



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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[The committee met at 08:02.]

The Chair: — Welcome, members, to the committee. My name is Terry Dennis. I'm the Chair. With us today we have Ms. Jennifer Bowes, Mr. Derek Meyers, Mr. Daryl Harrison, Mr. Terry Jenson, Mr. Tim McLeod, and Mr. Dana Skoropad.

Good morning, everyone. We have another busy day ahead of us. Committee members, before you you have a copy of today's meeting notice with our agenda. This morning we'll be considering the annual reports for Saskatchewan opportunities commission and the annual reports and the Provincial Auditor's chapter for SaskPower. This afternoon we'll be considering the annual reports and the Provincial Auditor chapters for SaskTel and CIC [Crown Investments Corporation of Saskatchewan].

Saskatchewan Opportunities Corporation

The Chair: — We'll now consider the 2018-19 and 2019-20 and 2020-21 annual reports for SOCO [Saskatchewan Opportunities Corporation]. Minister Morgan, please introduce your officials and make your opening comments, please.

Hon. Mr. Morgan: — Thank you, Mr. Chair, and committee members. It's my pleasure to be here this morning for the committee's consideration of matters pertaining to the Saskatchewan Opportunities Corporation, or SOCO. Joining me here today are the following officials: Brent Sukenik, acting president and chief executive officer; Jackie Presnell, acting vice-president of business development; and Charles Reid, senior ministerial assistant in my office.

The purpose of the corporation is to support and facilitate the advancement and success of Saskatchewan's technology and key growth sectors through the development and operation of research parks. As you are aware, SOCO operates the research and technology parks in Regina and Saskatoon on land leased from the universities. Both of these facilities operate under the registered trade name of Innovation Place.

The core strategic basis for research and technology parks is that the physical clustering of technology organizations in a campus environment provides the opportunity for greater success through the benefits of inter-company collaboration and networking, sector-specific programming and education, and through economies of scale. Implicit in this strategy is that the larger and more engaged the localized cluster is, the greater the benefits are.

The primary clusters of focus at Innovation Place include agri-tech, information communication technology, health and life sciences, natural resources, and industry services and support. Of particular note is that the three largest sectors at Innovation Place are in direct alignment with several of the actions and goals reflected in the Saskatchewan Growth Plan, providing a significant opportunity to be leveraged.

Information communications technology is the largest sector in both of the parks with 52 individual companies and an estimated 1,350 employees. This sector has seen the highest level of growth over the past few years, increasing by nine companies since March of 2019.

Primarily focused in Saskatoon, there are currently 35 agri-tech companies at the parks with a total of nearly 450 employees. This sector has also realized steady growth over the past few years, with significant tenants being added in the past year. The Global Institute for Food Security started occupying 33,000 square feet of lab, greenhouse, and office space in the Saskatoon park in late 2020.

The third-largest sector is natural resources with 28 companies operating within the parks, employing approximately 1,200 people. Being strategically located adjacent to Saskatchewan's two universities, Innovation Place is also part of a much larger scientific community that includes university colleges and faculty members, research institutes, and other technology-related institutions. These dynamic, collaborative communities are designed to help move ideas out of the laboratory and into the marketplace. They are also great places for local graduates to begin and grow their careers.

Within the clusters of the parks, the primary target for tenants is Saskatchewan-based private technology companies. These companies have the greatest opportunity for employment growth and will display the strongest ongoing loyalty to Innovation Place and the province.

On March 31st, 2021, there were 144 tenants leasing space in the parks. Eighty-eight per cent of these tenants are private sector businesses and research organizations, all involved in the technology fields. Collectively, these companies employ approximately 3,700 people, of which 95 per cent have completed some form of post-secondary education.

Although having the right tenants at the parks provides the foundation for collaboration, a key component of Innovation Place's business model is to actively promote the interaction of tenants. Extensive programming activities at Innovation Place supports an ecosystem that fosters innovation and collaboration for tenants by facilitating forums to network, learn, and create business opportunities. Although the number of events hosted this past year was down due to the pandemic, in normal years there are generally in excess of 170 events hosted.

The specialized nature of buildings and infrastructure at Innovation Place is a key component providing the appropriate technical environment required by tenants. In addition to high-quality office buildings, tenants have access to research, greenhouse space, growth rooms, and a variety of laboratory buildings. The buildings provide tenants with specialized capabilities needed for sophisticated science and technology activities.

Mechanical systems provide the air, water, and steam in qualities and quantities that far exceed what is normally available commercially. Certain process utilities, such as high-pressure steam and chilled water, are distributed on a park-wide basis. This specialized infrastructure facilitated the addition of the Global Institute for Food Security as a tenant during this past year and will be instrumental in the establishment of the Global Agri-Food Advancement Partnership incubator at Innovation Place this year.

Another key component in SOCO's business model is the

business environment provided to tenants driven by the view that each tenant has unique needs. Through regular communication and a collaborative approach, SOCO builds unique relationships with each of their tenants. These unique business relationships are built around several different factors, including but not limited to how leases are structured, how products are priced, the risk tolerance accepted, and general support provided. At any given time, approximately 30 per cent of Innovation Place tenants are benefiting from flexible and supportive business arrangements.

With respect to the annual reports under consideration today, SOCO generated a net income of \$0.6 million in fiscal 2020-21, down from the \$3 million reported for 2019-20. The decrease in net income is due to an increase in vacancy at the parks. Overall vacancy at March 31st, 2021 was 14.96, up from the 11.5 per cent reported at the end of the prior year. Also contributing to the decrease in net income is lower parking revenue as many tenant employees worked from home during the year. Despite the increase in vacancies, SOCO continues to be successful in attracting new technology opportunities to the parks. Over the past three years, 36 new technology businesses were started within the parks.

Following a successful pivot to online programming due to the pandemic, Innovation Place offered 66 business development and networking events during the past fiscal year, attracting 4,600 attendees. Since 1993 there have been a total of just under 200 new technology businesses started at Innovation Place, 68 per cent of which are still in operation today.

Tenant satisfaction continues to be strong, with SOCO earning a 92 per cent overall satisfaction rating from tenant CEOs [chief executive officer] during 2020-21. In addition, dividends of \$557,000 and equity repayment of \$1 million was provided to Crown Investments Corporation during the year.

Mr. Chair, it's my pleasure to entertain the committee's questions at this time.

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

Ms. Bowes: — Thank you, Mr. Chair. Greetings to everyone present. Starting with the '18-19 annual report, a few questions. One, on page 2 there's a bit of commentary about the utilidor, also known as the utility corridor. And I do have just a question about when that was created, what the benefit of that connection is as well in practical terms.

Mr. Sukenik: — Thank you for the question. Brent Sukenik, acting president and CEO for Innovation Place. The utilidor connects the energy centre. So in Saskatoon we have a central heating and cooling plant, and that connects to most of our buildings there. And I don't know exactly when it was constructed, but it was several years ago. And it provides not only the basic heating and cooling for the building, but it also provides the special process utilities. That helps with the scientific processes that happen in several of our buildings.

Ms. Bowes: — Thank you. Just turning to page 4, I'm wondering if we can get a bit of information updated on how the Conexus business incubator is doing, how it's doing in Regina.

Mr. Sukenik: — Yes. As you will recall from our last meeting, that the Conexus Cultivator started in our park and has since moved to be located at their own facility. And they have been quite successful. They have, just in recent documentations published on their website — and this was information as of January 1st, 2021 — they've worked with 52 companies. They've raised \$13.4 million in private capital. They've created 172 jobs and had \$17.8 million in public funding obtained. So they've been quite successful in their operation.

Ms. Bowes: — Sorry, I just missed the last . . .

Mr. Sukenik: — They've been quite successful.

Ms. Bowes: — Excellent, thank you. And I know I'd asked a bit about this back in the spring as well, but I'm wondering if you can provide some information on the ComIT program and give us an update on that.

Mr. Sukenik: — Okay, I'm going to pass that over to my colleague Jackie.

Hon. Mr. Morgan: — Mr. Chair, for this question we're joined by Jackie Presnell, who I introduced at the beginning, but this is her first time appearing in committee, so I'm expecting robust questioning from you.

Ms. Presnell: — Good morning. Jackie Presnell, acting vice-president, business development. So the ComIT program was a partnership we delivered. It's a coding program that is provided to students. The company runs these programs in about 15 cities across Canada. They're a charity. They link people struggling to overcome some employment barriers with companies looking for talented IT [information technology] professionals. They target skills gap in the labour market and they focus on the tools and languages that are required by the local companies. They also deal with some of the soft skills and professional development.

[08:15]

Programs are planned, developed, and executed by local professionals, so there's local IT people that come in and deliver the programs. And our involvement has been typically providing the home for those programs, so the classes take place in our buildings. They have gone virtual during the pandemic, but we anticipate working with them again.

Ms. Bowes: — Thanks, Jackie. And I was wondering too if you could let me know how the uptake has been on that program.

Ms. Presnell: — Yes. Actually the stats that we have from their national program is that they're in about 15 cities; they've worked with over 150 companies, helped over 750 people in training, and about 550 of those people have got jobs.

Ms. Bowes: — Excellent. Thank you. And then I'm wondering for a separate program, for the STING [Saskatchewan student innovation and growth] program, how many students are typically hired each summer through that program? I know we touched on this in the spring.

Ms. Presnell: — The STING program?

Ms. Bowes: — Yes. It's also on page 4 of the annual report. It says it's "A new initiative of the University of Saskatchewan to employ summer students to develop commercialization plans for university-owned intellectual property."

Ms. Presnell: — Yeah. That's a program that we worked with the university on, their summer entrepreneurs program. We provided some space for them. The intent was that the entrepreneurs worked with proprietary or research information coming out of the university and looked to see whether that was a commercial opportunity or not. They were essentially sort of paid to be entrepreneurs as interns. They ran the program for a couple of years and this past year they suspended it, partially because of COVID and partially because of some changes made to that unit at the U of S [University of Saskatchewan].

Ms. Bowes: — Okay, thank you. And then I guess finally, also on page 4, there's a reference to Co.Labs and I'm wondering if you can give me an update on how Co.Labs has been doing, any new developments there.

Mr. Sukenik: — Thank you for the question. Co.Labs again, I'm just going to provide information that's posted on their website. But since inception, they've created 353 jobs. The start-ups incubated is 131 now. They have revenue generated of just under \$21 million and investment raised of \$11.58 million.

Ms. Bowes: — Okay, thank you. And then just some general questions. What plans are in place to address the vacancy shortfalls that exist at both parks? If you can give me an update there since we last spoke in spring.

Mr. Sukenik: — Thank you. Not a lot has changed since the spring. We continue to focus first and foremost on retaining our existing tenants, and part of that right now is helping them return to the office, get all of their employees back to the parks. We're also working with our various stakeholders on ensuring that we've got the right product to offer them, as well as to attract other companies to our parks. So again, it's the partnerships that we're focusing on.

Hon. Mr. Morgan: — I think you'll be aware that the target vacancy rate is around 10 per cent so that there's sufficient vacancy available when somebody comes in. And now being in excess of 15 per cent is certainly not where they want to be. As they've come out of the pandemic, as Mr. Sukenik has indicated, hopefully there will be greater uptake and I'm sure they'll be watching for opportunities. So that's certainly under way. And hopefully the situation with the pandemic doesn't change and that we see continued economic growth, but as you're aware, numbers are in flux.

Ms. Bowes: — Yeah. Thanks for that. And my understanding is that vacancy levels have been 10 per cent or higher since 2016, and so I can understand how the pandemic would have some impact there. I mean, it seems to have predated the pandemic by a number of years. Can you sort of explain the vacancy rates since that time, since around 2016?

Hon. Mr. Morgan: — The loss of ISM [Information Systems Management Corporation], one of the major tenants of the Regina location, has certainly created a bigger hole than anyone else. Usually the coming and going are businesses that operate

on a relatively small footprint. But that one, it was a big corner at the end of one of the larger buildings, so there's no doubt that's going to be a harder one to fill. So that was a significant setback.

So the business plan right now is to work to fill the existing spaces, and as those fill up then look at opportunities to try and rebuild or repurpose the space that was left by ISM.

Ms. Bowes: — Okay, thank you. I think I'm going to move on now to . . . Apologies, this is the first time I've done a series of annual reports. Do I get to just sort of move on as I see fit? Okay.

Hon. Mr. Morgan: — The practice that we've done on the last ones that we've done is that they're your questions. And if you go back and forth between the two of them, you don't have to finish your questions on one and vote it off. You use the time as you see fit, and we'll make sure that the officials are flexible and nimble enough they can answer them.

Ms. Bowes: — Okay, thanks. I appreciate that. Okay. So I'm flipping to 2019-2020. On page 1 of the report, it references in 2014 that the board of directors developed and implemented a new strategic direction. So I know we also had spoke a little bit about this back in the spring, so just hoping to get an update there on the new strategic direction and any commentary you can provide.

Mr. Sukenik: — The new strategic direction, it evolves. We actually have a strategy planning session with the board tomorrow to review where we're at and where we're going. But the main focus of it was really implemented this year, and there's two main components. One is looking at tenant facing. One is our value proposition, so it involves taking a look at our product, all of the tools that we use to grow the tech sector, and making sure that we have the right product. And that might be whether we have the right scientific infrastructure, whether we have the right programming and we offer the right support to companies that reside in our parks.

So that's the first part, is to make sure we've got the right product. The second part of the new strategy is looking at how we can leverage our product more. And that's somewhat of what I've talked about before is, how do we partner more with our stakeholders? How do we provide access to our toolbox to benefit them?

And then there's a few examples of that. One of our tenants in Saskatoon is Ag-West Bio, who supports the agri-tech industry. And we partnered with them on several initiatives this year. One is providing access to the Boffins Event Centre. So we have joint programming, and they offer their own programming through our space. But we're also partnering with them and other entities for the global agri-food advancement centre, which is somewhat of a hybrid incubator for the ag tech sector. So it's really looking at how we can leverage our product more.

Ms. Bowes: — Okay. I'm wondering too then if we can get some updated . . . just, I guess, an updated account of the impacts of the pandemic in terms of those impacts on SOCO. Has there been anything notable since we last met in spring?

Mr. Sukenik: — There has not been a huge impact of the pandemic outside of the impact on our environment. In the spring

I had talked about . . . It's still the same issues. We provide an environment for our tenants to collaborate with each other. When they're not in our parks, the collaboration is way down. So one of our focuses is getting people back to the parks so the collaboration can continue.

From a vacancy perspective, we haven't had any major tenants vacate because of the pandemic. We have had some smaller tenants that have elected to work from home during this, but we do hope that we'll get them back to the parks as soon as the pandemic's over and that environment's back.

Ms. Bowes: — Thanks. And do you have an update on sort of a look at how many of the tenants are still operating remotely at this point versus on site?

Mr. Sukenik: — Yes. We're currently at . . . Bear with me a second. We just completed a survey, closed at the end of last month, and we don't have at that point in time, but we are expecting about 50 per cent of the tenants to be back in the parks on a consolidated basis starting in September.

Ms. Bowes: — Okay. And then . . .

Hon. Mr. Morgan: — I think one of the challenges for the tenants, they chose to locate in the parks for the collaborative nature that's there, the other tenants. And then working from home or working from a distance, they lost that benefit from it. And it's not just a benefit to those that are there, but it's also a loss to those that are still on site in the park. So I think the collegial nature of the parks is certainly diminished during that period of time.

And Mr. Sukenik referenced that we hadn't lost tenants during that period of time, but certainly there was a number of tenants weren't physically at work. But at the same period of time we didn't gain any tenants either. So it was at best holding its own during that period of time. So I think the hope is that as the tenants start to come back to work, they'll be in a better position to sort of assist in marketing, or it will become more of an attractive spot for other potential tenants that are there. And I know that's something that they'll want to continue to work on.

Ms. Bowes: — Thanks. So you had mentioned about 50 per cent hopefully by September. And is there any feel for beyond that point, or is it really too soon to say?

Mr. Sukenik: — I think it's too soon to say. We are hoping for a steady return to . . . Of course we can't predict what's going to happen with the pandemic, but our focus is providing that atmosphere to entice them back. And that's through . . . We've started the in-person programming events in the parks with the intention that they will come back to the parks in the near future.

Ms. Bowes: — Okay, thanks. And then I guess in regards to the impact of the pandemic, has there at this point been an impact analysis that's been undertaken?

Mr. Sukenik: — From what perspective?

Ms. Bowes: — From the perspective of the impact of the pandemic on SOCO as a whole.

Mr. Sukenik: — We haven't done a separate analysis on that. We do monitor various risks associated with the pandemic. We are monitoring our receivables, for example, which, on that topic, we haven't seen a huge impact there. We are of course monitoring our programming. As mentioned previously, the vacancy hasn't been impacted a huge amount from that. So again we're looking at different components, but there hasn't been one specific study done.

Ms. Bowes: — Okay, thanks. I think I'm going to turn now to the 2020-2021 annual report. So work from home in 2020 to 2021. In the shift to work from home, were there any costs associated with this in terms of SOCO's perspective?

Mr. Sukenik: — Not any significant costs. We did have to add some infrastructure to facilitate the work from home. We always had the ability for our employees to work from home remotely, but we did, I guess, update that, the technology that's used to do that. We also upgraded our park network to accommodate our tenant employees for working from home. We provide a park network to all of our tenants, or access to a park network for all of our tenants, so we did have to upgrade the bandwidth to accommodate the increased traffic.

There was, of course, the increased cleaning that was done in the parks, because not all of our tenants worked from home. Some maintained occupancy in the parks, and so we increased the cleaning on that. So again, small incremental costs, but nothing material.

[08:30]

Ms. Bowes: — And then in regards to the deferred rent option, what is the value of deferred rent? And have most folks caught up?

Mr. Sukenik: — Yes. That was a program that we offered to the majority of our tenants to defer some of their rent. There was, out of the 122 tenants that were eligible, there was only nine that took advantage of the program. The dollar amount was approximately \$51,000 of rent being deferred, and it has all since been collected.

Ms. Bowes: — Great. On page 22, people strategy. Have there been external contracts to support this strategy, and if so what is the cost associated?

Mr. Sukenik: — There have not. This entire initiative is being done in-house by our own employees.

Ms. Bowes: — And can you offer some details around the rewards package?

Mr. Sukenik: — There's nothing unique that's in it. It's just the part of that program is the balanced approach. So we follow the government guidelines on incentive plans, so there's nothing unique. We do have an executive incentive plan, performance holdback as part of our total compensation. And then the rest is just a regular benefits package — health and dental, those type of things.

Ms. Bowes: — Okay. Then on page 21 it says, "The PTRC has recently rebranded as an energy incubator and accelerator while potential opportunities are being explored in agri-tech and

clean-tech.” I’m wondering if you could provide a bit more information on this rebranding of the PTRC [Petroleum Technology Research Centre].

Mr. Sukenik: — Unfortunately I can’t. This is really new. It is something that they’ve just recently told us about, and we’re working with them to understand their program and how we can incorporate it into our parks and have that joint programming. So we’re working with them to ensure they’re in the right space and we understand what their objectives are and then how we can assist with those.

Ms. Bowes: — Okay. And are you able to comment at all on the rationale for the rebranding?

Mr. Sukenik: — I don’t know. I assume it is they recognized a need in the market and then they’re filling that need.

Ms. Bowes: — Okay.

Hon. Mr. Morgan: — I think if it helps the member, it was not something that was directed by government or by minister’s office. It was something that came from the entity themselves, and naturally we’ll work with whatever the needs are of people that are partners or tenants at . . . [inaudible] . . . But it was not part of any kind of a rebranding initiative undertaken by the province, by the government.

Ms. Bowes: — Okay. Thanks for that clarification. And then page 23, there’s a comment: “. . . the departure and downsizing of significant tenants experienced in the last few years, and forecasted for the coming year, continue to have a negative impact on overall vacancy.” I’m wondering if you can please comment on forecasted departure and downsizing for the coming year.

Mr. Sukenik: — Yes. We have just recently looked at our leasing assumptions and we continue . . . We entered into this year with a budgeted year-end vacancy of 17 per cent. Based on our current reforecasting of that, we’re still at 17 per cent. So we do have tenants that we expect to vacate the park or downsize this year, but we do have a number of potential tenants that are looking to expand and enter the parks. So unfortunately the net will be approximately a 2 per cent increase in vacancy by year-end.

Ms. Bowes: — Okay. And are you able to comment on which tenants will be vacating?

Mr. Sukenik: — Unfortunately not. There’s two significant tenants but neither have given official notice, so I’m unable to share the names of those tenants.

Ms. Bowes: — Okay, thanks. And do you have a timeline for each of those vacating?

Mr. Sukenik: — They’re both near the end of the year.

Ms. Bowes: — All right, thanks. I’m wondering if you can generally provide an update on the agri-tech sector and any very new developments there since we last spoke in the spring.

Mr. Sukenik: — Thank you for that question. Just to elaborate

on some of the comments that the minister provided in his opening remarks, the agri-tech sector continues to be strong. So there’s a lot happening. Just for reference, the sector, our tenant base in the sector has grown by three in the last couple years, so that is a sector that’s growing.

There’s a lot of exciting things happening. One of the programs that we’re very excited to be a part of, and it’s been mentioned a few times today, is the Global Agri-Food Partnership, and that’s that hybrid incubator. You know, part of the excitement of that is it’s a collaboration between a number of entities. We, of course, are a key partner providing the infrastructure and programming support. And then ag is being led by Ag-West Bio. So there’s the two. Also participating is the Global Institute for Food Security, the Agri-Food Innovation Centre, and various private sector parties.

So it’s a great example of how the key stakeholders in that sector are coming together for this program, and it’s quite exciting because there’s a few components to it. Not only is it created to support the early-stage companies, it’s also here to support the rapid-growth-stage companies. And that will involve attracting companies from outside of the province, outside of Canada. So they’ll bring them here, and then we can really participate in that by supporting while they’re here, and hopefully when they graduate from the program, we’ll provide that soft landing spot so they can stay in the parks.

Ms. Bowes: — Okay, thanks a lot. And then similarly, an update if you would on health and life sciences, on that sector.

