the financial and operating highlights for the consolidated financial information.

**Mr. From:** — Right. Okay, thank you. I want to talk a bit about the commodity. If you will remember, the commodity that SaskEnergy provides to its customers is provided on an at-cost basis. And what we do is we set our rates prospectively for a length of time. We try to do it for more than a year. Our customers have told us that they want price stability, and so we try to do things differently than perhaps some other utilities in having that kind of long-term perspective.

Since the price is actually determined in the market each month, there is a difference between what we have planned and what might actually occur, and we keep track of that. So from time to time what's going to happen is that we will see that commodity

— as we call it, commodity margin — become a certain number only because of the fact that time has elapsed and the forecast, whether it might be whatever it might be, and the actual commodity is coming in either higher or lower, and we keep track of that. And in a subsequent application in front of the rate review panel, we would ensure that those are all trued up and net to zero over time.

So what you see there, when it's moving, is some differences whether the customers are paying us money or we're actually refunding some to them. That is how that commodity margin gets tracked and allocated.

**Ms. Ritchie:** — And is there a tie-in with some of the information you show further down in the report regarding I guess both the . . . where you're receiving supply for natural gas and the price forecast for purchasing? Are those related to that commodity margin? Or maybe you can explain how.

**Mr. From:** — The price forecast is somewhat related to that, absolutely. And as the prices change from time to time, and when we have to do the financials, we have a certain deadline as the date of that natural gas and what its market value is at that specific period of time. And the day after or the day before, those prices might be different, and in some cases can be noticeably different. So we do track all of that. And at the end of the day, on the commodity that we're working with for resale to the customer, I can tell you that it nets out to zero over time as we clear out the accounts.

The account that we use for the retail customers is called our gas cost variance account, and it has a number that accrues to it and then gets subsequently either refunded back to the customers through a lower rate, or in some cases it must be added on to the forecast price in order to get the right amount into our gas cost account.

**Ms. Ritchie:** — And given sort of the current price environment and supply environment, how do you see that affecting commodity margins going forward?

**Mr. From:** — You've probably seen in the newspaper that the price of natural gas in the last four months has almost doubled. And it is highly volatile. Just reading the other day a report put out by FirstEnergy and looking at the price of natural gas over the summer period, and what's expected in the fall and for subsequent years, we are keeping a very close eye on that to see what happens. Because again, it can be volatile. Prices did move substantially due to the very hot weather. Believe it or not, that caused a lot more natural gas to be used for electric generation, as the air conditioning loads had to be increased all across North America. So that had a slight bump.

Will that bump have a time span where it goes back down to where it was before? We'll have to wait and see. So the next few weeks and the next month are going to be critical for us in understanding exactly where our commodity needs to be for the upcoming years.

**Ms. Ritchie:** — And you'll have to forgive me. I'm just kind of using that one line item as a little bit of a jumping-off point for a few other questions.

[15:45]

And I did obviously note in the annual report you talked about how the local supply that SaskEnergy receives had been affected by lower oil production and the need for greater supply coming from Alberta, there being . . . [inaudible] . . . transportation costs there. I'm just wondering sort of like, do you see things sort of settling out a little bit as we sort of progress into this next phase of the pandemic? Or any comment you can make.

**Mr. From:** — Sure. First of all, any actions that have gone on with the oil and natural gas have been non-pandemic related. They're more related to the global environment. For example, liquefied natural gas is now exported out of the United States, and in Europe it hit an all-time record high last week, and also in Asia it's at about a 5- to 10-year-high. So those are the factors that influence the natural gas within North America. We used to be very much of, you know, a region by ourselves until the LNG [liquefied natural gas] exports out of the United States really took off, and now it's become more of a global market. So we do see all those things affecting us a little bit.

What's happened in Saskatchewan in particular, I think to where your question is leading, is what is happening with the gas supply there. Right now it is very predictable for us. We can see the trend lines, that they have indeed smoothed down a little bit after some of the really up and downs that occurred probably 12 months ago. So it's quite predictable now and we can use that as we forecast on how we are able to source the gas for the reliable delivery to our customers.

**Ms. Ritchie:** — Okay. The net finance expense seemed sort of high. Where did I see that? No, I'm sorry, but you have it . . . I'm not sure where I was going with that one. I'll move on to another question.

So I see that you had last year was slightly cooler than normal — 2.3 per cent, you've indicated. I'm wondering if it's possible to sort of normalize for degree days. If you take out that variability due to seasonality and varying weather, are you seeing residential consumption rates on average increasing or decreasing?

**Mr. From:** — Just for clarification on your question, do you mean the rates or the consumption?

**Ms. Ritchie:** — Consumption.

**Mr. From:** — Consumption, yes.

**Hon. Mr. Morgan:** — Are you asking about overall province-wide or home-by-home? Is your question getting into whether an individual homeowner might be using less now?

**Ms. Ritchie:** — Yeah. Is their average consumption going up or down?

**Hon. Mr. Morgan:** — Okay. So as in, are people being more energy efficient . . .

**Ms. Ritchie:** — Yeah.

**Hon. Mr. Morgan:** — . . . than they might have been once before?

**Mr. From:** — Yeah. And I'm going to answer that in two parts, if I could. The first part is we've been tracking use-per-customer, as we call it, residential use-per-customer. We've been tracking that forever. And it continues to show a decline which is really explainable by the fact that people upgrade their windows, upgrade their doors, get a different furnace that's more energy efficient. So we see a continuation of that trend although it has somewhat slowed down. Certainly new housing stock on a use-per-customer is going to be better than their old housing stock. So on use-per-customer we are actually seeing and forecasting in our business plans a reduction in use-per-customer.