Mr. Sukenik: — That is a sector that is less of a focus. The health and life science sector, we’ve only got nine tenants in that, so it’s only just under 6 per cent of our park. So it’s not a key sector in our park, but it is one that we hope that will grow. And as you can imagine, with next door, with VIDO [Vaccine and Infectious Disease Organization] and other entities, we are hoping to grow that sector. But right now it’s not a prevalent sector in our parks.

Ms. Bowes: — Okay. Thank you. And just going through, really, industry services, if you can provide any updates on any new developments there.

Mr. Sukenik: — Industry services really exists to support the other sectors, so it will increase in our parks. It will increase, it will decrease based on various factors. But again it’s really just so we have the tenants in our parks that support the other sectors.

Ms. Bowes: — And continuing to go through with ICT [information and communications technologies].

Mr. Sukenik: — Yes, ICT, of course, and that’s been mentioned today, is our biggest sector and it’s, just for reference purposes, it is 36 per cent of our tenant base is in ICT. And that’s where you see a lot of the companies in the incubators being involved in. So again, we’ve got the incubators here, of course, in our park in Regina, but we’ve got Co.Labs that operates out of our park in Saskatoon.

We talked earlier about the success of those programs, and we’re also starting to see the success in both parks, even though it’s slightly different models being adopted on our involvement with them. We continue to work with Cultivator on joint

programming. Of course, the same thing in Saskatoon.

We also promote and support each other's events. We provide opportunities for certain entities to pilot their technology and leverage their resources. One of the things that we're really working on now is trying to determine what that space is needed for the graduates out of those programs so we can provide that soft landing spot and then provide the environment to continue to assist those companies in that sector to grow and thrive.

Ms. Bowes: — Thanks. And then finally natural resources, if you can give an update there.

Mr. Sukenik: — I'm not sure I have much to add about the natural resources. Again for context, it is our third-biggest cluster sector in our parks. We've got 28 tenants occupying, I don't know the space, but about 19 per cent of the tenant base is in that sector. It is one that has been challenged over the last few years but we are starting to see it rebound, especially in the areas of cleantech, clean environment, on that side.

Ms. Bowes: — And where have you seen the largest reductions, I guess, by sector?

Mr. Sukenik: — In our parks, and this may not be indicative of the sectors in total, but in our parks I can comment on that as we've seen reductions in health and life science. Again only, you know, over the last of couple of years it's reduced by three tenants. So not a big change. And then the industry services and supports, that's reduced by seven tenants over the last couple of years.

Ms. Bowes: — Thank you. And then just turning to the comparison, March 31st, 2020 to March 31st, 2021, can you comment on the reduction in revenue and what that was due to?

Mr. Sukenik: — Yes. The reduction in revenue, from last year to this year, there's really two main factors, and I guess the only two factors. One is the impact of the increased vacancy. So we did see the average vacancy rate increase year over year, and that contributed to approximately \$1.4 million in reduced revenue. Also contributing to the reduction is the decrease in parking revenue. And that you'll see reflected in the report is our parking revenue decreased about \$700,000 year over year. And that was just the result of remote working for employees in the parks.

Ms. Bowes: — Okay, thanks. And then about 1.1 million increase in expenses, and if you could give a little bit more detail there.

Mr. Sukenik: — Yes. So the \$1.1 million increases is mostly due to recoverable building expenses, so the cost for operating the buildings. And as noted in the annual report, the areas we saw increases were grants in lieu of property taxes, buildings repairs and maintenance, and utility costs.

Ms. Bowes: — Okay. Thanks. And then I'm just looking at, like, discontinued operations for '19-20. What did that refer to, that 0.6 million?

Mr. Sukenik: — Yes. That related to the . . . In the prior year we transferred our food services. Prior to last year, we had always operated food services in our Saskatoon park, not through this

legal entity but through a controlled . . . It was a not-for-profit that operated the food services, which was controlled by SOCO. In the prior year the decision was made to outsource that and find a third-party operator to operate those services.

Ms. Bowes: — Okay. And can you give us an idea of how that relationship is going? Is that going to be a permanent ship that's seen?

Mr. Sukenik: — That will be permanent. We do have a long-term agreement in place with Eurest. It's a division of Compass Group. As for how it's going, unfortunately it's been significantly impacted through the pandemic.

They took over in November and of course the public restaurant was closed at that time and they were renovating the cafeteria. The cafeteria opened about two weeks before the pandemic hit and they've been closed since. They are in the park offering some pre-ordered, but they haven't been open all the time and we're looking to have that open next month.

[08:45]

Ms. Bowes: — Okay, thanks. I know back in spring I had asked this same question, but wondering if there any updates since that time around plans in place to address aging infrastructure, particularly in Saskatoon but also in Regina.

Mr. Sukenik: — Yes, we have what we call an asset management program which is a combination of preventative maintenance program to maintain the assets as well as the capital replacement. So we're continuously looking at our buildings; we're continuously assessing, highlighting areas that need to be addressed, and adjusting either the preventative maintenance program itself or replacing the assets or the component assets as we go.

Ms. Bowes: — And then I was just going to jump back to one of the earlier questions around tenants that are vacating. Like, have there been reasons provided from the tenants who are vacating? Like, what are you being told in terms of why they're moving to a different location?

Mr. Sukenik: — You know, one of things we always look at is trends, are there trends, and from the perspective of, are we providing a product that's needed. And fortunately or unfortunately, however you look at it, there is no consistent theme.

Over the last few years for example, and you had mentioned that our vacancy went up from 10 per cent in 2016 to, you know, 15 per cent now. And if we look at some of the big changes, go back a few years ago, you know, there was a few per cent related to Dow Agrosiences. Well they merged with another company and co-located their operations here to the operations that they merged with. So that accounted for that.

Some of the other changes that we've seen here is downsizing, and it's not so much one reason except for businesses changed their business model and their space needs changed. So I mean there isn't one reason that's accounting for the increase in vacancy.

Hon. Mr. Morgan: — The purpose of the innovation park is not for long-term tenants. It's an incubator process where it's usually new start-ups that would be there for a few years, although nobody's put a cap on how long somebody has been there. But usually it's businesses that start there and then go and expand or move on to a different part of their business model or business life. And I think that's what's taking place with some of the tenants that are going. And I think all of us, when you see somebody leaving, we always worry about it from a revenue point of view or from the loss of viability of the park itself and the relationships that exist within that.

What has not happened during the pandemic is people haven't been willing to come out and look at expansion or go shopping or spend time looking at physical space. So hopefully the pandemic continues to lift and we'll see more new tenants coming in. But I think what we've seen over the last while was sort of part of the natural evolution of the tenant base that's there. But what we haven't seen is the new influx, which I know is something that the parks are working on.

Ms. Bowes: — Okay, thanks. And I guess then, understanding what you've just said, some of those vacancies or upcoming vacancies, would those be with long-term, any of those with long-term tenants?

Mr. Sukenik: — Yes, both of the expected vacancies are long-term tenants.

Ms. Bowes: — Okay. And is there any indication that that's in any way associated with, you know, costs to locate . . . [inaudible] . . . operate in the park?

Mr. Sukenik: — I don't believe that's a reason in either case.

Ms. Bowes: — Okay. And are you able to comment on any particular reasoning for the two upcoming tenants who are vacating?

Mr. Sukenik: — Unfortunately, no, just from the sensitivity of who they are.

Ms. Bowes: — Okay. Well thank you very much. I think that's the extent of my questions today. Really nice to see you again and appreciate your time.

The Chair: — Thank you. Seeing that we've reached our kind of allotted time here, I will now ask a member to move on that we conclude the consideration of the 2018-19, 2019-20, and the 2020-21 annual reports of SOCO. Mr. Derek Meyers has moved that we conclude the consideration. Is that agreed?

Some Hon. Members: — Agreed.

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

Hon. Mr. Morgan: — Thank you, Mr. Chair. And to the committee members, thank you for being here and your participation in the process. I would like to take this opportunity to thank the great folks at Legislative Assembly Service, Hansard, building security, and the building staff for the work that they do all year round.

But today I'd like to specifically thank the staff and officials from SOCO who are here today. It's easy to say thanks for having shown up, but they work hard every day of the year to try and maintain the business parks which are part of the innovation and growth of our province. So we thank them for the work that is part of their employment, but also being part of the larger growth picture of our province. So thank you, Mr. Chair.

The Chair: — Thank you. Thank you, Minister. Ms. Bowes, do you have any closing comments?

Ms. Bowes: — No. I appreciate as well the time you've taken here today to be here to answer my questions, and thank you so much for that.

The Chair: — Thank you. We will now take a short break, short recess and bring back the officials from SaskPower.

[The committee recessed for a period of time.]

[09:00]

Saskatchewan Power Corporation

The Chair: — Welcome back. Welcome, Ms. Aleana Young. We'll be considering the Provincial Auditor's chapters related to SaskPower. For the consideration of the Provincial Auditor's chapters, I will first recognize the Provincial Auditor, who will proceed to introduce her officials and provide a presentation on the chapters under consideration. Once completed, I will recognize the minister to introduce his officials and respond to the chapters under consideration. After all the auditor's chapters have been reviewed for SaskPower, we will excuse the auditor and 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 2, chapter 45, SaskPower, managing the risk of cyber incidents.

Ms. Clemett: — Thank you, Chair, members, Minister, and government officials. With me this morning, I am joined by Carolyn O'Quinn, who is the deputy provincial auditor whose audit responsibilities include SaskPower, and also Kim Lowe, who is the office's liaison with this committee. Ms. O'Quinn will present the two chapters in the order noted on the agenda, and only chapter 23 of our 2020 report volume 2 has a new recommendation for this committee's consideration.

Before we start, I would like to thank the president and CEO of SaskPower and his staff for the co-operation extended to us during our work. I will now turn it over to Ms. O'Quinn.

Ms. O'Quinn: — Good morning, everyone. I'll start with the chapter that relates to our follow-up on our audit of SaskPower's processes to manage the risk of cyber incidents. So SaskPower relies significantly on its IT systems to deliver power to its customers and to manage its business, and it is exposed to risk of cyber incidents. Chapter 45 in our 2019 report volume 2, which starts on page 327, reports the result of our second follow-up of SaskPower's processes to manage the risk of cyber incidents for the protection of the provision of power.

We are pleased to report that by August of 2019, SaskPower implemented the remaining recommendation we had from our work done originally in 2015. SaskPower annually updates its cyber risks assessment and confirms that its strategies address those risks. By confirming that its strategies address significant threats of cyber incidents, SaskPower reduces its risk of a cyberattack jeopardizing its ability to provide power.

So I'll now move on to the second chapter under consideration. So this is chapter 23 of our 2020 report volume 2. So in 2019-20, coal-fired electricity generation represented about 31 per cent of SaskPower's total generating capacity. Federal regulations generally require the elimination of the use of conventional coal-fired units by 2030, as coal-fired electricity is a significant source of greenhouse gas emissions. Conventional coal-fired electricity generating units are those that are not equipped with carbon capture and storage technology.

In July of 2018 SaskPower announced its decision to not equip two of its coal-fired generating units, which is Boundary dam units 4 and 5, with carbon capture and storage technology, which essentially determined the shutdown dates of those units. Those units are expected to be shut down in 2021 and 2024 respectively. SaskPower expects to decommission the entire Boundary dam site once it shuts down all the units at this location, which will be some time after 2030.

Phasing out coal-fired units and decommissioning related power stations is a very complex and technical process. To do so successfully and safely depends on SaskPower having effective processes to plan. Chapter 23 in our 2020 report volume 2 starting on page 103 reports the results of our audit of SaskPower's processes for planning the safe shutdown of coal-fired electricity generating units 4 and 5 and the decommissioning of the power station site at Boundary dam. We found that SaskPower had effective planning processes other than the matter reported in our one recommendation.

On page 200 we recommend SaskPower use the cost estimate classification system adopted by the Saskatchewan Environmental Code to determine the contingency percentage used to estimate costs for decommissioning and reclaiming the Boundary dam power station site. Decommissioning the entire Boundary dam site will be complex and expensive. In 2019 SaskPower prepared a decommissioning and reclamation plan and submitted it to the Ministry of Environment as required. We found that the content of this plan was consistent with Ministry of Environment guidelines and good practice other than the following: SaskPower did not have rationale to support the selected contingency percentage in the plan that it used to determine its contingency costs.

SaskPower estimated that it would cost approximately 83 million to decommission and reclaim the site, which includes a 20 per cent contingency of 13.8 million. SaskPower indicated that it determined the contingency based on guidance from the Ministry of Environment.

The ministry guidance suggests that best practice is to follow the process for cost estimates set out in the Saskatchewan Environmental Code. The code uses a standard classification system to make cost estimates and suggests a contingency range for each class. SaskPower had not set out what cost estimate class

it used or the basis it used when it selected the 20 per cent contingency. The consultant who prepared SaskPower's plan told us that the cost estimate is a class 4 estimate. Our assessment also found that the project had characteristics most consistent with class 4.

Twenty per cent contingency is the bottom suggested percentage of the class 4 range. We found that selecting the lowest percentage of the class 4 range is inconsistent with the uncertainties related to the project costs at the time we did our audit. Uncertainties still existed in that SaskPower had not yet developed its detailed plans for the decommissioning and not completed certain steps such as its environmental site assessment. Not having completed these steps does increase the likelihood of costs being higher than it estimated and therefore could warrant the need for a higher contingency percentage.

So not having sufficient rationale for the percentage chosen or following the best practice when suggesting or selecting a contingency percentage increases the risk of SaskPower not reasonably estimating its contingency costs and not having enough resources available at the time of decommissioning of Boundary dam. That concludes my overview of the SaskPower chapters.

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

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'm pleased to discuss SaskPower's annual reports for 2019-20 and 2020-21 fiscal years, as well as provide updates on Provincial Auditor's report chapters concerning SaskPower. Today I am joined by Mike Marsh, president and CEO; Rachele Verret Morphy, vice-president, corporate and regulatory affairs, and general counsel; Troy King, vice-president, finance and business performance, and CFO [chief financial officer]; Ian Yeates, executive director, president's office; Cole Goertz, communications director; and my chief of staff, Jared Dunlop.

Mr. Chair, the 2019-2020 SaskPower net income was \$205 million with a return on equity of 7.8 per cent. This net income was up \$8 million compared to 2018-19. SaskPower invested \$696 million in our province's electricity system in 2019-20, including \$374 million for capital sustainment, which includes upgrades to aging generation, transmission and distribution infrastructure, which are the key phases power goes through before reaching customers.

The company also spent \$253 million on capital projects related to growth and compliance. This investment includes \$156 million to connect new customers.

SaskPower celebrated many achievements throughout 2019-20, including commissioning of the Chinook power station, a 353-megawatt natural gas-fired station built near Swift Current on time and under budget; completing the Pasqua-to-Swift Current transmission line, a \$185 million project that stretches 200 kilometres and helps to deliver power from Chinook to customers; and achieving the Canadian Electricity Association's Sustainable Electricity Company designation, which recognizes SaskPower's commitment to social responsibility and sustainable development. Only nine Canadian utilities have achieved this designation to date.

SaskPower also continued to make progress towards its emissions reduction targets through achievements such as the opening of a competitive-solicitation-awarded 200 megawatts to Renewable Energy Systems Canada and Cowessess First Nation for wind-generated power to be developed and operational by the end of 2023; the announcement of the RFP [request for proposal] phase for the next 10-megawatt utility-scale solar project, which has since been awarded and will be located in Regina; the announcement of a 25-year power purchase agreement with Meadow Lake Tribal Council for up to 8 megawatts of biomass-generated electricity.

In 2019-20, SaskPower provided nearly \$1.7 million in funding to communities and organizations that keep our province vibrant and directed \$3 million to post-secondary education, focusing on student development and research aligned with the company's workforce and operational priorities.

This is just a small sample of the work SaskPower undertook during the 2019-20 year.

I'd like to move on and talk about the 2020-21 annual report. The COVID-19 pandemic affected all of our lives during the past year and a half, and the 2020-21 fiscal year was unlike any other in the history of SaskPower. The pandemic constrained the economy and changed consumption patterns, ultimately contributing to a 3 per cent reduction in the amount of power used in the province. This, combined with higher fuel costs and capital-related expenses, resulted in a net income of \$160 million in 2020-21, down \$45 million compared to 2019-20.

[09:15]

Despite these challenges, SaskPower had a strong financial and operational performance in 2020-21. SaskPower invested \$693 million in the province's electrical system, \$366 million of which was spent on sustainment activities. SaskPower also spent \$286 million on growth and compliance investments.

Significantly, SaskPower is now on track to reduce greenhouse emissions by at least 50 per cent from the 2005 levels by the year 2030. This exceeds the previous goal of 40 per cent which was set in 2015. This demonstrates that the investments SaskPower is making in emissions reduction have been successful and puts the company in a strong position as it targets net zero emissions by 2050.

Some of SaskPower's other major highlights from 2020-21 include waiving interest on outstanding bills for six months to help customers struggling financially during the COVID-19 pandemic; beginning construction of the Great Plains power station in Moose Jaw; signing on to the Government of Canada's small modular reactor action plan; and announcing the development of the 10-megawatt Foxtail Grove solar energy facility in Regina; and signing power purchase agreements for two more 10-megawatt solar projects brought forward by the First Nations Power Authority; and once again being named as one of Canada's best diversity employers, top employers for young people, and one of Saskatchewan's top employers. I'd like to thank Mike Marsh and all SaskPower employees for their hard work and accomplishments during the past two years, especially during the COVID-19 pandemic.

I'd like to discuss consideration of the Provincial Auditor's report chapters. Chapter 23, audit of SaskPower's planning process to shut down Boundary dam power station unit 4 and 5. Regarding the chapter 23 recommendations, in 2018 SaskPower announced the decision to permanently shut down Boundary dam power station unit 4 and 5 in 2021 and 2024 respectively. Shutting down these units will involve placing them in a safe state where they are disconnected and physically separated from electrical and natural gas supplies. Fully decommissioning will be complete after all Boundary dam power station units are shut down.

I'd like to thank the Provincial Auditor and her office for the review of processes. SaskPower was pleased that the auditor found SaskPower had effective processes for planning the safe shutdown of Boundary dam units 4 and 5. The Provincial Auditor had one recommendation regarding SaskPower's process for determining decommissioning costs and contingency percentages in SaskPower's Boundary dam decommissioning plan. In response to this finding, SaskPower has refined its process for determining contingency estimates, and this change will be implemented in all future decommissioning plans to fully align with the Provincial Auditor's recommendation.

Chapter 45, managing the risk of cyber incidents at SaskPower. Regarding the chapter 45, managing the risk of cyber incidents, recommendations, SaskPower is a Crown corporation in the critical infrastructure sector and extensively utilizes cybersecurity-focused people, processes, and technology to protect the organization's infrastructure from attacks. I'd like to thank the Provincial Auditor and her office for the review of the processes. SaskPower has implemented all three recommendations, and this work has been validated by the Provincial Auditor.

Per recommendation no. 1, documenting cyber threats, SaskPower has put corporate as well as divisional risk registers in place that include an assessment of the likelihood and impact of cyber risks for assets critical to providing power, such as operational technology systems for power plants and grid control.

Per recommendation no. 2, cyber risk mitigation strategies, SaskPower has developed cyber risk mitigation strategies that address the significant threats of cyber incidents that could affect its ability to provide power.

Per recommendation no. 3, adequate guidance provided for identifying cyber incidents, SaskPower continues to provide cybersecurity training for its employees that outlines examples of cybersecurity incidents. Incident management procedures were updated to include cyber incidents and the incident response plan.

With that, Mr. Chair, we are happy to answer any questions that the committee may have on any of these items.

The Chair: — Thank you, Minister. Do any members have any questions on the Provincial Auditor's report, chapter 45 and 23? I recognize Ms. Aleana Young.

Ms. A. Young: — Thank you, Mr. Dennis. Thank you, officials and Minister and fellow committee members, for being here today. And before we begin, I want to just recognize the pretty

intense storm that happened in the province last night and I hope those of you in from outside Regina, I hope all your communities are doing okay as well as the people who live there and all the people hard at work to repair some of the damage that the province saw last night.

With that, I would like to begin with questions on chapter 45 for the Provincial Auditor's report. Is there an example that can be given of a cyberattack that could feasibly occur in an organization like SaskPower?

Mr. Marsh: — Good morning. A typical example . . . Well first of all let me say that cyberattacks and hacking have become a standard way of life for all utilities. We get, like every other utility, we get attacked on our systems every day, and we have defence in depth to mitigate those situations. A typical attack might be on a device, for example, that is connected to the network. And that's why most utilities have separated their operational control systems from their information control systems and put in firewalls and defence in depth.

Those attacks will continue as long as there's an access into a company's systems. There are hackers out there looking to find a way in. And they're looking for that way to put something into our system that may come to life weeks or months down the road. And we work, our IT teams at SaskPower work with other IT agencies in the province. They work with the industry across Canada as well. We get briefings regularly from the various cybersecurity branches in the federal government, and we are updated very soon after there's a breach in another utility's infrastructure across Canada. So our defences are in place.

In the past year there's been a couple of incidents where cyberattacks result in a ransomware attack. In other words, the company is asked to pay up or they will release this malware into the system which can cause very destructive things. It's happened in a couple of utilities. It happened in the pipeline company down east last year, and that particular issue resulted in the company paying some money to prevent further damage. And this is becoming a regular occurrence. It has not yet happened to SaskPower, but we're preparing for that just like every other major corporation going forward.

Just as an example of the number of times we're getting hit, last in 2020 we had over 300,000 blocked internet attacks, so 1,000 a day. That's what's happening. Over 500 workstation malware attack attempts, so where hackers attempt to put malware on workstations across the organization. So that just gives you a sense of how this is ramping up in the utility sector, because we do manage critical infrastructure here in the province, and other utilities across Canada are developing defence in-depth strategies as well.

Ms. A. Young: — And are we relatively consistent with other power utilities in Canada in terms of the quantity and severity of the attacks that you mention and the steps that are being taken to mitigate those?

Mr. Marsh: — I would say we're on par. I think there are some utilities that are being attacked more frequently, especially utilities in the East that are connected into a wider network. There's more access points, I think, but I think generally the utility is moving in step.

We fall under what's called cyber and critical infrastructure protection rules from NERC [North American Electric Reliability Corporation] in the United States. In order to be connected to our neighbours across Canada, all jurisdictions have to comply with NERC standards. And we comply with those standards, and those standards are constantly changing year over year. And keeping up with the technology is something that our team does and works on every day.

Ms. A. Young: — You mentioned, I guess, the distinction between operational and information systems within power. Is one of these more likely to be targeted, or is one of these . . . does operational or information systems have a higher severity? You know, when I think of — you know, as a layperson — operations, I think somebody, a bad actor, hacks in and there is no power. Whereas I think of information, I think somehow, you know, the data and the private information that power would have on behalf of their customers and partners is held hostage or released. Is that accurate?

Mr. Marsh: — That's an accurate assessment. Release of private information, customer information, of course, is a concern for all utilities on the information side, and accessing parts of the grid where they can either block or stop energy flow in certain parts of the province would be a great concern. That's why we have defences set up.

Ms. A. Young: — And is the management of this risk and the mitigation of it, does it differ within SaskPower proper compared to some of the independent power producers that SaskPower would have agreements with? Or is that risk mitigated and managed holistically across the entire utility?

Mr. Marsh: — It's managed across the entire province through the structures we've set up. So any utility that's producing power and supplying power to us has to comply with those same standards at their sites. So there's protection and control systems put in place at the generating stations, on the transmission grid, and where the transmission grid is connected with its neighbours, east, west and south.

Ms. A. Young: — And I imagine SaskPower undertakes, like, regular audits or routine checks of all of those things with the independent power producers in other . . .

Mr. Marsh: — Our teams are in, you know, daily, weekly, monthly communication on all of these things. If there's an issue that has arisen, we would communicate that with our IPP [independent power producer] partners out there. If there's new instructions or directions coming, that would be communicated to them as well.

Ms. A. Young: — Thank you. My last question on chapter 45, I understand there's been some broader discussion in insurance markets around the feasibility of insuring against cyber risk. And I'm wondering if this is feasible for SaskPower, or if there have been any conversations along those lines to protect against those risks.

Mr. Marsh: — I think I'll ask Troy King, our CFO, to step up and answer that one.

Mr. King: — Troy King, CFO with SaskPower. No, that's a

great question. You're absolutely right. That is an area of conversation. Right now SaskPower does have insurance in place in the event of a cyberattack to help mitigate some of the expenses that may result, including potential ransomware. However, I think what you're kind of targeting is that there is discussion of, you know, broader, whether that insurance will continue, whether it'll be . . . I know a number of jurisdictions are suggesting that they don't want insurance in place because they don't want them paying these type of actors. But at this point in time, SaskPower has been able to secure insurance.

Ms. A. Young: — Thank you, Mr. King. No further questions on chapter 45, Mr. Chair . . . [inaudible interjection] . . . Perfect. Pardon me, I wasn't sure if we had to move one first.

All right, chapter 23. I guess to kick off, could the committee be reminded of what percentage of power generation Boundary dam writ large represents for Saskatchewan?

[09:30]

Mr. Marsh: — Right now Boundary dam produces — I'm just doing the math in my head — three, six . . . about 720 to 750 megawatts out of 4500 megawatts . . . [inaudible].

Ms. A. Young: — Thank you. I'm sure the numbers are in here somewhere, but I didn't do the math either. Even roughly speaking, what percentage of the coal-fired capacity is that for SaskPower?

Mr. Marsh: — Well we have three other stations in the province that produce the remaining 900 megawatts. So it's almost half, little less than half of the capacity.

Ms. A. Young: — Forty per cent-ish?

Mr. Marsh: — Yeah.

Ms. A. Young: — A few questions generally related to decommissioning processes. The report notes on page 183 that the suggested contingency range is between 20 to 50 per cent, which is a significant range. And the report noted that Power estimated about 13.8 million, but it could be anywhere up to, I believe it was about 34, 35, 34 and a half million, which is a significant variance. With the update that was provided by the auditors, has that further contingency been incorporated into planning?

Mr. Marsh: — Again I'll refer to Mr. King to answer that question.

Mr. King: — Thank you. Yes, SaskPower is continuing to update all of its decommissioning estimates, so the audit report looks specifically at units 4 and 5 because they're coming to the end of their life. But our decommissioning provision actually encompasses all of our coal plants at Boundary dam, at Shand, at Coronach, as well as our gas plants, our wind facilities. So all of our generation fits under the decommissioning umbrella.

So what we do is we have a plan and we look at our decommissioning estimates annually, and once every five years . . . Well I guess I should say on an annual basis we're bringing in an external consultant to review our estimates. And we don't

look at 100 per cent of the units, but we'll do them in . . . The plan is to have them reviewed every five years. We'll have an external review done. So that's all in the process.

Just for your knowledge, right now we have about \$257 million set up for decommissioning, and we grow that each and every year as the plants are operating. The end number is around \$450 million for all of our plants. And that's constantly updated and changed year to year.

Ms. A. Young: — Thank you, Mr. King. So the total project cost for Boundary dam . . . So I'm just trying to wrap my head around it. The costs discussed within the report are specific to units 4 and 5 which is within that range that was discussed. And then the total project cost for Boundary dam overall, do you have that number?

Mr. King: — No, I don't have a total for Boundary dam specifically. I can give you some updates on 4 and 5 specifically. So when 4 and 5 retire — 4 is scheduled for the end of this year, 5 in 2024 — we won't decommission them at that time because the other units are still operating. So there will be some layup costs, roughly half a million dollars to lay up each one of those, to safely sort of put them in a state that they won't, you know, hurt anything or damage any other facilities. The final decommissioning date will be when the last unit is retired. So right now we have that set around the mid-2040s for the full decommissioning of the facility.

Ms. A. Young: — I understand . . . I think I remember — at one point I had this written down — that the federal equivalency agreement I believe goes until 2024.

Mr. King: — It goes up to 2029.

Ms. A. Young: — 2029 now? Okay. So it was under negotiations but it has been re-signed. Excellent. So equivalency agreements, are those typically five years just by virtue or is that term negotiated specifically?

Mr. King: — No, ours is through to 2029. And there were certain targets that we have to meet within those dates in terms of emissions in order to continue to be eligible for it.

Ms. A. Young: — It's very likely I don't fully understand the scope of these agreements. But what impact will the . . . I'm not sure what the right language is. I'm going to continue to say "decommissioning" unless you give me another suggestion. But the decommissioning of units 4 and 5, taking them offline and basically putting them into that slumber state I suppose until the full decommissioning of the power facility, does the off-lining of units 4 and 5 have an impact on SaskPower's standing with the entire fleet in the context of those agreements?

Mr. Marsh: — Well this was part of the equivalency agreement. And part of the agreement between the province and the federal government when that agreement was signed, these units would retire at the end of their natural life, if you will, their design life. That was part of the process. In order to meet the targets that have been established in the periods that Troy has indicated, those units come off. We've replaced that energy with energy from natural gas generation or from renewable energy. That's why our emissions continue to fall and, you know, it's a part of the natural cycle as you decommission over the next eight years to the end

of 2029.

Ms. A. Young: — It doesn't, for example, extend the tail of the agreement? You know, as more coal units come offline it doesn't potentially give a longer lifespan for those . . .

Mr. Marsh: — What it does in the period, it just simply allows the . . . If we can generate more energy from cleaner sources like natural gas or renewables, we get a credit for that in that period. So we can carry that over into the next period, which allows us to be a little more flexible on how we use our units.

We have very cold winters here. Sometimes we need to run our gas units or our coal units longer. And as we transition, we're going to have to probably run some of our other fossil energy units for those peak periods. And in the summer, for example, with the high heat periods, we had high air conditioning loads across the province. We needed all the generation we could run. So that's the impact over time, and that's the importance of developing a good supply plan going forward.

Ms. A. Young: — Has there been any impact on decisions around the remaining coal fleet related to the federal budget and some of the CCS [carbon capture and storage] and CCUS [carbon capture, utilization, and storage] announcements?

Mr. Marsh: — No. We continue to, you know, look at all the options that are available to us as these units roll off. The last three units are the Poplar River unit 1 and 2, which are 300 megawatts each, and the Shand unit. And they retire in 2029, so we're still evaluating the options and the best option for replacement for those units.

Ms. A. Young: — Thank you, Mr. Marsh. So at the writing of this report, which I believe was September 2020, there hadn't been decisions made as to whether Shand or Poplar unit 6 would be equipped with CCS or CCUS — I'm not sure which you'd prefer to use — technology. Have those decisions been made?

Mr. Marsh: — No, the decisions have not yet been made. And they will be made, you know, at the point in time that we come forward with a decision item. Generation decisions ultimately need cabinet approval, and so that will be the governance process that we follow.

Hon. Mr. Morgan: — I can advise the member that carbon capture and storage is important to the province and is an option that we need to consider what we do, how we do it. And imperative as part of that is having the necessary support from the federal government to do it.

Minister Kaeding and I have had Zoom calls with federal Minister Wilkinson to discuss where we would go further and to seek their support for carbon capture and storage going forward and what we would do with regard to the usage of the stored CO₂, whether it would go into a pipeline to be used elsewhere, whether it would go into the Aquistore facility, or what the options might be and what the tax credits might look like going forward.

We invited him to come to the facility and tour it. I haven't gone there myself, and it's on my list of things to do. And we'd be glad to do a joint tour with federal Minister Wilkinson so we could go through, have a look at it, and see what the plant is like and

specifically see what the options are for the communities that are around there.

Conventional coal certainly has its chance, but we do have a 300-year supply of lignite that's at that area and, at this point, a viable coal industry that, if we can find a way to use that in compliance with the federal targets and meet the emissions targets, we certainly want to explore every possibility to try and do that. And part of that will depend on the support that we get from the federal government.

And I look forward to continuing those discussions with Minister Wilkinson or whoever the minister might be following the next election, minister Poilievre or whoever it may happen to be. Your guess would be as good as mine. Maybe minister Singh would take the file himself. I don't know.

Ms. A. Young: — That would be prime minister Singh, Mr. Morgan.

Hon. Mr. Morgan: — If he chooses to keep the file for himself, I would look forward to having a discussion.

Ms. A. Young: — Thank you. Would you be willing to hazard a characterization of how those discussions have proceeded thus far, recognizing, you know, the timing of the election?

Hon. Mr. Morgan: — Sure. The discussions have taken place over a number of occasions. I think Minister Kaeding has had more discussions than I have. The discussions were certainly cordial, and Minister Wilkinson is from Saskatoon, as am I. He went to a school not nearly as good as mine, but I forgive him for that. And so the discussions were cordial, and we talked about the options and opportunities that were there and made the invitation that he should go there, have a look at it himself and that.

But as is quite proper, he speaks for his government and for the Prime Minister, who does not have a lot of flexibility in this regard right now and is limited in what his options are and is very direct on us continuing to meet the targets.

Fortunately for us, we've had good success with SaskPower working hard to meet the targets. They're ahead of where they need to be for the 2029 targets. The target was a 40 per cent reduction. They will be by 2029 at a 50 per cent reduction. But the challenge will be between 2029 and 2050 as some of the older parts of the fleet come offline and where we go.

One of the discussions that we raised with him and don't have a definitive answer is where we go with small modular reactors and with nuclear power. Nuclear power is one of our best options for meeting the emissions requirements. And we're watching carefully, very carefully, what's taking place in Ontario with the replacement of the Darlington plant, and looking forward to seeing how that's going to play itself out and not waiting until in fact that's complete, but sort of wanting to be one step behind them and taking careful steps.

We're a small province. We're 3 per cent of the nation's population, so as we go forward with that process, we can't afford to build or develop an SMR [small modular reactor]. So we have to look at either a process that's done or follow

somebody else that's spending the capital on development processes.

So we're watching with some significant interest. And we'd certainly want to ask all members of the legislature to be fully supportive of those discussions and to urge their federal counterparts to be similarly supportive. There has not been a lot of discussion on nuclear in the last while, but in our province we have a relatively high degree of support from the population at large. We've got a significant portion of the world's uranium in our province, so certainly a small modular reactor would fit well within our grid. And possibly we should look at having them at several points in the grid. As you're aware, the more you build of those things, the greater the efficiencies that are there.

So I apologize for having gone on so long, but you raised the issue about where we go as those other facilities come off line. So the simple answer: we want to work with the feds first to identify what we can for carbon capture and storage, for what we can do with coal production and coal usage; and secondly the other options with regard to SMRs.

[09:45]

I might add that we have not taken any method of electrical generation offline, whether it be biomass, wind, solar. And over time as technologies develop, some of the things that we thought at one time might not be particularly viable are turning out to be better than what we thought or hoped for. In particular, wind has become more affordable and manageable, and we now see that solar panels are becoming much cheaper than they were before. The unfortunate thing that has not yet happened from a technology point of view is a good method of battery storage. And as you're aware, they're lithium and it's a limited resource. So anyway those are all things that can and must be considered as we go forward.

Ms. A. Young: — Thank you, Minister. I very much appreciated the answer. And as you know, power generation sources isn't something that necessarily always cuts cleanly across party lines in this province currently or in the glorious history of Saskatchewan and the Saskatchewan Power Corporation. So I do look forward to hearing more about those discussions in the future and what can be done for SaskPower and ultimately for, you know, clean, affordable, sustainable power within the province of Saskatchewan.

So circling back, the decommissioning planning is, when we speak about that broadly, that's the decommissioning in the mid-2040s. This was cited of the power generation site, like that big, iconic building just outside of Estevan. Correct? Okay, great.

I just want to make sure my understanding is accurate that as units 4, 5, and 6 are eventually rolled offline, the anchor will be unit 3 and the CCS unit. And is Shand related to that? Shand can operate fully independently of Boundary dam?

Mr. Marsh: — Yeah, Shand's fully separate from Boundary.

Ms. A. Young: — Do the economics start to change for the operations of unit 3 and Shand as 4, 5, and 6 go offline, whether there's an impact on — not even going to pretend to be an expert — on the coal contracts or on a skilled workforce or even the

resources necessary to keep just unit 3 operating in that big, beautiful building down there?

Mr. Marsh: — No, that's a good question. Of course as time goes on and you're near the end of the life of a facility, issues like coal contracts and how the coal contracts are structured . . . If we're taking less coal out of the mines from the mining company, then there's more of a fixed-cost portion of the contract that still has to be paid for equipment and facilities and the like. So yes, the unit costs do start to go up on the coal side.

For a plant like Boundary dam, when there's lots of common systems . . . We have a water treatment plant there. You have, you know, what we call an unfiltered water system which is used for taking the coal slurry out the bottom of the boilers and taking it to the ash lagoons. There's common electrical systems across the plant. That plant would continue to need to be heated through the wintertime. So we would have to provide heating lines and that sort of thing. So yes, the unit costs start to rise as you drop off units, and those costs get picked up by the remaining units of production. That's . . .

Ms. A. Young: — Just the way it works.

Mr. Marsh: — Just the way it works.

Ms. A. Young: — I believe SaskPower has a committee, I think, transition to 2030, which was cited in the report as a part of this planning for decommissioning. I'm wondering if you can speak to the membership of the committee. Is it only SaskPower executives? Are there external members? What does that committee look like and how often do they meet?

Mr. Marsh: — The transition to 2030 committee is really an internal committee of the company, across all the divisions of the company, that are looking at all aspects of decommissioning — not just the plants, not just the physical, the structures that we have in place, but the workforce and how the workforce is going to be affected. And of course, if the workforce is affected, how are the communities affected? And those members of that group have had regular conversations with the community of Estevan and the community of Coronach and will continue to do so as we operate those facilities.

Ms. A. Young: — So are there public-facing products then that have been produced by the committee or associated sponsors or members to speak to those communities? No.

Mr. Marsh: — No. No, I mean we provide presentations to those communities, and we talk to them at their request. When they want to have a conversation, we're there.

Ms. A. Young: — And I believe the estimate that SaskPower had at the time of the reporting of this report — reporting of this report? — when this report was written, estimated that unfortunately the phase-out of coal-fired electricity generation could negatively impact around, I believe it was 1,300 jobs across, you know, Saskatchewan coal-producing communities. Did those numbers remain static? Are those the same numbers that SaskPower is looking at today?

Mr. Marsh: — I don't have those numbers in front of me. Troy, do you have them? They're about the same? Okay, and that

includes not only direct-employed SaskPower people but the people that are employed in the mine through Westmoreland coal and other indirect jobs that have been identified in those communities.

Ms. A. Young: — That was going to be my next question in terms of, you know, there's about what, 50 jobs at 4 and 5 specifically? And then the remaining would be across mining or contractors or associated . . .

Mr. Marsh: — Yeah.

Ms. A. Young: — Okay. I do note that as per the report, the committee's written a strategy for communicating with those impacted communities, you know, maintaining positive working relationships and, you know, demonstrating a commitment to those communities, which have built so much of their lives around the presence of their power generation. Is that a document that's available currently, public-facing?

Mr. Marsh: — I don't believe so, unless the community is sharing it. I don't think we have . . . This is something that we've . . . You know, we've been working with these communities. We respect their requests, and there's lots of things being discussed that are probably not ready for prime time yet.

Ms. A. Young: — Okay, so I can't ask for it to be tabled then, I assume. Okay. I'm getting a no from the Chair. I hope you're right. Otherwise I'll just ask next year.

One of the risks identified by SaskPower is obviously that as this proceeds, skilled and qualified personnel are going to be leaving certainly the communities or the company, which I imagine adds to, you know, risks in terms of operating these units safely and maintaining a skilled and qualified workforce. Is this occurring? And if it is, is it predominantly retirements? Or are they departures as, you know, folks unfortunately don't see a future where they currently are?

Mr. Marsh: — Well, there's two things happening. There's certainly the impact on the communities and, you know, the potential removal of jobs from those communities as these units retire. That's number one, but I think even before the retirements were announced, we started to see a shift in the expectations of the folks that are working in those power stations.

So people are more reluctant to move to a remote location. Just basically, whether they were retiring or not, people would rather work in a big city. So the ability to attract has become more difficult in the last 10, 15 years, not just in the last two.

And we have many of our operating staff who go down and they'll work for three shifts, like three 12-hour shifts. They live in Regina or Moose Jaw or surrounding communities, Assiniboia. And they'll go to the plants, they will do their shift, and then they'll go back to their community. You know, when those plants were built, most of the folks moved in to those areas, but over time we're finding the workforce wants to live in the bigger centres. And that's just a natural, I think, evolution.

When these plants retire, you know, there's going to be lots of work and lots of discussion with those communities as we get closer to those retirement dates, and about what that exactly

means and when. For BD4 [Boundary dam 4], there's going to be no impact. Those employees will be absorbed into our workforce, and they'll be able to bid on jobs and move to other locations. We're expecting a very minimal impact there. BD5 will have a slightly bigger impact on the organization, but again we're not looking at any layoffs for the BD4 and BD5 retirements.

But once we start to roll off the larger units, of course there's going to be a bigger impact to the rest of the workforce. So that work is under way. There's many paths that can be taken, but we're going to continue to work with the workforce and with the communities as we figure out the best path.

Ms. A. Young: — Thank you, Mr. Marsh. Is decommissioning work on unit 4 then currently under way?

Mr. Marsh: — No.

Ms. A. Young: — No.

Mr. Marsh: — No, there's no decommissioning work per se. As Troy said, we're going to lay it up. And that means, you know, the boiler, all the piping has to be either drained or we have to add chemicals to make sure it's protected in case we do need to run it or do something with it down the road. But you can't take that structure apart because it's between unit 3 and unit 5. So you can't remove it.

Ms. A. Young: — So is laying-up work, I guess, under way?

Mr. Marsh: — No, not yet. That unit is still operating.

Ms. A. Young: — It's still operating.

Mr. Marsh: — Yes, and we intend to operate it right as close to the end of the year as we can.

Ms. A. Young: — Okay. So it will continue to operate up until, is it December 2022?

Mr. Marsh: — Yeah, the last day . . . [inaudible] . . . it has to be retired by the end of that day. If there's an opportunity to take it down weeks earlier, we're going to do that. If it's the safe thing to do, we'll look at the best time to do that layoff operation.

You don't want to do it when it's 40 below if you can help it. You'd like to do it when, yeah, at least experience some warm weather because there's lots of work that will have to be done to some of the outside structures and facilities there as well.

Ms. A. Young: — Okay. So just to make sure I fully wrap my head around this, it'll essentially continue to operate in use up until a time when it's . . .

Mr. Marsh: — When we say it's time to shut it down, yeah.

Ms. A. Young: — Yeah, time to shut it down with the hard stop at the end of 2022?

Mr. Marsh: — 2021. This year. December.

Ms. A. Young: — 2021. Pardon me, yes.

Mr. Marsh: — End of this year.

Ms. A. Young: — Yeah.

Mr. Marsh: — Yeah.

Ms. A. Young: — Okay, so lots of planning, I imagine, under way. Where am I going next? Oh yeah, I understand SaskPower has submitted a decommissioning and reclamation plan to the Ministry of Environment related to all of this work, and that this work was completed with an external consultant. What was the cost of that contract with the external consultant for that report? Sorry, Mr. King.

Mr. Marsh: — Sure. Yeah. Sorry, I don't have the number.

Ms. A. Young: — Perfect. And if I ask any relevant questions or even irrelevant ones, if you can get me the information later, I would appreciate it. So I imagine that contract is complete, as the report has been submitted. Is there an anticipation of renewing contracts with external consultants as this plan comes to its . . . I think it has an end of life. It needs renewal in 2024, I believe.

Mr. Marsh: — You know, I'm sorry, I don't have any information on specifics or on contracts with consultants. I can't answer that, and I don't think Troy or Rachelle can either.

Ms. A. Young: — It's okay. I will move on. In regards to the ash lagoons, as per the auditor's report, I think it notes that decommissioning ash lagoons can take up to 15 years, which is a fairly significant tail. So am I correct in assuming that that is the last stage in the full decommissioning of the power station?

Mr. Marsh: — That is correct. Once the plant shuts down, I mean, the last day that the plant is operating, you still need to move that ash out to the ash lagoon. But over time, the process would be the ash lagoons would be drained. So you imagine they're ash, but there's a layer of water, surface water on there. That water would either evaporate or be drained, and the final result would be to level it and then put topsoil on it in accordance with the Ministry of Environment's guidelines on that.

Ms. A. Young: — Great. And is it SaskPower who will then be doing the monitoring for that, or is it the Ministry of Environment?