Secondly, your question about perhaps cooler than normal might raise the issue of what is happening to our overall degree days, as you put it. We are also seeing, again through data, that the heating degree days are going down a little bit each year. And is that due to climate conditions? We're not exactly sure. Is it, you know, a long-term, 50-year cycle? We don't know. But we also look at some of that stuff, which is actually quite important for us because if we do not have the right algorithm to predict the use-per-customer, then as you can imagine, our rate setting will not be as accurate. So what we do is we look at it from the individual customer class and then also from a heating perspective on what seems to be a trend for fewer degree days. It's a very, very tiny percentage; it's got a decimal in front. But we do see that trend and we use that in our rate-setting process.

**Ms. Ritchie:** — That's interesting to note that you are seeing that when you kind of control for that other variable. And I don't have it right in front of me here — you'll have to forgive me — but I guess my broader question is, of course, all of the Crown agencies have committed to different targets in terms of corporate greenhouse gas emissions and drawing those down, and then also assisting clients and customers with tools and supports for their own contribution.

But what I haven't been able to sort of get a sense of so far is, you know, how well on track those kinds of programs are for it. So like, what's the target? What are you trying to achieve at the end of the day, and how consistent is that going to be with what has been emerging in terms of a broader need to not only just reach sort of current national targets, but also sort of net zero 2050 or sooner kinds of margins? And what are you planning to do to address any sort of gap that might exist?

**Mr. From:** — Okay, so I think your question is around the broader picture of greenhouse gas emissions from an industry-wide perspective. I'll be happy to share what we're doing there. I want to break down the industry into three components. One is the actual production of natural gas by independent oil and gas producers. The second one would be the transportation of the natural gas through the various gas line networks. And thirdly would be the end use.

So again, depending upon exactly where you are within North America, the field operations contribute somewhere between 10 to 15 per cent of the greenhouse gas emissions associated with the natural gas industry. What we're trying to do there, and we're in concert with the methane action plan, is to ensure that for what we can do as the utility that sometimes hooks up the natural gas to our system, we look at the producer, the producing sector, and say, if you're having some natural gas that is surplus to your needs that is not connected to our pipeline because of the

remoteness of it, let's do what we can as an organization to allow you to use that natural gas, maybe to your neighbour who might have an additional use for it.

So we have set up things over the number of years. We've had some exemptions. We've gone to cabinet and asked for some clarification on the franchise about allowing customers who are gas producers who are not delivering to us, rather than venting and flaring that gas, which of course is not what should happen, can they use it themselves better? Or can a neighbour next door to them use it in the same business, oil and gas, again. It's not taking gas from us.

So we've done a variety of those things and are looking for more things to do. We also deal with the gas processors who want to collect natural gas from the various producers, clean it up, and then ship it onto our system. We're working with them constantly.

On the transportation side which is where SaskEnergy and its subsidiary, TransGas, work, that contributes about 3 per cent of the overall emissions. So you can see that is not a very large number in terms of the overall. What we do there, again in concert with all of the associations that we are in tune with, we will look at changing our compressors to be more efficient. And there's a variety of ways that those are occurring. One is just through the natural replacement of the very old equipment with newer equipment, so that works. And secondly we're looking at, for example, leakages around valves. We have instruments today that can measure the smallest leak you can imagine. And so we go around and we check for those and then do the necessary repairs to fix that.

On the other side, which is the end use where, you know, approximately 78 to about 85 per cent of the emissions occur during the final combustion, from my perspective the best thing we can do there is to help customers reduce that. And you noted in the reports, or the minister's remarks and also in our annual report, the work that we have done with energy efficiency for our customers and furnace rebate programs. We have a low-income program that people can also take advantage of in order to reduce that end use. So we look at it very holistically as the entire industry and we find our spot in each one of those. And how can we help, is what we're trying to do there.

We have, as I think the minister's remarks noted, we have set some targets internally that we want to reduce by 35 per cent by 2030 in the things that we are doing. We have about now, I believe, the number was about 200 solar panels at some of our remote stations that need some electricity. We're doing it through that method as opposed to setting up another method and getting a line in there. That's a good economic solution for us. It's also a good solution for the climate change issues.

**Ms. Ritchie:** — Thanks for that overview, and it's helpful. But I do have a few more questions because I think ultimately what I'm asking about here is whether or not there is a pathway that has been laid out for reaching net zero, 2050 or sooner. When I talk to Saskatchewan residents, that's what they're looking for in terms of, you know, acknowledging we can't turn off the pipes tomorrow. No one expects anything of the sort.

But what they are looking for is a managed strategy and a plan.

And I think, I mean it's laudable to commit to interim kinds of targets of 35 per cent reductions on corporate emissions and so on and so forth, but my question is, where's the more comprehensive plan? What is the overall strategy to achieve that desired end goal that's going to have the level of ambition that's needed to meet the emergency we're facing as a global community?

[16:00]

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. The question that the member posed is a good question and probably better put to SaskPower than to SaskEnergy. SaskEnergy supplies natural gas. We live in a cold province, and in the next number of years we are not going to see the end of natural gas being used to heat homes in the province. The steps that they will take as a Crown corporation are incremental. They will reduce energy consumption. They'll adopt a number of other plans to urge and ask homeowners to do the same kind of thing by having better insulated homes, high-efficiency furnaces.

But those things, as the member says, are incremental, and they are not the answer to getting necessarily to net zero. To get to net zero will require some very fundamental, some very difficult, different changes from where we're at right now. So the idea of getting to net zero on electrical generation for our homes is not by asking SaskEnergy what they're going to do. It's a matter of asking SaskPower what they're going to do to get to that. And SaskPower has got a more comprehensive answer — which I know the member isn't the critic for — as to the different things that they're doing.