[10:00]

Mr. Marsh: — I believe it would be the Ministry of Environment. Probably we'd have our own consultant or we'd have our own environmental people engaged. And this would probably take many years after the power station is finally closed down. So the final remediation of these sites is not going to happen in a month or two. This is going to take several years and the bigger plants will take longer.

Ms. A. Young: — Understood. I'm not clear when this would occur in the timing, but has an environmental site assessment happened yet for those ash lagoons?

Mr. Marsh: — I don't believe so but we could check on that. I don't believe so.

Hon. Mr. Morgan: — The lagoons have been there for years since the plant's been in operation, so any site assessment would have been done at the time they were initially constructed. Presumably they would have been in compliance at that point in time. So my understanding is the plants will run, the lagoons will continue to operate, until the plant goes offline and then it goes into reclamation or wind-down process.

And I'm not sure whether they would do a site assessment, because usually a site assessment is done in the context of building something new. But I'm sure that the reclamation process, which has been submitted and I understand approved by the Ministry of the Environment, will have plans for the number of years for who does the inspections on what date and what the process is until the process is finalized.

Ms. A. Young: — Thank you. I have just a couple of questions left on this chapter. As units 4, 5, and 6 eventually move offline at Boundary dam and its unit 3 up and operating, is the inevitable . . . Sorry, remind me. What am I supposed to say instead of decommissioning? Offlining? Shutdown?

Mr. Marsh: — Shutdown.

Ms. A. Young: — Shutdown — thank you — of units 4, 5, and 6. Is there any anticipation that this will have an impact on contracts for the sale of CO₂ out of unit 3?

Mr. Marsh: — I don't think so. BD3 [Boundary dam 3] again is a separate unit of generation and all the CO₂ that's produced comes off BD3. So the retirement of the other units is not going to affect that facility.

Ms. A. Young: — And can you remind the committee, when is the initial contract . . . Was it a 10-year contract with Cenovus?

Mr. Marsh: — It expires in the end of 2024.

Ms. A. Young: — If this contract isn't renewed, what impact would there be on the decommissioning of the site? Obviously there would be an economic impact on SaskPower regarded to the sale of that CO₂, but would there be a need to drill a new storage well?

Mr. Marsh: — That's one option. There may be another offtaker available if the contract isn't renewed with the present offtaker. Another storage well, another use for that, it could be trucked away from the facility then instead of putting it into the pipeline.

So there's many options we would look at before we would . . . And it wouldn't affect the decommissioning of the plant at that time. That's for kind of a future date, when the decision to actually retire BD3 would happen, and then we'd have to look at the cost to decommission not only the BD3 generating station, but the carbon capture facility.

Ms. A. Young: — Yes, yeah. My kind of line of thought was if, you know, unfortunately that contract wasn't renewed, then the economics become, you know, as was noted earlier, the economics become more challenging obviously as units are taken off. I shouldn't say challenging, but they change as units are taken offline.

Mr. Marsh: — No, that's a fact. We've stated publicly previously, the sale of CO₂ for enhanced oil recovery was a part of this whole process and certainly helped the economics of BD3.

Ms. A. Young: — Thank you. One final question. I noticed in the budget for the broader process for Boundary dam there's, I think, \$100,000 being spent for public engagement. Is this kind of just like open houses and that work that is ongoing with the community?

Mr. Marsh: — Sorry, this was for which unit? What did you say, BD3?

Ms. A. Young: — For the broader shutdown and decommissioning of Boundary dam.

Mr. Marsh: — Yeah. We have, as again part of our engagement with the communities, we've committed to funding planning and work the communities want to undertake to the tune of \$100,000 for each community over the next three years, over a three-year period — I think last year, this year, and next year, if I'm not mistaken. I could be wrong, but I think that was the plan.

And then we'll look at what the future brings and, you know, how we need to engage the communities and how we need to continue to support them on this journey. We've never shut down plants like this before, and we've never seen what we're going to see here with the closure of conventional coal facilities. And we all have to work together to make this happen.

Ms. A. Young: — Hear, hear. No further questions on chapter 45 or any of the auditor's reports, Mr. Chair.

The Chair: — Thank you, Ms. Young. The 2019 report volume 2, chapter 45, 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. Daryl Harrison has moved that we conclude the consideration of the 2019 report volume 2, chapter 45. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We'll move on to the 2020 report volume 2, chapter 23. It has one new recommendation 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 the recommendation and note progress towards compliance.

The Chair: — Mr. Skoropad has moved that the committee concur with the recommendation and note progress towards compliance. That concludes our business for the Provincial Auditor this morning. You're excused and we'll see you this afternoon.

We will now move on to the consideration of the 2019-2020 annual reports of SaskPower and its subsidiaries that include the 2019-20 and '20-21 SaskPower reports and '19-20 and '20-21 NorthPoint Energy Solutions Inc. financial statements and the 2019-20 Power Corporation superannuation plan annual report. And we'll move on to questions there. I recognize Ms. Aleana Young.

Ms. A. Young: — Mr. Chair, I propose we take a brief break, resuming at 10:15.

The Chair: — Sure. Are you okay with that? Okay. We will take a short break and be back here at 10:15 to resume.

[The committee recessed for a period of time.]

The Chair: — I'd like to welcome everybody back after a short recess, and we'll go straight to questions from Ms. Aleana Young.

Ms. A. Young: — Thank you, Mr. Chair. Given we're looking at two years' worth of annual reports, what I will endeavour to do is try and ask questions generally related to both reports. Although I will do my best, if I have questions specific to one year, to identify those at the start. But again, I will do my best. No promises on how successful I will be, so please, if I'm unclear just let me know, as there's a great deal of information to wade through for these two years.

To start, a few general questions for the corporation. For the utility, what is the total number of employees that SaskPower has right now, and is this the most employees that Power's ever had?

Mr. Marsh: — We have approximately 3,200 permanent employees right now. We have part-time and temporary employees that would bring that up to probably 38. And a temporary employee would be somebody that is hired to work at a Boundary dam power station, for example, during an overhaul. So they might come in and work three weeks and then get hired for another three weeks. So they might work just a few weeks out of the year, and there might be 60 of them that get hired for those periods of time. So those total up to, you know, 10 or 12 full-time equivalents. So about 3,800 when you include part-time and temporary.

Is it the most? Yes . . . Well I'd have to back up. No, we had slightly higher than that a few years ago, probably in 2013-14 when we were building BD3, and prior to the downturn in the oil sector we took action at the company to hold off on hiring and to actually begin to reduce our FTE [full-time equivalent] count gradually over time through attrition. So I think we were slightly higher than that previously, but fairly close.

Ms. A. Young: — And the current power generation, would it be the most we've ever had in terms of capacity?

Mr. Marsh: — Power generation has never gone down. You know, since the power company was established in 1929, growth in the province has continued to increase the demand for electricity. So we continue to add supply. We continue to build out the grid and the network in the province. And we continue to grow and we look for further growth in the future, especially when you look at electrification in the economy over the next 20, 30 years.

Ms. A. Young: — I'm sorry, Mr. Marsh. What do you mean by that?

Mr. Marsh: — Well electrification means the other sectors — the transportation sector, the agriculture sector, the industrial sector — will be converting from fossil energy to electricity in

most cases. Home heating, for example, would also be affected at some point going forward.

Ms. A. Young: — Interesting future ahead which is, I suppose, an evergreen statement.

I noted in this year's annual report there was some great infographics celebrating many of the new projects that are coming online, many of which are renewable, which is obviously a positive. How many independent power producers does SaskPower currently contract with?

Mr. Marsh: — I don't know the exact number, but just a little over 20 per cent of our capacity is provided by independent power producers in the province. And that will grow with the addition of the two new wind sites that are coming on stream this year. Yeah, in the annual report on page 119, it is identified with an asterisk on which one is an independent power producer.

Ms. A. Young: — Thank you. And that map is comprehensive?

Mr. Marsh: — Yes, it's everything that we have today.

Ms. A. Young: — Okay, excellent. Thank you. What is the longest running contract with an independent power producer that the utility has, whether novel or renewed?

Mr. Marsh: — SunBridge maybe. You mean the longest term or which one currently in place have we had the longest?

Ms. A. Young: — The latter.

Mr. Marsh: — Okay. Well we entered into a power-purchase agreement with SunBridge, which is a joint venture between Enbridge and Suncor, back in the early 2000s for a small wind facility in Saskatchewan. I think that was for a 25-year . . . Yeah. And then Meridian at the Husky upgrader is another one that we entered into in the early 2000s.

Ms. A. Young: — And so prior to that, all of the generation would have been in-house effectively.

Mr. Marsh: — That's correct, yeah.

Ms. A. Young: — Thank you. On page 2, I believe, of both reports there is a notable decrease in capital expenditures. I'm wondering if you could speak to that decrease.

Mr. Marsh: — I'll ask Troy to answer any questions in that area.

Mr. King: — I think you're referring to the decrease into 2019-20. What you'll see that was a big driver in our capital expenditures if you look from year to year, it's usually new generation that will drive it to spike up, and then subsequently once it's completed it falls. So Chinook power station would have been what was driving it, and once it was complete you would see the capital fall off. And now as we start building a Moose Jaw facility, the Great Plains facility, you'll start seeing our capital ramping up again this year.

Ms. A. Young: — One other question about a graph, to help me understand it. On page 3 of the 2020-2021 annual report, I believe it's within '19-20 as well — I think SaskPower's actually

quite consistent in how they present their annual reports, which my full appreciation of it, it makes for great reading, especially when you're doing it kind of concordantly — so on page 3 there's a graph that lays out Saskatchewan electricity sales. And I'm just looking for some assistance in understanding how the sales are going up by dollar value but down by gigawatt hour. So is that power being sold more expensive?

Mr. King: — Essentially what's the difference is the carbon tax. So yes, our power is more expensive because we've had to continue to add in for the carbon tax. So even though the volumes have come down, since the carbon tax has come into place we have about, it's almost 6 per cent that we've had to add is what the carbon tax equates to.

Ms. A. Young: — And so how do I understand — just trying to make sure I'm asking relatively coherent questions — how do I understand the volatility in that graph then? From 2016 to then it's close to parity at 2018-2019, and then the gap widens again as we move closer to the present?

Mr. King: — You're talking about the orange bars there?

Ms. A. Young: — Yeah.

Mr. King: — Yeah, so the orange bars are showing the revenue in terms of dollars. And so it could be, you know, a rate increase could drive it, or it can be volumetric will drive it up. So as it's moving up, you can see the jump from '16-17 on the line. It's showing electricity sales going up. So we have a large volume increase and subsequently you'll see an equivalent amount going in the orange side.

However, starting in 2019 is when the carbon tax came into play. And about that time, we also saw a decline in our year-over-year energy sales. So there you see the volumes are going down. That means the volumes aren't driving that increase anymore. It's been driven by price increases, and the price increases over the last three years have been carbon tax. We haven't had any system-wide rate increases during that time.

Ms. A. Young: — And is this a trend we can anticipate continuing?

Mr. King: — We will continue to see carbon tax continuing to increase. It's going up by \$10 a year up to 50, and then it's proposed it's going to start increasing by \$15 per year. At the same time, the thresholds or allowable emissions that SaskPower can emit are declining, so you're going to see continued pressure on that side.

On the rate side, that is something that we look at year to year, and for the coming fiscal year, for the 2022-23, we still haven't made a decision on that. We haven't brought anything to cabinet.

Ms. A. Young: — How many customer accounts does SaskPower have currently?

Mr. King: — So if you have the 2019-20 report in front of you, if you turn to page 116, these are some of our operating and financial statistics we have, showing it in five years. So if you look at the top section there, you can see the number of Saskatchewan customer accounts. So we have 545,179.

Ms. A. Young: — Thank you. And it does break them down by customer type as well, which is appreciated. In regards to power supply, if I'm reading the annual report correctly, '19-20 was the first year that sales had not risen since 2009. Is that correct?

Mr. King: — Sales volumes, is that what you're referring to?

Ms. A. Young: — Yes, on page 10 of '19-20.

Mr. King: — Oh, of '19-20? Excuse me. So you're on page 10 of '19-20?

Ms. A. Young: — Yeah. It notes in the annual report "In 2019-20, Saskatchewan electricity sales volumes did not increase compared to the previous year; this is the first time that annual sales have not risen since 2009."

[10:30]

Mr. King: — That's correct.

Ms. A. Young: — And that trend has continued through to 2020-2021?

Mr. King: — Yeah, so we saw a second decline in this last fiscal year, driven by COVID impacts. Yes.

Ms. A. Young: — And that's fully attributable to COVID? Okay. Did the utility receive any COVID funding, stimulus funding, capital or otherwise?

Mr. King: — No, we did not. No.

Ms. A. Young: — I'm returning briefly to power supply. Do we anticipate in coming years, I know we're not supposed to speculate, but do we anticipate a rebound?

Mr. King: — So yes. This year we're seeing a rebound in energy sales. We started to see it at the tail end of last year as the economy started to restart. In fact I think in this first quarter, which our report will be released later on, we're up about 9 per cent from last year at the same time, which unfortunately was the worst part of the COVID impact of last year.

Ms. A. Young: — Thank you. A few questions now about power importing. So as I understand it, SaskPower moves electricity to and from other jurisdictions through established transmission interconnections. I think it's Manitoba, Alberta, and North Dakota if I'm remembering accurately. And that has now obviously increased due to the new agreement with Manitoba. And I understand that the tie line between Manitoba and Saskatchewan was just turned on this past winter. I'm wondering when that occurred.

Mr. Marsh: — I don't have the exact date, but you're right. That line was upgraded and it began moving more energy. I think it was in the springtime actually: earlier this spring, March.

Ms. A. Young: — Thank you. I understand from reporting in Manitoba that Manitoba had applied to the federal government and had had funding approved to build their side, and that Saskatchewan did not apply for that federal funding. Is that correct?

Mr. Marsh: — Well we did apply for that federal funding and we did request it. Unfortunately due to the rules in the federal government, we were denied our portion of the request. And the reason being is we had established an agreement with Manitoba Hydro.

We went through our planning. We began construction of that facility. Manitoba Hydro didn't move as fast as we did. They started late, and because they hadn't actually started, that allowed them to receive the funding from the federal government.

We have had many conversations with people in the federal government to try to reverse that decision. Unfortunately, it hasn't changed.

Ms. A. Young: — So SaskPower did apply for that funding and was rejected by the federal government. And SaskPower was then penalized because work was already under way, whereas on the Manitoba side . . .

Mr. Marsh: — That's one way to look at it, yes. We were doing our part in moving forward with the project and because the actual benefit for transmission interconnection came in after we had already started the project, then we were denied the benefit of funding.

Hon. Mr. Morgan: — We can't speak to what decisions Manitoba made or why they chose to do it. The agreement was there, so the federal program said work that's commenced after a certain date is eligible for the funding, as in new work, not existing or past as it is with a lot of programs. So the effect of it was, because SaskPower chose to start early, they were no longer qualifying for the program as the people on the Manitoba side who, happenstance, started to work later on.

I don't think Manitoba had any inside or any different information. That was how the program was structured. I think unfair because it was essentially the same project interconnecting the two provinces and certainly something that would benefit emission reduction because we would be purchasing, through that line, hydro power from Alberta. There certainly could be some that would go the other way in some situations. But it was an unfortunate situation with the federal government and they chose not to do that. We'll certainly point it out to people as we go along.

Ms. A. Young: — So I understand that the federal government was unwilling to apply that retroactively. Is it factual to say that the existence of this funding that Manitoba was able to access came as a surprise?

Mr. Marsh: — I wouldn't characterize it as a surprise. It's just another opportunity for funding green power projects, and this seemed to be one of them. And just, as the minister said, the timing of when this became available conflicted with our construction schedule.

Ms. A. Young: — Thanks. What I'm trying to clarify, if I'm being a bit dogged on this, is that there was no knowledge that this funding would be available when the Saskatchewan side of the project began.

Mr. Marsh: — I don't believe so. I don't believe so.

Ms. A. Young: — Okay. And what was the dollar value of that tie line construction or upgrade?

Mr. Marsh: — I can't recall. It's kind of in the 10 to \$20 million range, but I don't know the exact figure. We could . . .

Ms. A. Young: — If that could be provided later, that would be great.

Moving on to power purchase agreements, as I understand, SaskPower's responsibility to customers includes, you know, by your own words, developing and delivering on a roadmap for our province's transition to a cleaner energy future — a task that reshapes the way that value, convenience and choice is delivered to customers. And you know, SaskPower has a mandate to deliver reliable, sustainable, cost-effective power to these customers as well.

I note that SaskPower discusses within the annual report that — I believe I'm quoting — in order to reach net zero GHG [greenhouse gas] emissions, it will require an unprecedented re-evaluation of how power is generated, along with significant engagement and transformation. Can you share more about that?

Hon. Mr. Morgan: — We meet periodically as a government with some of the large power purchasers in the province. All of them have got an ESG [environmental, social, and governance] mandate and have all come to government saying, we have expectations that we are purchasing power that has minimized the impact on . . . [inaudible] . . . And some of them are vague; some of them are fairly specific. But they all come to that. Some of them have come, saying, we're prepared to enter into a subscription agreement that we would commit to certain things, but you would have to in turn acknowledge that you were going to provide power that's from a clean source.

When you ask the individual customers about it, they refer back to the direction that they are given by their directors and in turn their shareholders. So whether it's virtually any of the large 10 purchasers in the province — and they all have the same position — the effect of that is that it will make it difficult to go forward with conventional coal. That's compounded, of course, by the effects of carbon tax.

So what SaskPower is working on is a variety of different options, none of which have been taken off the table, to produce power in different formats other than what's there now. So I'd mentioned earlier about SMRs, and SMRs have got a great deal of appeal because they provide baseload power and they would fit well within our grid, the 300- to 400-megawatt generating capacity. So that is part of a solution.

Our cleanest and most affordable cost supply of energy right now is natural gas, which will have a somewhat limited lifespan as we go forward. And you can ask the officials about the lifespan of a natural gas plant.

But we know that we want to expand wind, solar, and the things that we know are most effective at reducing emissions, and we want to look at everything we can do to facilitate the hydro that we already have. We've asked SaskPower to look at options, whether there are any locations in the province where we could increase hydro power. They indicated nothing that's of any

significant size. We'll continue to watch and monitor for any other opportunities that might arise.

You had asked earlier a lot of questions around Boundary dam and the future of conventional coal, which is of course a challenge because it doesn't fit in with either the ESG requirements of the major customers as well as the problems that are occasioned by a carbon tax.

So that brings us to the interconnect plan with Manitoba. And as we go forward, I think our long-term goal should be not that we just meet the needs of our province; that we actually become a power-exporting entity, that we grow and we look at enhancing the grid so that we can go north-south. Both Manitoba and Alberta have got DC [direct current] lines, 500-kilowatt lines that go north-south across the province with the idea that they would ultimately be used for export. I'm told the one in Alberta is massively overbuilt specifically so that they can export. It's running at about 25 per cent of capacity now.

You know, I think our province should as well be working towards that kind of a long-term goal and whether it's accomplished through SMRs or whatever other things. But to your point, the fundamental transition has to be under way, has to be taken, and we probably have to go down several paths at the same time to see which ones become the best or the most affordable. But right now, on a per-megawatt cost, both from operating cost and from capital cost, natural gas is by far our best option and will certainly be part of the fleet for a significant part of time.

So I apologize if I went on a sort of a semi-political rant, but I think it's something that is important for our province. And I don't think that we're on a significantly different side or different position than where it is at with the opposition. And I think as MLAs [Member of the Legislative Assembly] we all want to work towards ensuring that we're able to provide stable, reliable electrical power for the citizens, and hopefully as well that we look at opportunities to be an exporting entity as long as we're able to find ways to do it in a clean, affordable manner that doesn't attract a carbon tax.

So with that, and I apologize for not letting the official take the question, but I just wanted to put that out and see if there's anything . . .

Mr. Marsh: — I have nothing more to add unless there's a follow-up question.

Hon. Mr. Morgan: — I noted that officials are always well advised never to contradict the minister. But I'd welcome whatever input they want to add.

Ms. A. Young: — Thank you, Minister. It's one of the things I wonder sometimes, sitting here on the opposition benches, how the decision's made who takes which question. And I sometimes keep track of the questions that I ask that get a response from you as opposed to the officials and reflect on that later.

I do actually have a sincere follow-up just to your comments. You mentioned the ESG requirements of, I believe, it was the 10 larger customers in the province, and genuinely this is something I'm ignorant on. Do all ESG requirements or standards

consistently include nuclear power as something that would be accepted? It's controversial sometimes.

Hon. Mr. Morgan: — Not necessarily or not specifically. They all look at . . . Virtually all of them right now are wanting to know about self-generation. They're wanting to know about cogeneration. They're wanting to know about CSG. Those are the significant ones they put forward.

I think most of them look at nuclear as being a number of years out, and they're looking at what can be done in the short term. So to be candid, they're not coming in saying, do nuclear right now; but none of them have opposed nuclear. And in some cases we've put them in touch with both the Ministry of the Environment and with some of the officials within SaskPower that are working on the file, watching what's taking place in other jurisdictions and trying to make sure that we've got site options and a number of things.

Ms. A. Young: — So is it a safe assessment that there are future political and advocacy conversations that would need to take place around SMRs and the relationship to ESG requirements and clean power generation?

[10:45]

Hon. Mr. Morgan: — Yeah, I think that's a very fair statement.

Ms. A. Young: — Thank you. And since you offered, officials, what is the lifespan of a natural gas plant or facility?

Mr. Marsh: — The same as a conventional coal plant — 25 to 30 years. So that's what we're . . . When we build, like, the Chinook power station or the Great Plains, we're anticipating running that out to 2050 for both those plants.

Hon. Mr. Morgan: — The Chinook plant at Swift Current came in under budget and was . . . I think it was a lot of sophistication within SaskPower at building and developing that project. So the facility in Moose Jaw is a clone of the one at Swift Current although I think it's slightly higher generating — one's 335 and the other one's 350? Is that . . .

Mr. Marsh: — 353. You're right on.

Hon. Mr. Morgan: — 353. So yeah, so slightly enhanced. But the buildings, the physical layout, and how it fits in the grid are identical from one to the other.

Ms. A. Young: — A clarification question. When I read and when I use the term "power purchase agreement," or PPA, in using that term is SaskPower only the service provider? Minister, you spoke of the 10 biggest customers to SaskPower in relation to PPAs. Or in PPAs can SaskPower be either the power provider or the customer?

Mr. Marsh: — No, typically a PPA is when we purchase power from an independent power producer. So we have power purchase agreements with independent producers that generate from natural gas, from wind. And the two new wind projects coming on are being built by private sector companies, and we enter into a long-term power purchase agreement, 25-year agreements, with them to procure the energy from those sites. We

don't pay anything if they don't produce. We simply buy when they're able to produce.

Ms. A. Young: — Thank you, Mr. Marsh. So I believe in this year's annual report it cites that 18 per cent of power generated for the utility does come through PPAs. And based on the previous discussion of the longest standing contracts in the mid-2000s, whenever that was, it would have been zero per cent were generated by PPAs.

Mr. Marsh: — But please know there wasn't a market. There wasn't a market established for wind energy companies or for solar energy companies or for companies that wanted to produce. As the industry disaggregated and generation companies began to stand on their own, like TransAlta is in Alberta and Capital Power is, they began to take on the generation side of the business. And other companies in Alberta and companies across North America began to purchase power from these entities. And that establishes a market. Prior to that, there was very little in the way of a market.

Ms. A. Young: — Absolutely, I understand that. That's essentially where I'm going with this question. As the industry, broadly speaking, evolves and changes, this has implications for SaskPower and how I believe people think of SaskPower as a Crown utility.

I believe that the majority of the people in the province think of SaskPower as the organization that produces and distributes power. But what at least appears to me is occurring — this isn't a value statement by any means — is that there is an increasing shift. And based on the news releases and whatnot there will continue to be a shift to independent power producers, which I believe inherently changes the nature of how the Crown operates today versus 20 years ago.

Hon. Mr. Morgan: — I think that is probably a fair comment. One, there's a strong desire on the part of private companies to come forward. And you know, we haven't talked about First Nations Power Authority, which is in earliest stages, that are wanting to do a variety of different sources of electrical generation. So I think it's a fair comment to assume that more power would be bought by way of power purchase agreements by SaskPower, and certainly more opportunities for unique sources of power.

You know, there's always opportunities that appear to become, oh what about biomass, what about this, what about that? And I don't think it's appropriate for SaskPower to go out and be the advocate or the proponent for those things. Those are things that would come forward from the private sector. They may or may not work. But where they do come forward, I think SaskPower's always interested in being a customer. But the primary obligation that SaskPower has is to provide reliable baseload power for the residents and for the businesses of the province.

And if you have a number of different smaller ones that are around that may not be reliable and may not be . . . And I know when people talk about cogen or self-gen, you say, okay do you want to partner? Do you want to be part of the grid? There's always a reluctance on the part of those customers to say, well we're not sure that we want to commit in the contract to being a reliable power; we want to be able to do it sort of as it works for

our business. And I think SaskPower understands that. But they still have the obligation to be there, to provide stable baseload power. So if whatever entity it is decides, oh well we're going to shut down our cogen plant because we don't like it or we just want to take it offline for maintenance, it's their right to do it. And SaskPower will have to be there at the flick of a switch, or not even the flick of a switch, to continue to provide power as they shut their switch off.

So that's the challenge that they've got, and I've had the discussion with a number of those companies. Do you want to partner? Are you prepared to do it? And almost invariably, the answer is, well we want to provide. We want to be able to be part of the energy solutions. We want to be a vendor to SaskPower. We want you to buy from us at a very competitive price. And naturally those discussions will take place at a business level. But as far as them becoming part of the underlying grid to provide baseload power, they would of course have to have all the reliability and expectation. That has not been forthcoming.

Ms. A. Young: — Thank you, Minister. I was going to ask what percentage of facilities are owned independently or which are owned by SaskPower, but I was thinking it might just be simpler to go through the map on page 119. So obviously the coal capacity is owned fully by SaskPower. In regards to hydro, Athabasca . . .

Mr. Marsh: — All of them. All the hydro assets are SaskPower.

Ms. A. Young: — All.

Mr. Marsh: — Yeah.

Ms. A. Young: — All hydro is SaskPower. And natural gas?

Mr. Marsh: — Most of it. Probably about 900 megawatts today is owned by SaskPower, and now we're on a different page. Page 4? Yeah, there's a table on page 4 which highlights the capacities which are . . .

Ms. A. Young: — And so of the natural gas, is Meadow Lake an IPP?

Mr. Marsh: — No, Meadow Lake is owned by SaskPower.

Ms. A. Young: — And Meridian cogen?

Mr. Marsh: — That's an IPP. That's Canadian Power Holdings.

Ms. A. Young: — And North Battleford is SaskPower?

Mr. Marsh: — North Battleford Energy Centre? No, that's owned by Northland Power.

Ms. A. Young: — And Yellowhead?

Mr. Marsh: — Yellowhead is owned by SaskPower.

Ms. A. Young: — Forgive me if I mispronounce this. Ermine?

Mr. Marsh: — Ermine? Yeah. Near Kerrobert. It's owned by SaskPower.

Ms. A. Young: — And Landis?

Mr. Marsh: — Landis is owned by SaskPower.

Ms. A. Young: — Cory?

Mr. Marsh: — Cory is owned by SaskPower. It was a joint venture between ourselves and Atco up until a year and a half ago, and we purchased the assets as Atco exited the fossil business.

Ms. A. Young: — Thank you. And Queen Elizabeth?

Mr. Marsh: — SaskPower.

Ms. A. Young: — Spy Hill?

Mr. Marsh: — Northland Power.

Ms. A. Young: — And Chinook?

Mr. Marsh: — Chinook is SaskPower.

Ms. A. Young: — And then for wind?

Mr. Marsh: — Wind? Better that we just say we own the Centennial wind facility and the Cypress wind facility. Everything else has been built and developed and is owned by an independent power producer.

Ms. A. Young: — And solar would all be independently owned?

Mr. Marsh: — That is correct.

Ms. A. Young: — Including of course, like the First Nations Power Authority and the contracting.

Mr. Marsh: — Yes.

Ms. A. Young: — And then obviously all the small independent power producers would be independently owned and obviously import power purchase agreements with other jurisdictions.

Mr. Marsh: — With other jurisdictions, correct.

Ms. A. Young: — Yeah. So I guess not to continue to spend all of my time on this, is it a fair assessment that, excluding natural gas, the majority of new low-emissions power generation within SaskPower comes from independent power producers?

Mr. Marsh: — You're referring to wind, solar, biomass, that geothermal plant that's under construction? Yes. It's all independent power producers. As markets have developed over the last 10, 20 years and that market comes to maturity, the prices are as low as you can get anywhere, and the contracts that we enter secure that supply. To the minister's point, we certainly have to back up wind and solar with other sources of energy, but that's our job to do that as the utility, to provide that safe, reliable, and cost-effective power. Low market prices means we can take advantage of that and keep power rates low for everybody in the province.

Ms. A. Young: — So for business planning and for, you know,

maintaining that support for customers, baseload power is where the utility will continue to invest?

Mr. Marsh: — Okay. Baseload power is different than the intermittent from renewables. The baseload power that we need in this province is to run the businesses and the operations of the mining companies that operate 24-7. And we need 22 to 2400 megawatts of power 24-7, and then the rest of it fluctuates as the winter and the summer, and the load goes up and down during the day and businesses and houses shut down at nighttime. So that 22 to 2400 is provided by coal and gas today predominately, and we use our hydro stations for peaking.

So when everybody goes home at lunch and turns on their oven or at dinnertime and turns on their TV and their lights, then we run our hydro stations for a while and then we shut them off and let the water pond up. That baseload energy is a requirement of this province. We're very resource rich and we have to make sure that we provide that stable, reliable power for those customers out there.

Ms. A. Young: — Thanks. What I'm trying to understand here is if it's . . . You know, Minister, you spoke of a goal of having Saskatchewan positively as a power exporter potentially, you know, exporting nationally and potentially internationally. And understanding the markets exist, SaskPower has shifted in the past 20 years from wholly owning generation facilities, regardless of the source, to purchasing power from these independently or privately owned generation facilities.

So perhaps this is a question to you, Minister. In this wonderful and hopefully attainable future in which SaskPower is an exporter of power, that generating capacity may not be wholly owned by SaskPower in the way that it traditionally has.

Hon. Mr. Morgan: — It's not at the present time. There's been a shift to people that have done self-gen, cogen, and a variety of other things. But if a First Nations power authority came and wanted to develop a generating facility of one type or another, we'd certainly look at a partnership with them. The underlying thing that has to be is that it's reliable and part of the grid that's there.

You're likely aware that during the last winter when Texas got into trouble, we were selling electricity into the northern States from SaskPower because they were shifting their loads south. So we were in effect helping them out. And I think sort of the fact that we're sharing with them and vice versa at times is an indication of the need for reliability. Texas made the decision that they wanted to be an island of themselves. They set up their own regulatory authority and when the system collapsed, it collapsed all the way across the state.

[11:00]

We can't have that in a province that is as cold and inhospitable as our province. We have to maintain the reliability. You know, we see what happens even for a few hours when there's a lightning strike and it takes down a line. So the reliability factor hasn't been there.

So I don't think we want to see this in the context of a privatization of SaskPower, but we want to see this as a way of

inviting other options and other methods of doing it. And whether it's First Nations Power Authority or whether it's one of the mining companies that wants to do it by way of cogen, I don't think we want to say no to anything. But SaskPower has the obligation to provide reliable baseload power all the way across the province. And as much as we like solar and we like wind, when it's night there's no solar, and when the wind goes down, as it usually does when it's minus 40, you don't have the option to those.

So anyway, if you're looking whether we're going to privatize SaskPower, no. We're going to look at options and partnerships. And whether it's FNPA [First Nations Power Authority] or whatever, we'll certainly be prepared to have the discussion.

Ms. A. Young: — Thank you, Minister. As a good New Democrat I'm of course glad to hear there are no plans to privatize SaskPower. It does seem to me a shift that SaskPower is making from a Crown corporation which owned all of the power generation facilities 20-odd years ago to now being in, I hesitate to say a different business, but now focus more on transmission and distribution and purchasing and potentially trading of power.

Hon. Mr. Morgan: — I think it's fair to say we've become more of a global economy. And I think we look at, as we go through the changes away from fossil fuel, we have to look at a collection of more diverse options.

I think I'd indicated earlier that nothing is taken off the table. And whether it be biomass, hydrogen, whatever options are there, they have to . . . Because none of those entities or those power production methods are really well defined or sophisticated enough at the present time to come online. We have to look at partnering, whether it be with universities or a variety of other entities, to see what things will work in the long run.

Ms. A. Young: — It's good to hear, Minister, good to hear nothing's off the table. When ideology dictates these type of decisions, I think that's when poor decisions get made. So that's a . . .

Hon. Mr. Morgan: — I think it's fair to say that it's an issue that goes beyond political views or political parties. I think at this case or at this point in time we're all Saskatchewanians. We all care about ensuring that we're able to stay viable. And we've seen mistakes that were made elsewhere and we want to avoid those and go forward. So thank you for that.

Ms. A. Young: — Thank you. After that moment of unity, I will ask some questions about the Manitoba Hydro contract, which of course is considerable. Five billion dollars is, even recognizing the term of the contract, a lot of money whichever way you slice it. And not being overly familiar with how \$5 billion contracts tend to go, was this contract, or are power purchase agreements like this, tendered in the traditional sense?

Hon. Mr. Morgan: — There isn't another Manitoba around that's got a bunch of hydro. I suppose we could have tendered it to Quebec and seen whether they wanted to ship it across. But I'll let the officials do that. I think it's a matter of knowing that Manitoba had access to hydro and had access to hydro that was not attracting a carbon tax, and it was the shortest distance. But I

shouldn't . . . Pardon my humour.

Mr. Marsh: — So first of all, let me just say that all long-term energy contracts are expensive. What you're seeing in \$5 billion may be a shock. It's normal in the course of our business. It's normal in the course of other businesses, other utility businesses across Canada when they enter into long-term contracts.

So 5 billion sounds large, but remember it's over 30 years. And so you break that down and that's the energy that we would buy that wouldn't attract, to the minister's point, any carbon tax, you know, against the energy we generate here in the province that would attract carbon tax.

So you start to look at the economics of what that looks like. We do this to provide the best deal for every customer in the province, and this is a good long-term deal that supports the transition away from fossil energy. The options available to us on the hydro side in Saskatchewan are much more limited. We don't have the hydro capacity that Manitoba Hydro does, and they have available capacity. They have available transmission line access or capacity that they can get it into or close to the Saskatchewan border, and we would be responsible for partnering with them to build an appropriate line if we wanted to import any more than that. But the lines that we have will support the contract that's in place. And as we look to the future, additional hydro energy, additional renewable energy here in the province will only add to greening up our grid, which I understand is, you know, where the future needs to go.

To the minister's point, a lot of our industrial customers are looking to green up their supply chain. That's why they ask us, how much renewable energy are you putting onto the grid? How much emissions are you going to be putting into the atmosphere each and every year? Because as part of their supply chain, we're a key part of it. So we have to be moving in the right direction but moving in a way that is economical, cost-effective, and ensures reliability.

And the other point I just want to follow up on — and I make this point in many different conversations — you cannot store electricity yet on a large scale, other than in hydro stations. And the storage is actually the reservoir. So allowing or having strong interties in a future renewable-centric world is going to be vitally important, because when the wind stops blowing in Saskatchewan, it may be blowing in Manitoba or in Ontario or somewhere in the US [United States] where we can import that power and make sure we stay strong and vice versa. We can support other jurisdictions. That's what strong interties are for.

Interties are important. The contract that we've entered into with Manitoba Hydro is for a specific amount of energy for 20 years. And we still rely on them and they still rely on us for that resiliency during times when the grids need it. And that's part of the co-operation that all utilities have across Canada and across North America.

Ms. A. Young: — Thank you. So at what level then are these contracts negotiated? Is this something that you undertake with your executives in your capacity at SaskPower? Or I should say, is this a discussion that also happens at the political level?

Mr. Marsh: — It begins with us and our requirement for

additional energy sources. We have planning teams that work together with Manitoba Hydro planning teams. We're in constant communication with them, and we work on opportunities and options that work for both of us. We would negotiate a price on a contract that works for us and is economic against other options that we have available here in the province. And that's why we have entered into the agreements we have with Manitoba Hydro.

And at that point, if it becomes an economical option for us for a block of energy that we can count on from 2022 to 2052, we bring that forward through our board of directors. We answer all the questions. We look at the economics closely. We look at the options. Ultimately the approval for large amounts of energy, either building a new facility here in the province or an intertie with a neighbouring jurisdiction, makes its way through CIC board, and ultimately a cabinet decision. That's the way *The Power Corporation Act* is written.

Ms. A. Young: — And so within SaskPower, for the record obviously, there's different business cases looked at when you're identifying the need for . . . Pardon me, I didn't write down the megawatts that this is bringing online. I think 250? 215?

Mr. Marsh: — 2-1-5, yeah.

Ms. A. Young: — 215. So when SaskPower identifies the need for 215 megawatts, I imagine there are a variety of scenarios looked at that would ultimately contribute to the decision to pursue a contract of . . . You know, recognizing your comments aside, 215 is still a decent portion of Saskatchewan's generation.

Would there be consideration given to, when you do that business case analysis, local generation, whether it's through more natural gas or what have you? I'm not trying to bias the answer. And then ultimately the decision is made, I assume, to get the most reliable and cost effective and stable power for the people of the province.

Hon. Mr. Morgan: — I'm not sure if you're asking when the decision is made to use it, as to when the generating capacity runs out and they've got to start using . . . [inaudible] . . . or when the decision is made to purchase.

Mr. Marsh: — Yes, when the decision is made to purchase, we would evaluate it against the next lowest cost or the next highest cost of energy. As natural gas prices have come down over the past eight to nine years and North America has enjoyed very, very low natural gas prices, as we're all aware, at \$2 per GJ [gigajoule], natural gas generation became the generation of choice across North America.

Canada has now imposed a carbon price on emissions from all fossil energy, so whether it's coal or whether it's natural gas. The US hasn't done that yet, so there's no carbon price that's attracting or being attracted by gas generation. Conventional coal continues to get retired in the US, and they're building natural gas generation in the US.

As we begin to look at the effects of, again, a carbon tax, the potential of an increase in carbon tax, as was added on a couple years ago, moving up to \$170 a tonne by the year 2030, that's a significant carbon penalty that makes the hydro option begin to look much more favourable. And indeed, even we evaluate that against a potential cost for hydro generation in our own province,

but the issue is we don't have that much additional capacity available to us that's easy to access. A lot of it is in the far North, and by the time you build a transmission line to get it way down here, it's not very economical.

So we look at all these options, and we look at what's going to provide the best economic business case for SaskPower and ultimately for all the customers in the province for the next 25, 30 years. We make these long-term decisions every two or three years, and we look at what the best option is. That's why Chinook was built. That's why we went ahead with the Great Plains facility in Moose Jaw, and we'll be making other decisions in the upcoming years as well.

Ms. A. Young: — I fell down a strange rabbit hole, and so you can tell I'm a very, very cool person, reading old SaskPower exploratory surveys for additional hydro capacity. And I think it was from the '70s, and it involved, I believe, flooding Nipawin, which I'm by no means suggesting. But I appreciate your comments in regards to hydro capacity.

And so I'm not going to apologize, but perhaps I'll explain why, to you, some of my questions may seem fairly obvious to you who do this all every day. But the only details that we have are really what's contained in press releases and annual reports and what I've been able to read through some of the reporting and in the papers in Manitoba. So it's quite limited in terms of the information available by which to inform myself to ask these questions.

And so I guess just one, two last questions on the Manitoba Hydro contract. Having never negotiated one of these myself, is the cost stable? And by that I mean, when this goes online, is the cost per megawatt going to be the same to Saskatchewan, you know, six months from now as it will be in 25 years?

[11:15]

Mr. Marsh: — With every contract there's escalations built in, annual escalations that are built in to account for things on their side and things on our side. But again, when we look at it compared to the other options, we'll build escalations, you know, for operating a facility, for example. The cost of labour goes up year over year. That has to be factored into on their side. But we look at it in terms of the entire bill that's going to be paid over the life of that contract and whether it's still an economic and viable choice, and we bring that forward.

Our mandate is to provide cost-effective electricity, so bringing forward an expensive option is not the right way to do business. It wouldn't be good for the province overall. And that's why we focus very hard on getting the best deal we can from whatever option we can out there. In the utility business we would consider our choices agnostic. If it's technologically sound and it can achieve the economics that we need, then that's what we're going to move on, on that particular choice when that choice comes up.

Ms. A. Young: — So I fibbed. I'm going to add one more question in there. Is the total cost of that agreement, is that fixed? Or is there a potential for it to increase or, I suppose, decrease given some of those factors that you've discussed?

Mr. Marsh: — No. There's no potential for it to double, if that's

what you're thinking, in eight years because Manitoba wants to do something. No, that's not the way these contracts are structured. There will be an option for us to extend that agreement at some point in time, and we would certainly look at that when that time comes. And that's how most of these long-term power purchase agreements are structured.

Ms. A. Young: — Thank you, Mr. Marsh. Now I understand also through some of the reporting in Manitoba that former Premier Wall was doing some significant consulting and reporting with Manitoba Hydro in regards to some of those two new dams — pardon me, I can't remember the name of them — but to the tune of, I believe, \$2 million in regards to the economic viability of them. And I'm curious if there were any discussions between the SaskPower executive or management with the former premier.

Mr. Marsh: — Absolutely not.

Ms. A. Young: — Thank you. Moving on to likely some more routine matters. In regards to the financial highlights with SaskPower, in the 2020-2021 financial highlights, there's \$22 million attributed to late payment charges, inspections, fly ash sales which was partially offset by CO₂ sales. Would someone be able to speak to the nature of those late payment charges?

Mr. King: — Do you have a specific page you're looking at?

Ms. A. Young: — Oh, that's a good question. I believe, I think perhaps page 34, but that's just scribbled in handwriting so give me one moment, please. Pardon me. It's page 33 of 2020-2021. It notes other revenue decreased \$22 million down to \$103 million and "The decrease was mainly attributable to lower revenue from customer contributions; late payment charges; gas and electrical inspections; and fly ash sales, partially offset by carbon dioxide (CO₂) sales."

Mr. King: — So the late payment charges, I believe, was your question? What does that refer to? So that is generally charges for customers for late payments, so when their bills are in arrears and they're not making payment. Last year, you know, we suspended payments and we suspended the interest on that as well, and then we've given those customers that used the interest waiver program one year to pay it back. So as a result, you're going to see a significant decline in our late payment charges.

Ms. A. Young: — Okay, thank you. So that 22 million is just . . . A portion of that.

Mr. King: — It's a portion of that, yeah. It's not 22 million.

Ms. A. Young: — And for the committee, can you remind us who the contracts are for fly ash? Who is the purchaser of fly ash?

Mr. King: — Well I'm not sure exactly who they are, but it's mainly used in cement.

Ms. A. Young: — The nature of those contracts hasn't changed substantially since . . .

Mr. King: — No.

Ms. A. Young: — Am I correct in remembering that's also an additional by-product from Boundary in particular?

Mr. Marsh: — It's a product that we sell from Shand and from Boundary dam and from the Boundary dam 3 facility.

Mr. King: — But it's through our precipitators, not through the carbon capture process.

Mr. Marsh: — Yeah.

Ms. A. Young: — Yes. The "other expenses" category of the financial highlights does seem to vary significantly year over year, which I suppose is why it's called "other expenses." And in '19-20 this was attributed to a \$30 million adjustment which was made in regards to a settlement for environmental remediation.

Mr. King: — Just checking on the one. So in that period, that's related to a potential settlement with PBCN [Peter Ballantyne Cree Nation]. It's a long-standing dispute that we've had with that community. It's not been finalized as of yet. However we set up a provision to represent the amount that we think the final agreement will be at.

Ms. A. Young: — Okay, thank you. Pardon me, I didn't hear you — which community was that?

Mr. King: — Oh, it's Peter Ballantyne Cree Nation, or PBCN.