And at this point in time, nothing has been taken off of their list of potential tools. So we've got increasing amounts of solar and wind, which doesn't provide baseload power, but it has become cheaper and easier to do solar and wind than it has before. The cost of solar panels has come down. The costs of wind turbines have come down. They've become increasingly efficient, so those will become an increasing portion of it.

Going forward, we can't increase in our province hydro, but there's different things that are being actively considered. And SaskPower will come forward with different options and they will have answers as to different things that are being considered. They do not necessarily have solutions at this point, but they'll have answers as to what is being considered.

And certainly I would urge the members at this point in time to consider the potential benefits of small modular reactors. We are the home to a substantial portion of the world's uranium, and there are an increasing number of options that are available for nuclear reactors within our province. And we know that that is one of the best methods of dealing with the net zero that is the target set for 2050.

I've got real concerns about the federal government's plan of trying to tax their way. The people that are going to be . . . The Prime Minister talks about wanting to use carbon tax to change people's behaviour. The reality of what the carbon tax will do, those that are wealthy will not change their behaviour at all. People that are not wealthy — those that are on fixed incomes, retired people, a single parent trying to take a child to a doctor's appointment or something else that needs to use their vehicle —

those people are the ones that are going to be badly affected by those bills, are not going to be able to afford to buy medicines, a vehicle, or get their children to where they need to go. So it's an inappropriate tool to use.

Having said that, we know that we need to meet the emission targets that have been set, that the nation's agreed to, and we want to work and do everything we can to do it. So I would urge all of the citizens of the province to look carefully as the different options are coming forward, look specifically at small modular reactors, and look at the variety of other options that are being put forward.

So with that, we'd certainly be prepared to answer questions. But with this particular Crown, it supplies natural gas. And last year when it was minus 30 something, you didn't need to go for a walk very far knowing that we are going to be dependent on natural gas for heating our homes for a significant number of years to come.

Not wanting to be argumentative, but I think it's the reality in living in Saskatchewan.

**Ms. Ritchie:** — Thank you, Mr. Minister. I think there might have been a slight misunderstanding in the direction of my question. I am limiting my focus here to the services that SaskEnergy provides in terms of providing critical energy for a greener Saskatchewan. And you know, that's a piece of the overall pie here in terms of, you know, contributing to our overall emissions profile. We can set aside the role that SaskPower plays, that's not where I intended to go, and I'll also set aside the role of pricing at this point as well.

Because, you know, I did notice in the report that technological innovation was identified as a value or a priority for the corporation, and I was expecting an answer that might speak to things such as fuel switching, for example, the role that blue hydrogen might be playing in how SaskEnergy is providing energy to its customers.

I was also expecting to hear something in the lines of specifically what it's intending to do, in an ambitious sort of a way, to assist its clients with further drawing down its consumption for home heating, particularly for residential customers but then also for industrial clients, the kinds of things that we might be doing to incent them to use combined heat and power, for example. I think there's a lot of opportunities both on the residential, commercial, and the industrial side where a pathway could be identified.

What I'm looking for are specific targets that are meeting the challenge, that are not intensity based, but absolute in their scope. And so whether it's looking at things upstream in the production, in the transportation sector, in the delivery and demand side, those are the kinds of answers and input or feedback that I'm hoping you can provide me with because my concern right now is that we're kind of playing around the edges, you know. We're going to do a little bit of intensity improvement and we're going to do some efficiency. These are all good things; I'm not saying they're not. But it's about positioning ourselves to address the scope of the challenge that we're facing.

And if the answer is to turn me over to another Crown corporation and say, well they're the ones that are looking after



it, I think it really drops the ball here in terms of what Saskatchewan people are looking for in terms of leadership on how we're moving forward as a province, and particularly as a Crown corporation that has a number of strategic benefits and strengths that it can offer as a Crown, and Saskatchewan people as the stakeholders, to ensure that their future is being provided for. That yes, they're still going to have a warm environment, that they are going to be receiving energy, but it's now going to be done in a way that is more sustainable, meeting the challenge, and that the plan is there to get us there.

What is the plan to get us from where we are today with the emissions profiles that we have, and where we need to get to by 2050 or sooner?

**Hon. Mr. Morgan:** — I think that's the issue that's right there. You're talking about the target of net zero. The target of net zero means that we don't have a SaskEnergy, we don't use fossil fuel anymore. If we're going to get to the point of not using fossil fuel, then what happens with SaskEnergy? What happens with heating our homes? We need to find alternatives to do that. I pointed you to SaskPower because that's where our electricity comes from and that's where one of the major usage of natural gas is in there, so by them finding alternatives, that's one of the significant ways forward.

SaskEnergy will be glad to talk about the things that you want to talk about with regard to reducing what the customers' needs are with regards to further efficiencies. Now the path to net zero is not by those types of things. Those things are all good to do. They will be part of that solution, but the bigger reductions will come out of a different Crown.

So I'll certainly let the official answer the question as to the different steps that they might be taking with regard to providing reliable, affordable natural gas for people's homes and businesses.

**Ms. Ritchie:** — Before you do that, I just want to be clear on something you just said a moment ago. Are you suggesting that SaskEnergy would be phased out and moved over to electricity?

**Hon. Mr. Morgan:** — I'm suggesting exactly the opposite. There is no, at the present time, there is no other way to heat our homes as effectively as we do right now, as we do with natural gas. That is how we heat our homes. That's our province. We heat our homes with natural gas and we generate electricity with natural gas and with coal, both of which are fossil fuels. And we have to try and find other options. So if you're saying to SaskEnergy, who's a natural gas supplier, how are you doing it? I mean it's their job, is to supply natural gas. That's what they do. That's where they're going.

**Ms. Ritchie:** — Sure.

**Hon. Mr. Morgan:** — So naturally as a province and as a nation and as a global community we want to minimize that reduction as much as we can, but the point I'm making is that we're not going to do it in two, three, or four years, and I don't know when that might happen. And we have to look at other options through other Crowns that are going to help reduce things in larger amounts. So I'll certainly let the official answer the questions as to the different steps that they can and will continue to take.