Ms. A. Young: — Okay. Yeah. And in this most recent year, 2020-2021, there was a 40 million decrease which was attributed to the awarding of an arbitration in relation to recognized income. I'm wondering if you could provide some details on that.

Mr. King: — That relates to a dispute that we had that goes back to the construction of Boundary dam, the carbon capture facility. And last year SaskPower was successful in the dispute. So we were awarded about \$70 million, and a portion of that, that went to income, and a portion of it we adjusted our balance sheet with.

Ms. A. Young: — Am I right in remembering, was that with SNC-Lavalin? No.

Hon. Mr. Morgan: — I don't think the nature of the agreement is such that we would disclose the parties.

Ms. A. Young: — Okay. It wouldn't be public?

Mr. King: — The terms of arbitration require that it remains confidential.

Ms. A. Young: — Okay, thank you. Just a general question for my own elucidation as critic. I note that, I believe, annual interest payments made by the corporation are down kind of \$5 million year over year. Is that a trend we can anticipate moving forward, or is it likely to kind of remain consistent in that \$420 million range?

Mr. King: — On the interest payments?

Ms. A. Young: — Yeah.

Mr. King: — Yeah, we did see a decline. A lot of that had been

attributed to what happened with COVID-19 and what happened in the financial markets in Canada and really across the world. We saw a dramatic decline in borrowing rates as the federal government started their various programs to increase the amount of capital. So SaskPower benefited significantly from that and we were able to reduce our overall expense.

In total we have about \$7 billion in debt, so our interest costs are generally going to rise as we continue to add to our asset base and add to our balance sheet. However we will see a little bit of a decline in the coming year. We have a couple of debt issues that are coming due. They were issued in the early '90s. They carry interest rates at around 10 per cent. About \$250 million each will be coming due. So that gives us an opportunity to refinance that at today's interest rates and save money. But other than those smaller adjustments, generally speaking you should expect that our interest costs will rise as our borrowing rises to renew our infrastructure.

Ms. A. Young: — Ten per cent? That's ugly, although I appreciate the era in which I suppose that was decided.

And another question, and I don't know whether I can get away with saying this, but I'm going to try literally just for my own information — although I recognize I'm sitting here about to ask questions about the carbon tax. But in terms of some of the charts and reports that are contained I believe on page 35 of this year's annual report, I'm just trying to understand how they're presented in the reporting. So my understanding is the federal carbon tax payment for the 2019 calendar year is due in 2021. And this is the \$56 million noted in this year's annual report?

Mr. King: — So the 2019 expense . . . So it's 56 total; 55 is going to the federal government, which we've already made that payment. One million went to some of our IPP producers who then take it and they remit it to the federal government. We process that through them. For this coming year, it would be another \$85 million that SaskPower will have to make payment in December of this year.

Ms. A. Young: — And then the year after that is the \$38 million, correct?

Mr. King: — Well that was only for three months.

Ms. A. Young: — For the three months. Yeah.

Mr. King: — But yes, it'll be a larger amount by the end.

Ms. A. Young: — Okay. And then, Mr. King, are you able to help me understand the cumulative balance differential? Like in 2019 it's — I'm not sure if I'm reading this correctly — but it looks like a \$6 million under-collection and then in '20-21 it looks like it's \$34 million.

Mr. King: — Yes. Are you looking at page 35 of the '20-21?

Ms. A. Young: — I believe I am.

Mr. King: — Okay. So if you look at that one, what we are doing with this account, the intent of the carbon tax with SaskPower is that we want it to be revenue-neutral. However at the beginning of each year we have to estimate how much carbon we're going

to emit and essentially how much tax we're going to pay. Then as the year progresses, that number will change. So it will change based on how we run our facilities, how much hydro we have, how much gas we need to run, how much people consume. And so we'll see variations in the actual carbon output from what we planned versus what we collect. We've committed that we are going to keep track of that separately, and because our carbon tax increases don't go through our rate panel process, they're just passed along. Our intent is to keep them neutral.

So if you look at this one, we have a cumulative balance of \$34 million that we need to refund to our customers. And what we will do is when we set the carbon tax adjustment for the '22 calendar year, we'll take that into account to redistribute that and you'll probably see . . . obviously you'll see a lower rate increase than you otherwise would have for carbon taxes.

Ms. A. Young: — So for your average person who's looking at the carbon tax line on their power bill, based on what you've said, SaskPower obviously collects what they anticipate. That may be higher or lower, which will then lead to an adjustment accordingly with whether that's been higher or lower. For those situations in which there's been an over-collection I suppose, when there's more money than was needed, and you've indicated that money is held separately, is that money invested?

Mr. King: — Yeah. Nothing extravagant, but the interest on it goes into the account and that again is refunded to customers on it. So we keep that separate.

Ms. A. Young: — Is there reporting anywhere, just out of like genuine curiosity, where that investment earnings . . . I'm sorry if I missed it.

Mr. King: — I don't know that we've shown it specifically. We do certainly have it in our accounts. It would be in the other recoveries expenses column, but it would be part of that.

[11:30]

Ms. A. Young: — Okay. So it is recorded somewhere.

Mr. King: — Absolutely. Yes.

Ms. A. Young: — And my last question regarding the FCTVA [federal carbon tax variance account] — or I'm not sure what acronym you use to refer to it as — can you help me just understand that amounts payable you mentioned to the IPPs? Do we basically just . . . the money funnels through them, effectively?

Mr. King: — Yeah, so when they sell us power, essentially if there's one of our gas facilities, they're subject to carbon taxes as well. And so as part of that agreement, we're going to reimburse them for that carbon tax just like we reimburse them for the cost of the power. So a portion of the carbon taxes we pay flow through them to the federal government as opposed to going directly from the facilities that generate carbon tax that SaskPower owns.

Ms. A. Young: — And that amount payable is obviously based on actuals.

Mr. King: — Yes.

Ms. A. Young: — Thank you. Moving on to page . . . I believe it's page 37 in the financial condition. I believe it notes that long-term debt is up 5 per cent in 2019 and then an additional 7 per cent in 2020. Is that trend simply the increase in borrowing?

Mr. King: — Yeah, so overall our debt for the last two years, our net debt levels have declined over the last two years. So you're looking at the one line that shows the long-term debt growing by 7 per cent, but you'll also see our short-term advances just above it fell by 68 per cent or \$647 million.

And so when we look at our total debt portfolio, we look at our long-term debt, we look at our short-term borrowings, we look at our sinking funds, which is monies we've invested through the province, and then we look at our cash balance. During COVID, SaskPower increased a lot of its cash balance during that time and we also, because of some of the issues happening in the credit markets, we moved a lot of our short-term borrowings into long-term. However overall, our total debt has come down in the last couple years.

Ms. A. Young: — And the credit review or the credit rating review, what is the regularity that that happens with? Like it's obviously . . . I think, as was noted last year, it was under review and trending negatively, for lack of a better term, and it is down this year. Is this an annual review?

Mr. King: — Our credit rating is essentially the credit rating of the province. There's not a specific one for SaskPower. We really just inherit what happens with the province. I know the province meets at least once annually, but a credit rating can be adjusted, you know, on any quarter by any one of the agencies. But there's ongoing discussion between the Ministry of Finance, CIC officials. But SaskPower itself, we generally don't deal with the credit ratings themselves because we're just taking what the province gets.

Ms. A. Young: — Thank you. And just one last question for information. It notes that, I believe in this year's annual report, that credit facility is down \$1 million from last year. What does that mean?

Mr. King: — It's referring to some of the . . . When we have, on our natural gas program, what we'll do is lock in the price of natural gas for what we're expected to use. So we take a portion of what we're expected to buy or consume over the coming years, and we'll fix that price. In some cases we'll do it with a supplier and other times we'll do it through a financial institution.

When the mark to market gets to a certain point — so if the price of gas drops and we've fixed it in at, let's say \$3 and it falls to two — at the end of the day, we're going to have to pay for that difference. We're required at certain points to provide a credit facility for the banks or the suppliers, and it's really just . . . they don't want to have too much credit with SaskPower, so we put that aside.

As we've seen gas prices coming up in the last little while, a lot of the hedges that we've had in place, which were negative, are now turned the other way and they're positive. So you're seeing a decline last year; you'll see more of a decline going on this year.

Ms. A. Young: — Thank you. And just circling back briefly to the long-term, short-term debt question, I did want to say for the record, whoever did it I have to applaud, in the 2019-20 annual report, the individual who picked green as the middle colour for the register on long-term debt. I chuckled when I looked at that.

But in 2019 it was up to, I believe, 305 million. It was up 305 million in this year. As discussed, it was up another \$432 million, I believe. I'm just looking for comment, a little bit more additional comment on whether or not there are concerns about the long-term debt of SaskPower.

Mr. King: — Okay, if you've got the 2020-21 annual report in front of you, if you go to page 40 — I like this layout better than the balance sheet to talk about our debt because this is how we look at it. So you see here we've shown our long-term debt, our short-term advances, those power purchase agreements that we were talking about earlier. The ones that are our take or pay or where we have capacity pieces of it, we add that to our debt as well. So you see we have about 8 billion there, and then we reduce it by our debt retirement funds and cash and cash equivalents. So we come out to about \$7 billion in debt. So you see overall compared to last year, it's actually down \$120 million once you take all of the various elements.

I think looking at our debt levels is something SaskPower, and certainly for myself, it's one of the key things that we're continually looking at. Rising debt levels, which over the long term we do expect that that will happen, I think there's a couple things we look at. One, what's it relative to our asset base? So if you're borrowing to build assets, that's a good thing; if you're borrowing to operate, that's not a good thing. So we believe that's good levels of debt.

The other one we do is we benchmark ourselves against other utilities to see what's an appropriate level of debt. And one of the marks that we use is what we call our debt ratio, our per cent debt ratio, which if you look at the bottom of that table, you can see it there at 71.4 per cent. So last year it was 72.6 per cent. And so that's just looking at how much debt is in your entire capital structure. And for a utility like SaskPower that is government owned, that is you know, backed by the province, we compare ourselves to others like us, like a BC Hydro, a Manitoba Hydro, those types of entities.

Having something in that 70 per cent to 75 per cent range is a very comfortable place to be. You'll see other jurisdictions — Manitoba for example with the borrowing they've had to do for their hydro facilities, and that's part of why there was a review and all these other actions happening — you'll see them moving closer towards 90 per cent. We've tried to keep ours in that, you know, 70 to 75 per cent range. We were about 75 per cent three to four years ago, and we've been able to start bringing it down. And so overall we're fairly comfortable with where our debt levels are.

Ms. A. Young: — Thank you. And this is likely a very . . . I'm not going to say stupid question. There are no stupid questions, but probably an elementary one. Is SaskPower subject to . . . How do interest rate fluctuations impact that? You know, you cited the 10 per cent interest rate fixed from the early '90s.

Mr. King: — Yes. So the way interest rates impact us . . . So for

our long-term debt, the interest rates are essentially locked in. So you're exposed when you have to renew that debt when it comes due and you have to renegotiate it. So in the case of the debt from the '90s it's a benefit to us because interest rates have come down. So that's one avenue.

The other is new debt. So when you're building new facilities, when we're building a Moose Jaw plant, for example, or other new generation that we build, whether that's one year, five years, ten years down the road, you're certainly exposed to whatever changes in the interest rates are at the time that you borrow.

And the last element is on your short-term borrowing. So your short-term borrowings, generally that's anything under a year in terms of its maturity. So there you'll see more potential volatility from year to year. So if interest rates really drop, we'll benefit from the amount of short-term that we have, and if they rise, you're exposed on that side. So on the short-term you can see we have about \$300 million at the end of last year that's exposed to more current fluctuations.

Ms. A. Young: — So nothing like wildly complicated or unusual. Just by nature of being a power utility fairly . . .

Mr. King: — No, it's pretty straight.

Ms. A. Young: — Great, thank you. I have just a handful more general questions, recognizing we are getting close to the end of our time here. One general question: I noted in, I think 2019, a one-year decrease in the average estimated service life of each major asset class, I believe, would cost \$31 million. And then this most recent year, it's up to 33. That number will continue to rise just as time goes on, or is that expected to plateau at a certain point?

Mr. King: — Yeah, so what that number's referring to is the volatility involved in the estimates that we make. So a big number on our income statement is our depreciation expense. And so you can see for 2020-21 it's almost \$600 million that we have to record to amortize that \$12 billion in assets that we have. So what that number's meant to recognize is that, just the size of the assets that we have and how much just changing the way we estimate how long that those lives are going to be. So if all of our assets were to decrease in life by a year due to, you know, environmental or regulatory or, you know, operating concerns, it's just showing the amount of sensitivity to changes in our estimates. And that's really all that's really intended to do.

And you're absolutely right. As we continue to build up our balance sheet and add more generation transmission distribution, that potential sensitivity will increase.

Ms. A. Young: — Okay, thank you. And independently owned power production facilities, those would not be contributing to that number.

Mr. King: — No, because that's based on a contract that we have with them. Yes.

Ms. A. Young: — Okay, great. Thank you. Just one more question about capital expenditures. The Logistics Warehouse Complex, is this the facility being kind of, being built out at the GTH [Global Transportation Hub]?

Mr. Marsh: — That's correct, yes.

Ms. A. Young: — Okay. And the existing assets that that's replacing will be . . . What's going to happen to the existing facilities?

Mr. Marsh: — Yeah. Our warehouse right now is in the middle of downtown on 6th and Lorne. And there's a number of buildings there at a site that the intention would be to sell those assets once we're out of there. There's certainly an opportunity in the commercial market to sell and recoup some money on that.

Ms. A. Young: — And the initial budget I believe was \$220 million. Is that consistent? Has that increased or decreased?

Mr. Marsh: — That hasn't changed. And that's for what we call both phase 1 and phase 2 of the project. We've done some site work and we're going ahead with phase 1 today. There's an RFP in the marketplace for construction of the buildings that we need in phase 1. If we go all the way to phase 2, then we're looking at 220.

Ms. A. Young: — Thank you, Mr. Marsh. Just a handful more questions. The facility with the Meadow Lake Tribal Council, which I believe is using like sawdust . . . saw mill revenue. Is that fuel coming from within Saskatchewan?

Mr. Marsh: — Yes. All that fuel is coming from the Meadow Lake area. So there's a mill up there that is going to be providing most of the wood chips. And other sawmills in and around that area, I think, are also being considered by the owners of the biomass facility. So Meadow Lake Tribal Council has been really the one fronting that project, and it's under construction and we're looking forward to a completion date here in the next month or two.

Ms. A. Young: — And it's noted in, I believe it's actually the '19-20 annual report, that there was an RFP out for the delivery of 300 megawatts of power by 2023. Can you comment on the status of that?

Mr. Marsh: — Sure. We have gone ahead with the RFP for 300 megawatts, but we broke it into options for the producers to either bid a 200-megawatt block or a 100-megawatt block. And at the end after all the evaluations, we're proceeding with the 200 megawatts at this point in time. And we're working with the proponent right now as we look to, you know, looking at the project schedule and when that project is going to actually come online.

[11:45]

Ms. A. Young: — And is there a date anticipated when more public information will be available about that?

Mr. Marsh: — As soon as we're able to make a public statement — you know, we have to get their agreement with the proponent and make sure everything lines up — there'll be a public statement.

Ms. A. Young: — And sorry, just for my own clarification, you're proceeding with the 200-megawatt portion. Is there any intention to pursue the additional 100 at a later time?

Mr. Marsh: — We haven't decided yet. That's going to be subject to further review here. With the market prices for wind, as I mentioned earlier, we're trying to optimize that and take advantage of the best price that we can. We also have 575 megawatts coming on this fall from our Blue Hill facility and the facility near Assiniboia. The one at Assiniboia is producing a lot of energy today but the commercial date was anticipated for this fall plus or minus a few turbines just because of the delays in the supply chain across the world for parts and components. So we're quite happy to see those two facilities coming on this fall.

Ms. A. Young: — Thank you. The 10 per cent off power bills across the province, as we're nearing . . . I believe that program ends in November 2021. I've tried to ask questions about this before and not gotten much information so I'm just . . . Has the demand for that program been greater or less than anticipated? I know it's 10 per cent.

Hon. Mr. Morgan: — It was applied across the province so it wasn't a matter that there was a demand for it. I think everybody liked the idea that they were getting a 10 per cent reduction. So I can tell you it's been well received by the individual customers and the commercial customers as people are coming out of the pandemic. It's made a significant difference. As you're likely aware, the funding for that came from the GRF [General Revenue Fund] rather than from SaskPower, so it should not impact their bottom line at the end of the year.

But it was certainly something that was well received and I think that the timing of it, given that we're coming out of the pandemic . . . And hopefully that continues as well. I'm not sure what today's numbers look like or anything, but I know that everybody's watching what's going to happen over the next few weeks. But it's certainly made a big difference. I don't know whether, Mike, you want to add anything to that or not.

Mr. Marsh: — No, I think it certainly was well received from all the feedback we have. And as the minister said, we're being reimbursed through the General Revenue Fund so we're kept whole as a utility.

Ms. A. Young: — Yeah. No, I just understood there was some reporting function back and forth in order to obviously establish what 10 per cent would actually look like.

Mr. Marsh: — Yeah, we worked with the Ministry of Finance and made sure that all the numbers were reconciled properly, even before we received any funding back through them.

Ms. A. Young: — Okay. I think I will ask two more questions and then hand it over to Chairperson Dennis. I'm looking for just general comment on the sale of MRM [Muskeg River mine] cogen in Alberta in terms of just what that situation was all about, who it was sold to, when this investment was initially made. And yeah, just I . . . Was it profitable over the course of the investment?

Mr. King: — So the sale of the Muskeg River mine facility last year, it was really brought about by . . . Atco was our partner on that. We had a 30 per cent stake in that facility. It's about a 172-megawatt facility located near the Fort Mac [Fort McMurray] in Alberta and it really supplied the oil sands there.

The other facility that we had with Atco was the Cory cogen facility, which was here in Saskatchewan at the Nutrien Cory mine. And there we had a 50/50 relationship. With the Cory one, the difference was all the power was coming in to . . . SaskPower was the buyer. The MRM one was external to SaskPower and all that energy went into Alberta.

The reason that the sale came about was because Atco decided strategically to divest itself of all its natural gas holdings. So when they came to us because we owned part of those two, both the Cory and the MRM, we started working with them. And at that time it provided us the opportunity with the Cory one. It's a strategic asset for SaskPower. We need that energy and it's a key part of our baseload power, so we purchased that component. And then with the MRM section, we ended up selling it to the entity that bought out the rest of Atco's, that portfolio.

Ms. A. Young: — Thank you, Mr. King. My last question for the officials is, in terms of the reduction in greenhouse gas emissions anticipated by 2030, I believe it was estimated to be about 50 per cent of 2005 levels. Obviously part of this is . . . I guess in terms of expectation management going forward, I know COVID has had impacts both ways, in terms of emissions and in terms of power consumption. But I'm looking for some comment on what that jump is attributable to.

Mr. Marsh: — Well it's attributable to really two things. Number one is the retirement by regulation of conventional coal facilities, replacing them with natural gas and/or renewables together. When you convert to a natural gas plant, your emissions drop by 60 per cent on a per-megawatt basis, so that's significant. Renewables, of course, there's no emissions whatsoever. So as we operate our fleet differently over the next eight to nine years, we're going to be in a position to drop our overall emissions intensity. And that's the path we're on, and I'm quite confident we're going to meet that 50 per cent by 2030.

Ms. A. Young: — Positive note to end on.

The Chair: — Seeing that we've reached our allotted time, I will now ask a member to move that we conclude the consideration of the 2019-2020, 2020-2021 SaskPower annual reports; the 2019-2020 and the 2020-21 NorthPoint Energy Solutions Inc. financial statements; and the 2019, 2020 Power Corporation Superannuation Plan annual reports. Mr. Tim McLeod has moved that we conclude the consideration. Is that agreed?

Some Hon. Members: — Agreed.

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

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'd like to thank you and your staff. I know this is . . . We're approaching Stacey's last day here, so she'll be moving on. So thank her for years of putting up with our poor humour. And I'd like to thank all of the committee members for the work that they've done, as well as the auditor and the auditor's staff that was here. I think it's having the audit process as an external process that gives us a better sense of direction and public confidence in our institution. So we thank them for that. I'd like to as well thank the Legislative Assembly staff, Hansard, building security, the building staff for

their ongoing work.

But in particular today I'd like to thank the SPC [Saskatchewan Power Corporation] officials, the Crown workers. I've had the file long enough. I've gone through several power outages and I know that when there's been a fire or major outages, it's the hard-working Unifor workers that go out and are usually out on top of a power pole or digging through muskeg or whatever else to restore power to the citizens. And IBEW [International Brotherhood of Electrical Workers] as well, sorry. To those people, we thank them for the adverse circumstances in which they work in maintaining the power and keeping us all warm, safe, and dry. So I want to thank all of the people at SaskPower, but in particular those that have helped us through some difficult times.

The Chair: — Thank you, Minister. Ms. Young, do you have any closing comments?

Ms. A. Young: — I would of course echo the thanks expressed by the minister to the officials here today for joining us for probably a longer morning than it was for me. It felt like it flew by. As well as the auditors, building staff, the video team, Hansard, and, Minister, your staff and those in your office as well. As well as the many people, individuals who wrote in to my office with questions about SaskPower. And I thank you for your willingness to engage in dialogue and accountability and transparency on this file. It's much appreciated.

Also echo thanks to the staff and Clerks with of course a special thanks to Stacey, since I believe it's our last day together in the Chamber. And while I've only been here 10 months, Stacey, you've been a thoughtful and generous support over those 10 months. And I can only imagine the capable and graceful impact that you've had in the duration of your tenure here. And I wish you joy, health, and opportunity in the mountains, and I thank you for your contribution to the history of decision making in this place. Thank you, Mr. Chair.

The Chair: — Thank you. We'll now recess till 1 p.m.

[The committee recessed from 11:56 until 13:01.]

Saskatchewan Telecommunications Holding Corporation

The Chair: — Welcome back, committee members. Mr. Trent Wotherspoon has joined us this afternoon and Minister Morgan, and welcome to the officials from SaskTel.

This afternoon we'll be considering the annual reports for SaskTel and the annual reports and the Provincial Auditor's chapter for CIC. We will now begin our consideration on the annual reports and financial statements of SaskTel and subsidiaries. This includes the 2019-2020, 2020-21 SaskTel annual reports; Saskatchewan Telecommunications financial statements for the year ending March 31, 2020 and March 31, 2021; Saskatchewan Telecommunications International financial statements for the years ending March 31, 2020 and March 31st, 2021; DirectWest Corporation financial statements for the years ending March 31, 2020 and March 31st, 2021; SecurTek Monitoring Solutions Inc. financial statements for the years ending March 31st, 2020 and March 31, 2021; and Saskatchewan Telecommunications pension plan annual report and financial

statements for the years ending March 31st, 2020 and March 31st, 2021.

I'd like to welcome Minister Morgan. Can you please introduce your officials and make your comments, please.

Hon. Mr. Morgan: — Thank you, Mr. Chair and members of the committee, for the opportunity to be here to assess reports for the past two fiscal years, 2019-20 and 2020-21. With me are some senior officials from SaskTel. Today I'm joined by Doug Burnett, president and CEO; Charlene Gavel, chief financial officer; Doug Kosloski, vice-president corporate counsel and regulatory affairs; Scott Smith, senior director of finance; and Michelle Englot, director of corporate and government relations. And as well I'm joined by Charles Reid, senior ministerial assistant for my office here.

These officials will be available to answer any questions you may have. However, before we get to that, Mr. Chair, I'd like to make some introductory remarks on SaskTel's financial performance and other highlights for the past two years. Then we'll certainly be prepared to answer any questions from the committee.

Every annual report is intended to provide a snapshot of the year, and at SaskTel the company has been able to ensure strong, sustainable growth over the past two years while also delivering on their strategic purpose to be the best at connecting people to their world. Even with ongoing industry pressures and the collective uncertainty posed by the COVID-19 pandemic, SaskTel continued to provide exceptional customer experiences and delivered beyond expectations during the past two years. In the year ending March 31st, 2020, SaskTel reported a net income of \$119.8 million. A year later, on March 31st, 2021, their annual net income had increased to \$130.8 million. SaskTel's senior leadership and province-wide team of employees are at the centre of these accomplishments.

Even while learning to work in new ways and carrying on operations remotely during the worst days of the pandemic, SaskTel employees continued to build relationships in the community and made significant progress in strengthening SaskTel's world-class networks. SaskTel also stood by their customers with passion and commitment. At a time when residents needed connectivity the most, SaskTel provided critical assistance and ensured customers could stay connected even as work routines and personal lives became disrupted.

During the first wave, SaskTel waived data overage charges for all customers on their postpaid wireless plans, noStrings prepaid plans, and Fusion internet plans. Complimentary TV channels and free content were also provided to MaxTV customers to help them stay entertained while at home. SaskTel also took steps to provide financial relief to those impacted either by job loss or other COVID-related impacts. In 2020 disconnections due to nonpayment were halted for several months. Late payment fees were also waived temporarily.

In terms of hard figures, just to show how impactful the past two years have been, I'd like to provide some of the most interesting and attesting numbers. I believe that these figures also paint a vivid picture of what is in store for SaskTel as an industry player in the months and years to come.

As of March 31st, 2021, SaskTel counted an additional 40,386 broadband internet customer connections, representing year-over-year growth of 5.1 per cent. On SaskTel's fibre optic Infinet network, there were 18,000 additional subscribers, representing subscriber growth of 14 per cent, year over year. Lastly, SaskTel reported expanded revenue and customer growth in their wireless services. In this ultra-competitive sector, SaskTel welcomed an additional 15,031 new wireless subscribers between 2019-20 and 2020-21, representing a positive growth of 2.4 per cent. SaskTel also continued to have the lowest customer churn rates and highest lifetime revenue for wireless services in Canada.

SaskTel land line telephone service subscriptions did continue to decline, a trend observed nationally as more people shift to wireless as their sole communication source. On this point, we know that SaskTel's wireless infrastructure, especially in our rural areas, will continue to grow in importance.

In this vein, we are pleased to mark the conclusion of the Wireless Saskatchewan initiative, which has become a true achievement for SaskTel. First announced in 2017, the initiative resulted in a total investment of over \$107 million into rural services, resulting in construction of 105 community sites, 89 macro towers, and 34 new Fusion sites, and improved cellular data capacity for some of SaskTel's busiest resort sites. SaskTel's wireless network now comprises over 1,000 wireless sites, including over 700 in rural Saskatchewan alone.

During the last two fiscal years, SaskTel also pursued a number of other large capital projects to meet rapidly changing customer needs. Following a province-wide project started in 2018, SaskTel upgraded several aspects of their DSL [digital subscriber line] network, allowing significant speed upgrades in communities across the province. As a result, SaskTel brought speeds up to 50 megabits per second to thousands of new households.

SaskTel's generational fibre optic, built to bring their blazing fast Infinet network into more communities, also turned a new page in 2020, with the start of their rural fibre initiative. With a grand total investment over \$100 million, this multi-phase initiative will bring SaskTel's fibre optic service to approximately 60,000 households and businesses in more than 40 rural Saskatchewan communities by the end of 2023.

Internally, SaskTel continues to transform and adopt digital innovations to improve their operations and deliver better customer service experiences. As they work to implement their own digital transformation, I believe it is also worthwhile to point out the headways they have made in building and fostering a vast partner ecosystem across the province. As highlighted by the Melfort smart city initiative, partnerships with organizations such as Saskatchewan's GreenWave Innovations have succeeded in bringing attention to homegrown, leading-edge products and solutions that can help municipalities as well as local businesses reach their goals.

Through the past two reporting periods, SaskTel's investments have been strategic and forward thinking to ensure that they, as a provider, stay ahead of the demand curve for new services and technologies. In 2020-21 SaskTel invested an additional \$308.2 million in capital expenditures, an increase of over

\$45 million from 2019-20. These investments will go far to create opportunities for additional enhancements and capabilities in the future, especially as 5G is rolled out on the provincial network. SaskTel has continued to show what it means to deliver for its customers. Looking ahead, the company is well positioned to continue driving compelling returns for our province.

Thank you, Mr. Chair. With that I conclude my opening remarks, and we would be happy to answer any questions.

The Chair: — Thank you, Minister. Do any members have any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks, Mr. Chair. Thanks, Minister, and our president and CEO that's joined us and the team from SaskTel. It's a pleasure to have some time here with you this afternoon. And to you and through you, I just say thanks to your entire team and that amazing staff team across the province with SaskTel. It's an incredible company. It's one that's a Crown corporation that we're all proud of, and we thank you for your stewardship and leadership and work within it.

It was, you know, the value of those Crown corporations, and certainly SaskTel, was put on full display during this pandemic this year and their ability to respond and provide some relief at times of incredible stress, uncertainty, and hardship for many people and many businesses across Saskatchewan. And we're all thankful for the ability to do so. So thanks for that.

We'll get into some of the questions here for the minister. What costs, if any, were incurred by SaskTel for the proposed rebrand that came to light in the media reports in the last number of weeks?

Hon. Mr. Morgan: — Mr. Chair, I don't know whether the member was aware of the announcements or the things that took place yesterday in committee. I had indicated, for the record, that shortly after I took the portfolio, we were approached by SGI [Saskatchewan Government Insurance] as well as two other Crowns to consider looking at rebranding or a different visual identity program going forward.

I indicated at that time that we felt it was appropriate that we should look at the requests that were coming forward and see whether there was any merit to them and whether there was any potential benefits for the Crowns to tie to the strengths of the province and vice versa. The Crowns in our province are closely integrated with the province because they're fully owned by the taxpayers of the province.

So we had some internal discussion, and then we asked the Crowns to have a look at what the costs might be and what they felt the benefits might be. Some of the replies came back just indicating replacing signage, replacing letterhead, etc. In some cases, such as SaskEnergy, the logo is used on valves and stuff on pumping stations, and there would be an enormous cost to replace all of them. I don't think it was anything that was ever contemplated that it would ever get to the point where they would look at replacing valve handles.

But the discussion came to the point where we felt, given the current situation of the province with the pandemic, it was not the message that we wanted to send to the citizens of the

province. So we've indicated to all of the Crowns that we're putting this on pause, and we'll go forward with it or look and see where we want to go at some point in the future. But we've asked them not to do any further work on it.

SaskTel was one of the ones that did not have any kind of a branding process under way or any requests that were there. So my understanding is that they spent zero money on it, and no money has been spent, nor will it be.

Mr. Wotherspoon: — So I would suspect that there was some energy and time that would have been taken up within the organization and the staff within it. Certainly that all comes at a cost as well. Do you have an estimate of the cost on that front?

Hon. Mr. Morgan: — There was no additional cost. I mean it was time spent by people within the organization that were there on salary, and no additional time was logged or any additional expense.

Mr. Wotherspoon: — And just again, any of the time they're spending is, you know, they're getting paid for that work. So they're getting compensated and they're spending that time and energy there as opposed to other areas, so there's certainly some cost to it. My question relates back to your comments that SaskTel had SGI and two other Crowns come to it. Could you just describe those other two Crowns and what that sequence of . . . sort of who led that?

[13:15]

Hon. Mr. Morgan: — Yeah, SGI was the first one to come forward, indicating they wanted to go through a fairly extensive rebranding exercise. As you're likely aware, SGI was originally SGIO when it was Saskatchewan Government Insurance Office, and I don't know why it was ever called that in the first place. And then over the years it had gone through a number of brandings and logo changes. And they actually came forward with what the things were, and it was things that I remembered from, you know, previous phone books and that. And they felt it was worthwhile for them to consider where they were because they do business elsewhere other than in Saskatchewan. So anyway they came forward with it.

The other ones were SaskGaming Corporation, who indicated they wanted to look at it in the context of their renovations that had been done at Casino Regina and Casino Moose Jaw and where they would go with that. As those casinos open they may choose to use, for whatever business reasons, different signage or whatever to reflect the new investments that were there.

And then CIC indicated that they felt it was appropriate for them to do an update moving on. For CIC the cost for them to do an update or something on their logo is virtually negligible because they don't have vehicles; they don't have external signs or anything. But we've asked them to pause it there as well.

Mr. Wotherspoon: — So the other entities were SaskGaming and CIC. Now you mentioned SaskEnergy and sort of the costs . . .

Hon. Mr. Morgan: — If I mentioned SaskEnergy, I apologize. It was SGI and SGC [Saskatchewan Gaming Corporation] and

CIC.

Mr. Wotherspoon: — When you referenced SaskEnergy, did you mention . . . I thought you mentioned something about the gas distribution system and the tag that . . .

Hon. Mr. Morgan: — Yeah, when we asked what the costs might be or, you know, where they were at, they indicated, you know, a long list of things where signage would have to be changed. You know, it's not just a sign on the building and change on the letterhead. They indicated the costs on vehicles, and their logo is on all of their equipment as well. So, you know, you could say, well we'll change it as equipment rolls out. But they just indicated, you know, to go down into changing everywhere that had the existing SaskEnergy logo would become complex.

Mr. Wotherspoon: — Right. And I assume SaskPower . . . What's your take? It would be a similar kind of massive cost, I would assume, just in how embedded that logo is in much of the infrastructure across the province.

Hon. Mr. Morgan: — I don't have . . . Yeah, it would've been a significant cost. You'll recall when we changed government, we made somewhat of a change from the wheat sheaf to the Crown logo. And that was done at low or no cost because it was done over time as letterhead expired or whatever, and it wasn't on vehicles to a great number, but where it was on a vehicle it was done as the vehicle rolled out or was replaced. So I think that was what was initially contemplated as something that was there, but having talked to the Crowns it was certainly far more in depth than what a person might initially think.

Mr. Wotherspoon: — And I guess there was a rebrand that occurred at SaskTel in 2016. It didn't require significant . . . like you weren't changing logos and all of these sorts of things. So the rebrand that you're looking at here would be significantly more expensive. Have you been able . . .

Hon. Mr. Morgan: — I don't know whether I'd say that it would be or wouldn't be. We hadn't got to the point of deciding how in depth or what it might look like. What it was was a discussion about what the benefits might be to the Crowns to be closer aligned, to have a common visual identity.

And you know, we're doing a lot of work right now on Crown collaboration, working with the individual Crowns to work together, to mark underground services locations together, to do common buying, to work together on a variety of those things, and the discussion was, well would a common visual identity further those ends. In any event, it was clear that it was more complex and would become expensive, so we stopped it at an early stage.

Mr. Wotherspoon: — Certainly I can imagine the cost being, you know, really significant. What have you learned from SaskTel or from the other Crowns with respect to the value of their brands? Because of course they manage that. They have expertise. That relationship with the province is really important, you know. People identify our Crowns at a very high level and value our Crowns at a very high level. What have you learned around the risks in sort of some sort of homogenous, you know, brand that doesn't allow the unique relationship that's been built

with each one of those Crowns, like SaskTel, with Saskatchewan people.

Hon. Mr. Morgan: — You know, what I would say is that we should never be afraid to ask, to question, to look for things to get better, to look for improvements, to look for taking our Crowns to a newer level. Over the last number of years we've reduced overhead at the Crowns. We've, through attrition, reduced a lot of the Crowns' employee numbers. We're providing continually increasing quality of service. And I think those are the things we want to do, and I think we should never be afraid to ask Crowns questions about how we could do things better, how best we can market the Crowns, and how best we can contain the competitive edge of the Crowns.

SaskTel, which is before us today, is the one Crown that every aspect of its business, it has a private-sector competitor. Whether it's SaskTel Max, SecurTek, or whatever other service that is there, there are one or more private-sector carriers on there. So naturally I think we want to be mindful of how that's done and how best we can serve that end, so I think . . . I would thank the Crowns for their work, their consideration in providing this information.

Mr. Wotherspoon: — You just mentioned that one of the goals with the Crowns and for one like SaskTel, from your perspective, is to reduce jobs by way of attrition. Could you speak to your interest in reducing the number of jobs?

Hon. Mr. Morgan: — I think SaskTel and the rest of the Crowns focus on a competent, professional workforce. They work hard to maintain services. In a lot of cases, as the province continues to grow, the need for Crown services will continue to grow, and we've asked the Crowns to look at what an appropriate employee makeup is. They work with CIC to do that, and then we've asked them where they choose to make reductions, is to have targets that are set by and with CIC to use attrition to do it or relocate people. And that's the process that's taken place.

Mr. Wotherspoon: — So do you feel there's too many people working at SaskTel right now? I guess so if that's the goal or the mandate here.

Hon. Mr. Morgan: — Yeah, I'm not aware of any undertakings to reduce staff or make changes right now. I think it's a process that took place a number of years ago, and I think they did a competent and professional job when doing that. So I don't think I want to make comments as to what a right level is. I think they'll work with CIC and work with their board of directors to try and determine a good process to determine how the staffing should be done.

Mr. Wotherspoon: — I just found it passing strange that you would reference as part of the goals would be to reduce employment numbers in the organization.

Hon. Mr. Morgan: — I don't think I would take that . . . I think what you're doing is taking something out of context.

Mr. Wotherspoon: — Not meaning to.

Hon. Mr. Morgan: — Or taking something in isolation. I think what the purpose of it is and should be is to try and make the most

efficient use of tax dollars that you possibly can.

Mr. Wotherspoon: — So with respect to, then, the reductions that you're speaking of around employment, often what we've seen with your government is that you cut the, sort of the civil servant's job or the Crown worker's job, but then that work is outsourced or privatized. Could you speak to that?

You're speaking that you've had this mandate and this mission to reduce jobs out of SaskTel, but often what we've seen in the other cases is that it hasn't been a cost saver, because of course there's been all these contracts that have been let. And we've seen that in ministries proper. We've seen it in Crown corporations as well. If you could speak specific to that experience in SaskTel around the growth in private contracts while you're presiding over a push to reduce employment at the Crown corp.

Hon. Mr. Morgan: — I don't think we regard it as a push to reduce unemployment in and of itself. It think it's appropriate to say, you know, as the company becomes more technologically advanced, do you need the same makeup of people, and are you able to do things in a better or more efficient way. There certainly is no push to try and privatize or to contract out. When SaskTel does work, the direction that's given is, you try and use in-house staff or existing staff. And then where there's been a large mandate to try and do other projects, if you have to contract work, then you would be at liberty to do that if you are unable to locate staff from within.

And the examples I would give you are where we've done additional work with regard to adding cell phone towers, increasing connectivity for fibre in various neighbourhoods. That's done by the staff at SaskTel — who, by the way, are competent and professional — but in a number of cases over the years where the workload, and because it's seasonal, we've had to use outside contractors as well.

Mr. Wotherspoon: — Well certainly this is, you know, an area of concern, I think, for Saskatchewan people. We need to ensure, I think, that high-quality employment for folks, and we need to make sure that the capacity's there for an exceptional Crown like SaskTel. And certainly, you're quite right about making sure that a workforce and the expertise is in line with the evolution of that Crown, that tech company, in many ways, as you describe.

And the minister will know that, you know, we've had long-standing concerns with what was seen to be sort of a real focus on, you know, what they said about cutting jobs but then contracting those out, often at a higher cost. So that'll be something that we'll want to continue to track closely by your government and specific to your interventions.

With respect to the rebranding . . .

Hon. Mr. Morgan: — I don't want to engage in debate. I mean you left a sort of a statement on the record.

Mr. Wotherspoon: — Sure.

Hon. Mr. Morgan: — It was rather critical of our relationship with the Crown and with the employees at the Crown. And I would take issue with that. We work hard to respect and value

the individuals that are there. I can tell you that in the period of time since 2007, there's been very minimal labour disruptions at any of the Crowns. We're talking labour disruptions measured in hours or days. We continue to work and respect the collective bargaining process. We continue to respect and value the work that are done by those employees, both individually and collectively. That's something that I, as Labour minister, value greatly. And I take strong exception with you making remarks that would put that into question, because it's something that is simply not true.

Mr. Wotherspoon: — Well I think that folks . . .

Hon. Mr. Morgan: — You can ask your question . . .

Mr. Wotherspoon: — Folks certainly identify, you spoke about reducing employment numbers . . .

Hon. Mr. Morgan: — You can ask your questions . . .

Mr. Wotherspoon: — [Inaudible] . . . understand about contracting out, and just on the . . .

Hon. Mr. Morgan: — And we will certainly answer your questions. But if you want to make a statement that you choose to put on the record, I'm not going to stand idly by and leave that statement go by without an answer. You may choose to make it, but expect an answer.

Mr. Wotherspoon: — Sure, that's fair enough. And the minister identified that, you know, reducing employment was, you know, part of the focus. That was your comment . . .

Hon. Mr. Morgan: — There you go again. I know that it's leadership season coming up again for your party. I'd ask you to set aside your leadership aspirations. They haven't done you well in the past. And I'd ask you at this time to focus on the issues before SaskTel and not focus on attacking the individuals within the management or within the ministry that are trying to do an effective job at delivering service to the people in this province.

Mr. Wotherspoon: — Well don't get too worked up or emotional when you present something at the committee and then we ask for clarification. And I would never do anything but heap praise on the leadership of those at SaskTel and all those within the organization.

As a matter of point though, when you were going back to talk about what a great steward you were of this Crown, of course it was 2016-2017 that you were engaged in meetings to sell off a portion of that Crown. And I certainly know that didn't sit very well with the workers of that Crown corporation or the people of Saskatchewan. But let's, for the benefit of Saskatchewan people . . . And I don't need, then, any more shots about my failed leadership attempts by the good minister here. I know them all too well. But we'll . . .

Hon. Mr. Morgan: — Let's agree for the time being to set all of those issues aside and . . .

Mr. Wotherspoon: — What I'd like to adjust to is you did say that you're going to pause this rebranding effort. Why pause? Why is this still an active . . . a file that's of consideration when

you've shared what you have around the concerns and the costs, when I believe that our Crown corporations ultimately are best positioned to be making those decisions themselves?

Hon. Mr. Morgan: — There may be a time sometime down the road where circumstances may change. Individual Crowns may come back with another request. We know that Sask Government Insurance has got requests that are there, and that may be something to look at. But we've asked all of the Crowns to take no further steps and to spend no further money.

Mr. Wotherspoon: — No. Thanks for that. I think it, you know, should be shelved as any sort of central government initiative. I think our Crowns really do need to make sure that their marketing teams, that they're engaged. They know that relationship. They keep that data. They assess these things and they're exceptional at doing so.

With respect to that whole initiative, you're talking about the two Crowns, SGI and then the other two Crowns. What role did CIC play in that? We also, I know, have CIC up for considerations. Their annual report's in a little bit, so maybe you want to defer answering that. We can follow up that line of questioning there.

[13:30]

Hon. Mr. Morgan: — What is your question about CIC?

Mr. Wotherspoon: — Just what role did CIC play in this whole rebrand initiative?

Mr. Skoropad: — Mr. Chair.

The Chair: — Yes, Mr. Skoropad.

Mr. Skoropad: — Point of order. I'm asking that the member opposite keep the questioning to the matter at hand, that being the annual reports.

The Chair: — Okay. I would caution that we . . . Let's get back on line of the topics of order and let's be respectful of manner of questioning and answering. My expectations as the Chair is that members permanent and committee members do their utmost to be cordial and respectful and keep a productive atmosphere here, please. So if we can move on to the point at hand. CIC is up next, so let's move forward.

Mr. Wotherspoon: — Sure. So just to . . . We can follow up with the CIC question. Certainly I put it forward in good faith in just understanding the sequence of considerations and who the different actors were. And we can pursue that line of questioning when CIC is up. And so I appreciate that.

With respect to . . . And this is, you know, I hope a straightforward, simple exchange. I referenced, you know, the sell-off conversations in the past. In the past we have two annual reports before us here. In that period of time, can you describe any activity that was looking to sell off a portion of that Crown or a significant private sort of stake or partnership or an equity stake in SaskTel?

Hon. Mr. Morgan: — None that I'm aware of.

Mr. Wotherspoon: — None that you're aware of?

Hon. Mr. Morgan: — I was not privy to giving any direction or receiving any requests to sell off any portion of it.

Mr. Wotherspoon: — Moving along a little bit, one of the things that the Crowns were really helpful with during this pandemic was of course ensuring service. And SaskTel, you know, really rose to the occasion as kids were pushed home for school out of safety, to ensure their safety. SaskTel really stepped up, you know, around coverage and ensuring access to data and having an interest as well in making sure, you know, to some extent with school boards to ensure that the digital divide to some extent was addressed.