**Ms. Ritchie:** — May I request that you focus your responses on two things that I'm primarily interested in: one of those being opportunities for blue hydrogen, you know, what role might that play; and the second one, on the conservation side for primarily residential users. Thank you.

**Mr. From:** — Okay, great. Thank you for that clarification. I do want to point out that we run a pipeline network. That's what we do. We're like a straw. And what we hope for is that someone at one end wants a product that the other one has at the other end and puts it in. That's all we do. We're just . . . we're a delivery system. We're FedEx for gas.

To your point there of what can we do, what is in our plans, we are right now in the very final stages of having our first ESG [environmental, social, and governance] report, which would be a very good read for yourself. I think you would find a lot of things in there that you're talking about and put in some context and some detail. So that is coming.

As you have noted, there are a couple of gaseous energy forms that might be used other than natural gas. You mentioned the blue hydrogen. Blue hydrogen makes the assumption that you can probably make that from the electrolysis of water. So you need ample water and an infinite amount of surplus clean energy, none of which exists here in Saskatchewan. So that one's a bit off the radar for us. Also from a technical point of view, hydrogen has only one-third the energy per volume, so you would have to triple all of our pipelines in order to supply the same energy.

Which then gets us to the big bang for the buck, which is as you pointed out, conservation. And I think my remarks earlier have noted all the different conservation things that we are doing with our customers and the fact that the residential use per customer continues to go down. What I had missed was the fact that we also have a program for the commercial customers, which is not the very large, industrial, multinational, global entities, but you know, the mom-and-pop places here in Saskatchewan. And we also have a boiler-replacement program whereby financial assistance is offered to upgrade their facilities so they use less energy, and therefore all the things that we want to do in terms of having less consumption.

I am of the mindset that because when you reduce what you use, you have a savings today. We don't need to wait for new technologies to do a bunch of things. We can really move the needle today by having conservation and supporting those programs that allow all customers, regardless of whether they be residential or commercial, to take advantage of those and thereby reduce and help overall the province of Saskatchewan.

The other gaseous fuel that should have some mention is what they're calling largely renewable natural gas. Renewable natural gas is currently not really produced in any great volumes in Saskatchewan.

[16:15]

Saskatoon has some in their landfill, but clearly right now there is nothing at what I would call utility scale, whereby we could have a purchase agreement for that RNG [renewable natural gas] and then put it into the system for the customers. You know, when I look at other utilities that are piloting some of those

processes — and I would say that in British Columbia they probably have done it further than others — the cost of that gas is 10 times what our current cost is. So there's an affordability issue with that and how you do that. If you're only using 50 GJs [gigajoule] a year in British Columbia it's not as onerous on yourself as it is if you use 120 here in Saskatchewan. So some of those climate conditions need to be, I think, talked about in a very upfront and realistic manner.

The other thing about some of those gaseous fuels, in particular hydrogen — and people are going to pilot that for sure — is hydrogen going to be used as a home heating source? I think there's other areas that might use it first, such as in very large transportation. Appliances are not currently approved for that type of a commodity. It is very tiny.

As you're aware, the leak patterns and the degradation at high pressure of metal pipes is a problem that we are researching. And we are working with the Canadian Energy Pipeline Association and the pipeline association in the United States as well to find out what pressures could we put it in and in what amounts. It also has an invisible flame which kind of makes it a bit more dangerous for restaurant applications and things of that nature.

So we're looking at all those things, but my immediate focus . . . and I know you weren't asking for the immediate focus. You were looking for, you know, the 20- and the 30-year outlook. So many things are going to change between then and now I think the best thing we can do for people of Saskatchewan is to talk about conservation, use less of our product, have different ways of doing it, become more efficient.

And to me, that's where in the short term — let's call it the next five years — to me that's where the big gains that we can make as a province go into in terms of conservation. If I can cut that load on a per-customer basis in half, that's a real saving. That's not someone pulling something out of a handbook to say, if we do this we're going to save energy. That's a real saving.

We continue to work on the applications in the field with the oil and gas producers as to how we can better get their product on the market, how they can use it themselves without us being an impediment as an entity, and we will continue to show that. Our work on the transmission system is stellar. We continue to look for those small things, upgrade our compressors to the most modern equipment that has the highest efficiency.

So really I think as we go forward and with our ESG reporting that we're going to be doing at a much higher level over the next few years, that some of your questions you will see the answer in there in a form that, hopefully, makes sense to all the people in Saskatchewan.

**Hon. Mr. Morgan:** — I think probably both you and I have read Bill Gates's book, and Bill Gates talks about the short term, the conservation issues, and the things that do it. But he talks about what you're talking about is the bigger issue: where do you get to net zero, or how do you recover the lost time that's there. And that you don't do it with the small issues, you do it with the larger, major changes. And that's why I was talking about SaskPower.

But I think it's a matter of both answers are correct. We want to have conservation, we want to do something immediate-term,

and we need to look for some bigger answers as we go forward. As I indicated earlier, nothing has yet been taken off the table from the possible energy solutions that are there. My guess is that the answers will come as a combination of the various things and various options that are there as the technology develops.

And something that Gates talks about is the solutions may well come from technology that's not there. And he's probably right because we've seen how much the technology has already benefited wind and solar and some of the other things. If we have a similar benefit coming along, a technological benefit in batteries, that'll certainly move us much further ahead down that path. That has not happened yet, but I think it's a matter that we want to do all we can to conserve in the meantime, and explore and consider other options as we go forward.

**Ms. Ritchie:** — Thank you for those responses. It's helped to sort of narrow the field a little bit here in my questions. And you know, because I'm still looking to understand or see how, you know, if conservation is going to be where you think the greatest gains can be made. You know, I don't dispute that. Usually it far outperforms on cost also, you know, when we're able to save on consumption.

But what I don't see in the report is again that match between the scale of the issue and the solutions that are being provided. And as a corporate entity I'm expecting to see targets in any area, you know, targets generally speaking but specifically for, in this case, if conservation is where you think that priority should be, then a target for achieving a certain level over a certain period of time.

And then again, you know, what are the measures? Because it seems to me again that it's more kind of playing around the edges, and we need a more concerted effort to draw down consumption more quickly. So can you speak to that at all? Are there targets? What are they? You know, what do you expect to achieve with the current level of programs and services that you're currently offering?

**Hon. Mr. Morgan:** — I think the expectation of consumers in the province is they want their energy dollars to go as far as they possibly can. At the same time they want to reduce their impact on the environment. With this Crown, they are working towards that goal of trying to increase efficiency and to reduce the impact on the environment wherever they possibly can.

But I think what you're talking about is finding a replacement for natural gas, and there isn't one right now. You know, you talk about wanting to get to the point where you're meeting the 2050 targets, and I don't know how you meet the 2050 targets with natural gas. You know, you work through the various things that are there, but nobody's come forward and said, this is the alternate fuel or this is whatever else. And that's why I was referring you to your . . . whoever the critic is for SaskPower because that is the biggest user and that is one where other options will come from.

But this particular Crown, that's the business it's in, is providing natural gas. And actually the reality of it is it would like to supply more natural gas to more businesses, more homes, more customers, and more people. We certainly expect those businesses, those people to be very cautious and very careful with their energy consumption. But we want the province to grow and

right now we don't have another energy source for heating those homes or providing electricity other than natural gas.

And as you're aware, we have a natural gas facility, an electrical generating facility with natural gas under construction in Moose Jaw. We have one that just came online in Swift Current. So at the present time we're committed to natural gas. We have to look at other methods of generating electrical energy over a period of time, but saying to SaskEnergy, reduce consumption, we're actually at a point in the province's history where consumption will likely go up.

**Ms. Ritchie:** — Well, Mr. Minister, with all due respect, my question in my last statement was asking specifically about conservation, and that is the response that I'm looking to receive right now. But before doing that, you know, I do want to respond to something you just said. I mean, people are very concerned about the risk of stranded assets. If you're going to talk about building natural gas electrical plants and we have \$170 carbon price coming in, you know, the cost of electricity from those facilities is going to be prohibitive. And so it's already becoming untenable from an economic standpoint to be investing so heavily in natural gas for power production.

But as I say, that was not the focus of my question. The focus of my question is that if you're telling me that the best that SaskEnergy can do is promote conservation and draw down the energy consumption of individual consumers, then I want to know how is SaskEnergy moving to support that? What are the targets that they've set? Have they set targets? What are the time frames for achieving them, as I earlier asked the question.

**Hon. Mr. Morgan:** — I think we'll take the comment that you made under advisement, that that's something you'd like to see. The reality of it is going forward that we will see an increase in consumption of natural gas. As much as we'd want to promote consumption on an individual or by a customer basis the reality of it, it is our cheapest and most effective fuel for this province right now. And we are going to continue to work to try and develop other fuels and other methods of generating electricity and generating heat for our home, and we will continue to do that.

We would certainly welcome the support of the opposition for small modular reactors. We would look for support of the opposition on carbon capture and storage which is a significant factor for SaskPower Corporation. We would look towards the opposition to support any endeavour that we have for licensing for wind energy or other options that are there to promote that.

But we're not going to at the present time impose a specific energy target on a consumer that may be a retirement home or an individual with a home and say, you have to have a target to reduce your energy consumption. We want to work with those people to try and urge them to be as energy cautious as they can be. Providing thermostats with timers on them; promoting doors, windows; going to on-demand hot water systems; going to high-efficiency furnaces, water heaters — those are all things that we encourage people to do, but not by way of imposing a target on a senior citizen and saying, we have a target; you have to reduce your energy consumption by a certain percentage.

We're going to do it by continuing to work with them, by having, as we do, we've got a furnace replacement rebate. Those are

continuing on. We're also supporting things such as the carbon monoxide and things, and we will continue to have those kind of programs and do it. But us imposing a target on those individuals, to say to a 75-year-old person that's a retiree sitting at home, oh well you've got to turn your thermostat down 5 or 8 degrees? Encourage them to do it, but the reality of it is we're not willing to say that to those people, that they must have a target they have to meet.

We want those people to be able to stay in their homes, to be comfortable. We want them to be able to use energy as sparingly as they can, but we're not going to mandate it for them. We're going to urge the Crown corporation to be as efficient as it can be, to continue to offer rebates and incentives for people to go forward, and that's the path that we've asked them to take.

**Ms. Ritchie:** — I want to be abundantly clear. I am in no way suggesting or implying that I am expecting SaskEnergy to impose any sort of target on residential or commercial clients, so please understand that point. My statement . . .

**Hon. Mr. Morgan:** — I'm pleased to hear that.

**Ms. Ritchie:** — Yes. My statement was directed at corporate targets for SaskEnergy in terms of how measures that they could undertake would see those indirect benefits accruing within the residential landscape. And it's precisely because of the fact that residential, commercial clients are facing, you know, increases in their energy bills because of federal policies that are directed at driving behavioural changes that Saskatchewan residents are looking to their Crowns, including SaskEnergy, to provide a range of programs and services that will assist them in achieving that outcome.

[16:30]

And that's what I'm asking about because I'm also concerned about seniors on fixed incomes who are facing down increasing costs with prices on carbon that are driving up their fuel bills. But it's not just that. I mean it's a concern for the ratepayers and the consumers, and also the desires that they very sincerely have for wanting to be part of the solution. And they're looking to government for leadership. They're looking to the Crowns for programs. They want to know that there are going to be measures there to help them undertake the energy audits, do the furnace replacements, purchase EnergyGuide appliances.

And when I look at the range of programs and services that SaskEnergy offers compared to other jurisdictions that have utilities, I see a gap there in terms of the range of programs that are available. And I'd like to see more ambition and more assistance being applied. Certainly we have our own unique circumstances here in Saskatchewan to take into account.

But back to the original question. It was, you know, what are those targets? And are there any? Maybe that's what I should ask. Do you even have one?

**Hon. Mr. Morgan:** — One of the targets that I have is to encourage the opposition to support things that will help this. I would encourage the opposition . . . And I think you spoke specifically against the home renovation tax credit that would help with people being energy efficient. You yourself spoke

against that in your reply to the Speech from the Throne. So I would encourage you, as a member of the opposition, as a member of the legislature, to get behind those kind of programs.

I would encourage you and your colleagues on that side of the House to speak in favour of small modular reactors. It's important and it's a good method for us to go forward and may well serve to significantly benefit where we as a province need to go. I would urge you to support the things that we've done already, the residential furnace replacement rebates that go on, on an annual basis. We continue to supply those. We provide a number of other things to make sure that people's homes are as efficient as they possibly can.

The CEO of SaskEnergy has talked about how consumption on a per-home basis has gone down, and we want to continue to try and do those things. And you may want to criticize those things as working around the edges. The reality of it is, those are the steps forward and those are the steps that we need to take. We will in the foreseeable future be reliant on natural gas to heat our homes, to operate our businesses. Those are things that we're going to do for the next number of years and we will do everything we can to reasonably reduce that consumption.

We will have commercial rebates. We've got a commercial boiler rebate that's in place, and those are all things that are there. We've offered a tune-up assistance program for income-qualified homeowners so that a technician can go out and work to try and assist them. We've got a variety of other different programs that go in smaller communities across the province.

And we're going to continue to have those programs in place, but we are not going to put a cap on an individual homeowner and saying, you must reduce by a certain amount. We will work with them to try and reduce them and I think that's the direction you want us to go as well, is that we don't impose a cap on an individual user's consumption. But we want to work with them to give them every opportunity to be able to reduce consumption at home, to have appropriate rebates to be able to purchase energy-efficient equipment in their home.

But we hope that the province continues to grow. We hope that there's more homeowners. We hope that there's more businesses. We know that we've got canola-crush facilities coming into the province. We're pleased that those type of operations are coming. We also know that BHP has announced that it's going ahead with their Jansen project, which will be a large consumer of natural gas.

The large customers have got ESG requirements. We look to work with them to provide affordable options with regard to the production of electrical power. They're well aware that natural gas is regarded as a fossil fuel, and they look to us to provide other options as well. Through SaskPower we want to continue to try and provide other options, and that we will do everything we possibly can to do .

**Ms. Ritchie:** — You mentioned some statements that I had made in my speech in the legislature earlier, and I do quite clearly recall making those statements. And I do want to clarify for you that my comments were focused on the fact that the renovation rebates didn't have any clean energy or environmental requirements attached to them. That was the focus of my

criticism. I saw it as a lost, a missed opportunity to incentivize homeowners to focus their renovations on items that would achieve a reduction in their energy consumption. So I just want to offer that and ensure that the record stands clear in terms of what the focus of my comments were on that point, but thank you so much for raising that point in this context.

I guess you talk about industrial users, and we're very happy to see the decision on the BHP Jansen facility. And I think we are starting a little off topic. I acknowledge that. But since you raised it, I will ask the question on what sort of requirements or incentives there might be for a facility like that to also be able to use a combined heat cycle or any other measures to ensure that we're getting the maximum use out of the fuel. Is there any plan for that?

**Hon. Mr. Morgan:** — Yeah, I think this question is best left for SaskPower to field. I know there's been a lot of ongoing discussions with SaskPower and with the various large users in the province to try and meet their requirements. They're very sensitive to the requirements and requests of their shareholders, and their shareholders expect that we take strong steps to try and meet net zero requirements and are in fact in some cases willing to pay a premium to try and find options that work better for them. And we'll continue to work to try and find every option that's available.

As you're aware, we're a province that at the present time has got a number of coal generating facilities, a number of natural gas generating facilities, and we want to try and do it the best we can to provide clean energy in the best possible manner.

**The Chair:** — If I can just move in, because of time, let's try and keep on track of the reports, the Energy annual report and the financial subsidiary report. Sorry. If we can move forward, please. Thank you.

**Ms. Ritchie:** — I'm happy to do so, Mr. Chair. I'm going to move over to page 35. With operating and maintenance costs and some of the . . . I think I had seen written here on this page, I captured the quote:

Growing demand and increasing natural gas imports from Alberta is resulting in more natural gas being transported, and over greater distances. Rate increases on third-party transportation systems [etc.] . . . Federal carbon tax payments are \$1 million higher [this year compared to last] . . .

And I think that was kind of all in relation to, you know, things that are driving up expenses for SaskEnergy. And I'm wondering, I guess, maybe again about sort of the forecast, how we're seeing that moving forward at all. Is this something that is forecast to increase within a moderate inflationary rate, or what are you projecting?

**Mr. From:** — Well we know the carbon tax is not forecast to increase at an inflationary rate. So that is built in according to the schedules that the federal government has provided. TransCanada energy, we just had a new rate that will be, I believe, in existence for the next seven years. Don't quote me on that one. It's a long period of time at the same rate. So the issues there with respect to, are there any transportation costs that might

go up, that would just be on the amount of gas that we had to move.

And given the minister's comments about how, you know, we have some new customers coming on to the system and requires more gas, so those numbers will go up as per the actual transport volumes go up. These are not necessarily items that have gone up with a zero change in the amount of energy provided. They're all just in a category of how that materialized in overall expenses.

**Ms. Ritchie:** — Right. Okay. So you mention on page 37 that on April 13th, '21, the corporation entered into agreement with the province to borrow an additional \$50 million of long-term debt at 2.8 per cent interest, maturing 2052. That's a large sum. Looking for some details as to what that is intended to cover.

**Mr. From:** — I'll start an answer and I'll look to my CFO [chief financial officer] if I say something incorrect. But generally, with debt we have a series of debt instruments that have been put in over the years, and some mature. And then what we do is we would take out, if needed, a corresponding amount at the now-prevailing rate.

So over the last number of years you can imagine, with interest rates going down, as old debt has matured, we have put in new debt as needed at a much lower rate. And in some cases, some of the debt might have been incurred as a piece of a new capital expansion for, as the minister pointed out, the number of new customers that are being added on. So it's kind of a holistic look at managing the debt, and the good news here is that we have it at a very attractive rate for a significant period of time.

**Ms. Ritchie:** — And so can you speak to, sort of, what portion of that is . . . Would you call it revolving debt versus new debt?

**Mr. From:** — On that particular issue there, 30 million was the reoccurring or maturing debt that we put on at the new rate.

**Ms. Ritchie:** — All right. Thank you for that. So as far as depreciation and amortization, you mention strategic capital investments required to ensure the necessary infrastructure is in place to meet current customer demand continued and is resulting in increased depreciation and amortization.

You know, these are just questions where I'm just looking for a little bit of clarity in terms of what they mean. You know, I'm going to move on. I don't recall what question I might have had associated with that. I think it kind of ties into what you just said a moment ago.

Yeah, and I was interested, as I mentioned earlier, in sort of how SaskEnergy is undertaking new technology and innovation. You had indicated \$15 million was spent on optimization, I believe, and that to me sounded like more kind of . . . Maybe you could tell me sort of what sort of things were undertaken for that sum.

**Mr. From:** — Do you have a reference page that I could . . .

**Ms. Ritchie:** — I wrote down page 37.

**Mr. From:** — I think in general you're asking questions about technology usage and process improvements and things of that nature. Yeah. Really, what it is is it's a continuous operation that

we have in terms of looking for new ways of doing things. We are very much tied into the other gas utilities and transmission companies across the country and in fact North America.

[16:45]

As always with some of those, there are some new things that come along that add for efficiencies, whether that be, you know, a different tool that we might use to inspect a pipeline or a different process to install. But I would say roughly speaking that, you know, we see this ongoing. That's the role of our technical people, to come up with the most up-to-date and reliable and cost-effective tools and techniques for doing our work.

**Ms. Ritchie:** — Yeah, and I guess that's kind of what I understood from reading the report. And I think what I originally asked, was looking to ask the question, it was trying to understand, okay, well yeah of course, you know, you're looking to optimize your business, but where or how are you investing in more sort of transformational kinds of change, I suppose? And I guess that ties back into earlier conversation we were having a few moments ago. But maybe I could just ask this. I mean like, do you, maybe through the gas association, contribute to R & D [research and development]? That's the kind of thing I'm looking for.

**Mr. From:** — Yes, we do actually, and we're one of the founding supporters of the NGIF, the Natural Gas Innovation Fund, which is actually looking at a number of, I would call them consumer-related activities. You mentioned in some of your dialogue about combined heat and power. There's also heat pumps and electric heat pumps and then there's natural gas heat pumps. So we're looking at all the research that's being done there.

We actually are piloting a couple of those in this climate because they work in other climates, but are they going to work here? So we're working with them on things of that nature to find the different things that are going to help, as you said, the end-user use natural gas or use energy — let's just call it energy — in the form that is the most effective in terms of reliability and affordability for them. So we have a variety of places where we leverage with other utilities. We're one of the smaller utilities in Canada, so obviously we can't, you know, carry the brunt of that research, and we go into consortiums or group-funded activities along those lines.

**Ms. Ritchie:** — And what amount of funding or investment is made in those areas?

**Mr. From:** — The amount in total, I would say, would be a million or two. It's not a vast amount. Again we're looking at some smaller projects to get some quick wins and the utilities all put in a similar amount. So what might seem like a small amount, multiply that by 10 or more and then you have what is actually going into the research and in a variety of fields.

**Ms. Ritchie:** — Well maybe that will be in your ESG report. Or did I miss that in the annual report?

**Mr. From:** — You probably didn't miss it. I don't know if we went into that level of detail on some of that.

**Ms. Ritchie:** — Okay. On page 54 there is mention of joint arrangements. Is that an active area at this time?

**Mr. From:** — The one that is specified in the annual report on that page is nothing that is really all that active at this point in time.

**Ms. Ritchie:** — Okay. I did have a question about past due accounts on page 64. Were you seeing an increase in past due accounts through the pandemic period or are there any concerns in that regard?

**Mr. From:** — If I could I'd like to pass that question on to somebody who can give you more correct answers than I can.

**Ms. Short:** — Hi there. Christine Short, chief financial officer. We did see that increase in our accounts overdue during the pandemic period. We did participate in the utility interest waiver program, so there was a period of six months where customers were not required to pay their accounts, to help those customers that did have financial difficulties. So we did see an increase during that period; however, that number has come down. Customers began to pay their accounts when the period ended in September of 2020. We did have customers that made payment arrangements during that time as well, but we've actually seen our arrears number come down. And you can also see in the annual report that our writeoffs are actually trending downward from where they were in the prior year as well.

**Ms. Ritchie:** — All right. Are there still customers out there experiencing difficulty in making their payments and are there arrangements being made to assist them? What's the current status?

**Ms. Short:** — Yeah. We generally see a portion of our customers — a small portion of our customers — that do go into arrears on an ongoing basis, not just during the time of the pandemic. We always try to work with our customers to make payment arrangements. So you know, that is absolutely our first course of action is to work with our customers, contact our customers to make payment arrangements and help them through their difficult times.

**Ms. Ritchie:** — And I guess my question more specifically has to do with are you kind of back to baseline right now in terms of that? Or is there still some carryover from previous . . .

**Ms. Short:** — There is a small carryover from the pandemic, but again, we are in contact with those customers. We do have a portion of customers that are still making their payments under their payment arrangements, so they are expected to be cleared up by September of 2021. So again, that was part of the program. They had a 12-month period after the end of the program to make those payments. So we do have a portion of our customers that we continue to work with to make those payments, yes. It is a small number.

**Ms. Ritchie:** — Thank you very much. So I'm seeing here under financial risk management, page 67 . . . You'll have to bear with me. This is the first time I've really done a deep dive on these annual reports, so it's just, part of this is just really trying to get familiar with the contents. So I guess I saw here there was a letter of credit with a natural gas supplier for \$15 million, I believe.

And that seemed like an unusual occurrence. I could be wrong, but I just wanted to ask for some clarification of what the purpose and need for that would have been.

**Ms. Short:** — So similar to the way SaskEnergy operates when we extend credit to our customers for certain things, we do expect a certain degree of security. The same normal course of business when we engage in transactions with a counterparty, and in this case, it is ICE NGX [Intercontinental Exchange Natural Gas Exchange]. We are expected to provide security for them to protect them in the event of default.

**Ms. Ritchie:** — And would this be a typical amount that you would be providing, or is it within the range of normal?

**Ms. Short:** — Yes. For the amount of business that SaskEnergy conducts, yes it is. It would be normal.

**Ms. Ritchie:** — Okay, thank you for that. You might need to come back up to the mike again, just because I've started to get into some nitty-gritties here on you. There were, on page 69, assets held for sale. There is an amount of \$4 million. And I guess as I understand it from the report, you know, depending on the status of the asset, whether I think if it's in development, it sort of shows up in a different place maybe on the ledger. But my question, I suppose, would be, there seemed to be some kind of a delay here. Was there a delay? If so, what might that have been? Or is there anything sort of out of the ordinary here?

**Ms. Short:** — Yeah, this is actually an accounting requirement. If we intend at any time to sell an asset, and this would be an asset in the normal course of business that is excess to what we need, it is required to be classified as held for sale up until the time that we sell it. So it is an accounting requirement.

**Ms. Ritchie:** — Okay. With no extenuating issues or circumstances.

**Ms. Short:** — No.

**Ms. Ritchie:** — Okay. That's all I was looking for. Thanks very much. One more question? Okay. All right. It is my last question on my list. I skipped a number and I've sort of managed to get down to the bottom of the list here.

But generally I'm wondering about the extent to which SaskEnergy has been able so far to take advantage of federal funding and programming with respect to any of their kind of clean energy economy initiatives. What sort of programs are available? You know, have they been accessed? What's currently being undertaken? Anything you want to offer in regards to that.

**Mr. From:** — I'll answer that to the best of my ability on this one here. As an agent of the Crown, we are not eligible for federal funding. So on most of those that might seem attractive to us and have some possibility, due to our ownership we are just not eligible for that.

**Ms. Ritchie:** — Well that's an easy, short answer. So I guess it would be more kind of . . . Maybe there might be things where there might be sort of shared funding provisions instead. Is that generally . . . Like, do you ever sort of partner on a project as opposed to seek grants for funding?

**Mr. From:** — If we could partner, we certainly would. We do not hold that out as something that we're not going to do. It's just within this particular industry that we're in, the federal funding for certain things is just not what it might appear to be.

**Ms. Ritchie:** — Okay. Thank you very much.

**The Chair:** — All right. Seeing as we've reached our allotted time, I will now ask a member to move that we conclude the consideration of the 2019-2020 and 2020-21 SaskEnergy annual report, and also the 2019-2020 and 2020-2021 SaskEnergy Incorporated subsidiaries financial statements. Do I have mover? Mr. Terry Jensen has moved that we conclude the consideration. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. That concludes our business for today. Minister Morgan, do you have any final comments?

**Hon. Mr. Morgan:** — Thank you, Mr. Chair. To you and the committee members, I'd like to thank you for your deliberations today and the input. This is a process that the public are often more aware of than what we're aware. They read things later on or things are brought forward to them by way of media. So anyway I would thank all of the members that participated. I'd like to specifically thank the employees of the Legislative Assembly Service, Hansard, security, and the building staff who have served us well over the years.

But specifically today I would like to recognize and thank the employees and workers from SaskEnergy who are not just here today but throughout the province and throughout the year that continue to make our province the great place that it is, and thank them for their continuing hard work. So thank you, Mr. Chair.

**The Chair:** — Thank you, Minister. Ms. Ritchie, do you have any closing remarks that you want?

**Ms. Ritchie:** — I would like to thank Minister Morgan for being here today to answer my questions and for bringing his representatives from SaskEnergy and the great work that they do 365 days a year to provide reliable energy to the people of Saskatchewan. I very much appreciate your service. And on behalf of the people of Saskatchewan, I want to thank you for that and for your time being here today along with the rest of your officials. Thank you.

**The Chair:** — Thank you. I will ask a member to move a motion of adjournment. Mr. Daryl Harrison has moved a motion to adjourn. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. This committee stands adjourned until tomorrow, Tuesday, August 24th, 2021 at 8 a.m.

[The committee adjourned at 17:00.]