Another component of that was the actual cost. Of course a whole bunch of folks through that pandemic had their employment disrupted, their income disrupted, and were facing significant hardship. So the deferrals of the bills was an important program and we're thankful for it. One of the things that we've been troubled to learn, kind of coming through this — and I understand that maybe it was a bit of a long-standing aspect with respect to sort of the late payments that exist — but the interest rate seems to be incredibly high for those that are late in their payment and for those deferred payment programs. Could we just get some clarity as to the interest rates that those with late bills or that participated in the deferral program are subjected to?

Mr. Burnett: — Gladly. So during COVID, which for us really started, I guess, in kind of March of 2020, we almost immediately implemented an interest deferral program and a collection deferral program. So from March until September of 2020, we did not charge any interest or take any collection action against any accounts. So for at least that period of COVID, no additional interest was charged.

And then following that, from September of 2020 to September of 2021, anybody who had arrears that accrued during that period of time then had the option to participate in the Crown interest deferral program, which allowed those folks to again put together a payment plan that would work for them over the course of a year and continue not to pay any interest on any of the debt that they may have accumulated during the COVID period or for a year after while they paid that back.

Mr. Wotherspoon: — For the year after. And then what's the rate after that? Is that a standard rate for kind of all the late payments? What is that rate?

Mr. Burnett: — It is a standard rate. I'd have to ask our CFO what the rate itself is. It might just take a minute to give you the actual rate.

Hon. Mr. Morgan: — Mr. Chair, we apologize for the time that it took and also sort of the complexity that is there. There's the different services have different interest rates. So Ms. Gavel is there, so I'll let her provide the specifics.

Ms. Gavel: — Charlene Gavel, chief financial officer. The monthly rate for overdue accounts is 3 per cent.

Mr. Wotherspoon: — Now the minister referenced some different categories or different programs. Are there other

programs with balances that are owing that have different interest rates that are applied to them?

Hon. Mr. Morgan: — No, I stand corrected. They're all 3.

Mr. Wotherspoon: — Okay.

Ms. Gavel: — I wanted to just double-check that the wireline and the wireless were both the same, and they are. They're both at 3 per cent.

Mr. Wotherspoon: — Right, 3 per cent monthly?

Ms. Gavel: — Monthly.

Mr. Wotherspoon: — Like, what's the trend here right now with respect to the outstanding accounts, both those that would be attributed to the deferral program and then those that, you know, aren't within that program?

Ms. Gavel: — Doug, did you want to take that or do you want me to? Okay. Thank you.

Mr. Burnett: — Just in terms of overdue accounts, accounts receivable for '20-21, at the end of the year, the accounts receivable was actually down fairly significantly, probably by about 40 per cent. And that's understandable, of course, because during that time we weren't charging interest and we weren't taking action.

So I can tell you . . . So for '19-20, the year prior to when COVID really started, we would have written off approximately \$7.6 million in accounts, whereas for '20-21, we wrote off 4.9 million, so significantly less. Most of those accounts, I suspect, were already in arrears prior to COVID coming, and that this was just a carry-on effect, and that the deficiency is likely the amount that went into kind of deferral during COVID that we now have given those customers the opportunity to pay back over the next year.

Mr. Wotherspoon: — The rate itself is high, right? Of course SaskTel's been good at, you know, sort of having programs and work with customers. I know that it's one of the values of our Crown corporations in general, something that people value, that they can build out a schedule to repay and whatnot. But 3 per cent monthly really does add up. You know, that's a high cost for a bill.

Is this something that's being considered? I suspect it's a low-revenue item for SaskTel, but it's certainly a challenging situation for those that are caught up in the impacts of work loss and income loss this last year. And many of those folks are also dealing with exorbitant interest, you know, that they may have incurred through other debt during that period of hardship as well. Is this something . . . I know we've called for this rate to be addressed because I think it's one of those things that just doesn't need to, you know, cause undue financial hardship to those coming out of this unprecedented situation. Is there consideration on this front?

Mr. Burnett: — So I can tell you . . . First I think I would acknowledge it as a high interest rate, but it is certainly industry standard. So SaskTel is not alone. In terms of the other three or

four large players in the industry, this number, this percentage would be very consistent with what they charge.

We do . . . As you can see, where we think that the individual circumstances warrant, we do find ways to be compassionate and to help and, you know, in instances like this even waive some of those charges and waive some of the charges for different services. So we are mindful to the needs of our customers. We are very respectful of providing them with an appropriate level of service, certainly not interested in penalizing them.

It is at the end of the day a discretionary service, although I would say it's becoming maybe less discretionary. It is one, though, that folks can move to competitors with, and so there are different alternatives available for those who simply choose not to pay for whatever reason.

Mr. Wotherspoon: — You know, I think most people want to pay back what's owed and, you know, sort of defer in good faith. I would just leave it with more the minister, I think, that SaskTel's been so exceptional in responding to the challenges of the people of the province this last year. And a lot of those folks that lost jobs and were without income and that have deferred, you know, bills like this, if they're still struggling to pay them back, I'll bet this isn't the only bill that they're trying to pay back.

And knowing that this is, you know, a very modest revenue item for the province, and in fact even losing that customer would be really unfortunate in the long term, I would urge the minister to be thinking about addressing this high interest as folks are still dealing with, you know, those economic hits from the last year.

Hon. Mr. Morgan: — I appreciate the comments being made by the member. SaskTel is a service where the costs are borne by all of the citizens of the province, so I think it's a matter of trying to find an appropriate balance as to what's fair to the individuals that have gone through the financial problems caused by the pandemic. We've asked SaskTel to make good business decisions and use industry practices. We did weigh in and direct them to use the waiver on interest charges and on overage charges during those periods of time and we asked them to do it again later on. We'll urge them to have a compassionate approach going forward. And the member's point is well taken.

Mr. Wotherspoon: — Thanks very much. Maybe moving along a little bit. You know, we've talked a little bit in the last exchange about how invaluable the service of being able to connect is for people by way of, you know, their daily lives and even safety and security. Connectivity really does matter. It's critical to economic opportunities, both for a person and for a region and a community. And connecting Saskatchewan needs to be a real priority.

I know that SaskTel is doing sort of everything it can towards connecting Saskatchewan within its resources. I guess this is an area where I just would like to hear and focus in a little bit more, a bit of an update on the whole connecting Saskatchewan project. Reiteration that this really needs to be a priority. I know that that's identified as a priority by the leadership of SaskTel.

And maybe just to start off into that, to the minister, who plays a role in impeding some of this progress is the dividend policy that relates directly to SaskTel. You know, I think if you look at that

Crown and its economic fundamentals and the important project of connecting Saskatchewan, that it's a time where that dividend policy needs to be reviewed. Of course the minister is familiar with my call to be reducing that dividend or eliminating that dividend and enabling that capital to be directed and deployed, you know, with a real hurry-up offence in connecting Saskatchewan, working with partners, working with the good recommendations that are coming in certainly through SaskTel and through stakeholders like the agricultural producers of Saskatchewan who've done some good work on this front.

But an important piece of that is making sure they have the capital, the dollars, to do that. So I guess, just to the minister, are you actively reviewing the dividend for SaskTel, contemplating change on this front to make sure that we can really, you know, prioritize connecting Saskatchewan?

Hon. Mr. Morgan: — We do not want the dividend or the return to the shareholders or the citizens of the province to be a factor in how we would fund expansion through SaskTel. I think the one thing you and I will agree on is we want to see greater connectivity and more availability for access in rural Saskatchewan. You referenced the comments made by us, and I agree with those. Those are something that's there.

SaskTel will advise you, in an answer to the next question, that if we were to provide fibre to every residence in the province south of the treeline, the cost would be approximately \$7.2 billion. So it's not a matter of somebody adjusting a dividend amount. It goes far deeper and it means a matter of trying to find better and other methods of trying to reach the various residents and businesses across the province.

And I agree with you. It is absolutely something that is critical, and the direction that we've given to SaskTel is, come back. Do more homework. Come back with more options. We directed SaskTel to find money for additional cell phone towers. And as you're aware, we now have 1,000-plus cell phone towers in the province, and we'll continue to try and build that out. The CEO will talk about the Fusion plans and any other programs that are there. But I would like to just sort of put it out that the cost to try and do fibre, which is regarded as the best process, is certainly something that's probably beyond what should be done as an entirely provincial initiative, and there have to be other options that people might want to consider.

But anyway, we appreciate the point you're making about wanting to have rural connectivity, and I think I agree with you. I do not want to let the dividend policy interfere with that in any way. And if it means, as we've done with some other Crowns, that we transfer money to the GRF as we did with SaskPower, we would look at options that we would do the same to try and make sure that whatever was necessary to allow SaskTel . . . As you're aware, there is a good debt/equity ratio there now.

So anyway, I'll let Mr. Burnett give you a bit of background on what has been taking place. And there's no doubt more needs to be done.

Mr. Burnett: — Sure. Thanks, Minister. For a number of years, we've been very focused on driving high-speed broadband deeper and deeper into rural locations while at the same time increasing the speed and capacity of that same service in

communities and cities.

And there's really four different technologies that we've used to do it. And I kind of need to walk through each one to give you a good sense of some of the work that's been going on. But if I start with the traditional copper network, our DSL network, that is a service that takes broadband service into approximately 463 communities in the province. And over the last number of years we have increased the capacity and the speed with which it can bring that service from 5, 10, up to 50 megabits per second.

Now 50 megabits per second certainly pales, I think, in comparison to some of the numbers you hear from fibre. But what we are finding is, first of all, the 50 megabits per second is the CRTC [Canadian Radio-television and Telecommunications Commission] standard that they are asking provinces and providers to make available to customers by 2030. So we're a long way down the road to providing the service that is mandated by the CRTC on that service.

We also provide DSL or high-speed through our wireless service through cellular. And as you know, over the last three or four years we have implemented a Wireless Saskatchewan program, committed \$107 million to that program. And under that program we added an additional 43 Fusion towers to the system. So we have a system that provides kind of deep rural, but not individual farms but outside of communities, that is referred to as Fusion. It's a fixed radio network, so it goes to a tower but then through the air to individuals' houses.

It covers some 700 communities in the province. Now that technology is only good enough to provide 10 megabits per second. And it is on our radar as we change over to our 5G gear to upgrade that to be able to significantly increase the speed and the coverage. So it will potentially be a real asset in terms of improving broadband coverage in rural areas, short of getting to the \$7 billion solution that the minister mentioned.

And then of course on top of that, we also have a fibre solution. And again you'll be familiar with the fact that since 2012 we have embarked on a program of installing fibre. First it was in the nine major centres. We have since expanded that to many bedroom communities, then to some of the smaller communities. And you may know that just last year we announced a \$50 million program to expand it to a further 20 communities. These communities keep getting smaller and smaller, and as you'll appreciate, it's more and more difficult to put a business case together for that.

And then just this spring, with the minister's assistance, we have announced another 50 million, bringing the total rural broadband program to \$100 million whereby we will install fibre over the course of the next two years to approximately 42 of the smaller communities around the province, so a huge step forward. And then we will continue to look at other communities where we can find appropriate solutions to improve the coverage.

Then as part of that initiative, we also undertook an RFI [request for information] program, which was a request for information from potential suppliers to either become vendors to SaskTel, contractors to SaskTel to actually build the network, to allow us to build some of these out quicker, or to those vendors that wanted to build and operate their own network. And if they were

interested in building and operating their own network, SaskTel would commit to give them a two-year hiatus where SaskTel would commit not to compete, not to build, so just to give them enough of an assurance that they could potentially get in as a first goer and maybe get their feet on the ground and establish it.

Again this was an attempt to see, are there other ways that we can help build out the province and improve high-speed internet deeper and deeper into some of our rural communities, recognizing that we have capacity restraints and that some of these folks can potentially do it cheaper than SaskTel can do it. So we're right in the middle of evaluating those submissions. That just closed a couple weeks ago. And we will work with those that submitted applications to build and operate, to see if there is a model that would work kind of in tandem with what we do.

Now there's nothing that stops anybody from going to build. We have lots of internet service providers in the province that simply go build a province without any assurances. The benefit of this program is that if they wanted to work with us and coordinate with us, they would stay out of the communities that we've already committed to build in, and in exchange they could build in communities with the assurance that we wouldn't go there for a couple of years, so that type of an approach.

Hon. Mr. Morgan: — I would add two other things to that. As they go through the build-out, they will use to the extent they can, SaskTel workers, but there's no doubt they will have to use some external contract workers to do some of the installations.

The other point I would make is the demand for bandwidth has increased and continues to increase. The CEO talked about the 50/10, which at one time was regarded as sort of the gold standard. But if you have 50/10 into your house and you do a speed test, you won't find 50/10 there anymore because you'll find out, oh well, someone in the basement is watching Netflix, somebody else is being a gamer, there are three other people that are net surfing, so all of a sudden you're getting 12/2 or something far less.

So as the demand increases, the goal of SaskTel has to be to try and increase to meet the demand. And I think that's a great thing. But it really poses an additional challenge to them because if they've advertised, talked about it being 50/10, and then people go out and do the installation and find out that it's significantly less. So I think that's their goal is to try and work to continue to do that.

Mr. Burnett: — The last technology that I didn't spend much time on is the mobile network itself. And it's available to 99 per cent of the population of the province. We recognize that in some areas the service from that is either unacceptable or not available. And so as part of the \$107 million Wireless Saskatchewan initiative, we did put up an additional 89 macro towers. Those are the large 300-metre towers that you see out in the community. They'll cover a radius of about 18 square miles. So those aren't intended for just small communities and they are about \$1 million a tower.

[14:00]

In addition to that, we also put up another 105 of what we called

small towers. They were 100-metre . . . 100-foot towers and they are located in some of the very small communities that we thought had the poorest service. Those towers will reach a radius of about 6 kilometres. So they not only help the community itself but anybody who lives within a 6-kilometre radius. So through that program, we will have significantly . . . And by the way, if you happen to go into any of those communities and talk to the residents, they are receiving super-fast speeds. So I think they're very happy with those small towers.

So through the \$107 million program — which, by the way, has come to an end this year where the last tower is just being erected — we, I believe, have significantly improved the coverage. And as the minister mentioned, that takes us to about 1,000 towers, cell towers in the province. The next closest provider that has cell towers here is Rogers, and they'd be roughly 260 towers in the province, just by way of comparison.

So those are the kinds of things that we have on the go for improving high speed in the province. And certainly we are, over the next couple years, very focused on continuing to expand and improve that service.

Mr. Wotherspoon: — I appreciate all the efforts and the fulsome update as well. The 100-foot towers, the smaller ones that are being deployed, what's the cost of those ones to be installed?

Mr. Burnett: — They're about \$120,000 a tower.

Mr. Wotherspoon: — Now that tower, that doesn't replace the desire or plan to get fibre there or does it?

Mr. Burnett: — It doesn't. These communities are likely communities that were even smaller than the ones that we have chosen to bring fibre to. So the criteria for fibre was size, the nature of the businesses there, the uptake of the existing services — those kinds of things. I suspect that the communities that these are in are probably even further down in terms of population.

Mr. Wotherspoon: — So what are the characteristics required to be prioritized for fibre right now?

Mr. Burnett: — Just as I mentioned. So we would look at size, traffic. We look at the history in terms of whether they're hitting capacity, what the residents are subscribing for. So as I mentioned, today we offer 50/10 in many of these communities. Depending on the demographics in the community, the community is subscribing for 50/10, the maximum they can get, which suggests to us that they're pushing up against the maximum that they can get. Or small percentages are, in which case, you know, our view is if it's an older town, it may not be that interested in whether they could get a gigabit versus the 10 megabits that they're getting today if they're not even interested in the 50.

And we also take a look at whether or not there are businesses in the community, you know, kind of the needs of the community to the extent that we can, if there are competitors that are already offering those types of services in the community. So there's a number of those types of factors that we try to look at.

Mr. Wotherspoon: — No, I appreciate that. So the size and then the volume of data that's required is sort of the . . . you know,

creates that threshold. I won't understand how much, like if you quantify how much data, you know. Could you point almost to, you know, what a community looks like or what that average population might be of a community that would be a priority then or be eligible for the fibre?

Mr. Burnett: — So I'd say the most recent communities that we have approved for the last tranche would include communities such as Birch Hills. So that's a community of about 1,000 people. It would include Shaunavon, those types of communities. By and large we are at the point where we're talking about communities right around a 1,000-ish for population and looking downwards. So pretty much most of the communities, unless there's some exception, that have larger populations will already be in our plan and we are trying to get well below that.

Mr. Wotherspoon: — So is there a goal then? Right now you're making sure you're kind of connecting these communities of 1,000. I don't know how many outstanding communities there'd be sort of in that, you know, category. And then what's next? Like, what's the next threshold? Is it then connecting communities that are 750 or 500 or . . .

Mr. Burnett: — Yeah, I would say it's not. There isn't a goal based on population. It will be, you know, what would it take to, say, get the next 25 communities going, and who are they? What does the business case look like for those? We would then work with the shareholder to make sure that our board and our shareholder understands the financial implications of taking those on because typically these are driven more by social policy than they are a strong bottom line. In fact many of them are not profit . . . are not a positive business case.

Mr. Wotherspoon: — That's why this work is so important. It is one of the reasons, recognizing that when you're connecting a community of 1,000, that there's not the return by way of the revenues that are coming back to the people of, you know, all of the Crown.

I think it's why it's one of those things that the dividend — and I'll leave this more to the minister — that the dividend is something that should be addressed right now. Because if in fact we value this, you know, connectivity all across Saskatchewan — in our rural communities, in our northern communities, we're a vast province — it, I think, is only appropriate that it's carried forward and capitalized as a provincial project.

But further than that, the folks like the federal government, you know, could play an important role here. And I hear of some of the dollars. I think I've seen \$7 billion dedicated towards rural connectivity, and I don't know how those dollars are accessed. I would hope and assume that SaskTel is fully able to access all of those dollars.

And I guess I would just seek a bit of an update as to what federal dollars are being accessed. Are we being treated fairly on that front? And you know, yeah, how are we doing in proportion to other provinces? I mean SaskTel as a Crown is actually a pretty invaluable tool for the federal government to decide to, you know, invest because we can really deliver that value for people.

Mr. Burnett: — Yeah, well thank you for the question. There are a couple federal funds that are available right now to fund a

development project. Starting with the Canadian Broadband Fund — it's a CRTC broadband fund — that fund is in itself funded by the large telecommunications providers. So we put money into it as does Bell, Telus, Rogers, and it constitutes a fund of about \$750 million. The CRTC then manages the distribution of that fund for projects, worthy projects that we all then in turn subscribe for.

We have 10 applications before the CRTC for projects under that fund, and we have not yet received any word. Now I understand that they have thousands of applications, and it may well be simply a matter of getting through those applications, but funding has gone out from that fund to other provinces. I can only tell you that thus far, our 10 applications have not received any funding.

Then there is a Universal Broadband Fund, kind of a duplicate fund. This one, though, is funded by the federal government. It was initially funded to the tune of \$1.75 billion. They have since committed to adding additional money, I believe, over time. So exactly where that fund's at, I'm not sure. Large portions of that fund were kind of predetermined to go to, say, Telesat. I think 600 million of that fund was committed to go to Telesat.

Another large chunk, maybe 150 to 200 million, was committed to go to shovel-ready projects. And then there was the balance of the fund which is available for normal projects. And again we have 11 projects there so we've submitted the same 10 plus an additional . . . actually nine of the original 10 and two additional projects. And again we're awaiting word as to whether or not any of those will be approved.

Hon. Mr. Morgan: — Right now these things are I think held up because of the federal election. But so far it's been somewhat of a disappointment that they've either been turned down or there's been no response. Because they're professionals at it; they're well-prepared applications. And we've seen similar applications in other jurisdictions that have been accepted. So hopefully as they get down to work through it that some of the applications are there. We know that other carriers, I think one other carrier has had an application accepted for some portions of northern Saskatchewan, so we're glad to see this.

SaskTel purchases spectrum for their southern network from CRTC and every year makes a large investment through the spectrum auction. And it's only appropriate that some of that money should find its way back into the province. So we are going to continue to keep pressure on the federal government and try and connect with the appropriate minister, whoever it turns out to be after the election and see who it is. Maybe it'll be prime minister Singh and we'll ask for a meeting.

Mr. Wotherspoon: — I won't ask the minister if he has a lawn sign for him or not. But I will just identify that those are really important dollars for us to be accessing and just thank you so much to SaskTel for repping Sask's interests in rightfully gaining our share of those federal dollars. And certainly I think we could speak with a united voice out of this Assembly that those dollars are deserved by Saskatchewan people and that frankly, if you look at the value of SaskTel and how those dollars can be leveraged and what they can do to connect, how meaningful they can be from a rural ec dev perspective, from a safety perspective, from connecting, you know, enabling technologies through agriculture and everything else. These are important dollars and

that's made real possible because of that Crown corporation, SaskTel.

So this is an important file, and I would actually urge the minister to, you know, remain, you know, ready to be deployed in a constructive and effective way as the Crown may identify. And he needs to know that he has a willing partner in the opposition to, you know, make sure that we're making that case to Ottawa. I was pleased to see those dollars dedicated towards these ends, but we need to make sure that they're advancing the interests of Saskatchewan at this point in time. So thank you for that.

Hon. Mr. Morgan: — I couldn't agree with the member more on the importance of those dollars and anything that any of us can do to try and push the federal government to do this. I don't know what the outcome of the federal government is, and pardon my humour on that, but I think it's a disappointment that it has not yet happened. It has happened in other jurisdictions, other provinces. And we intend to call the federal government out on it as soon as the election's over, urge them to get back to work, process the applications, and look favourably on what is taking place in this province.

So we do have, as the member opposite points, remote areas that are very much in need of it. I think I've got one of your relatives that lives along the Hanson Lake Road that I of course recognize the last name on it. And that's one of the areas that we want to get to. I suspect that may be one of your questions — not wanting to anticipate. But we know that there are areas that need to be covered, and we look to the federal government to pay their share and in fact pay back some of the money that they've received through the spectrum auctions.

Mr. Wotherspoon: — Could the minister describe . . . And I'll just say that it's appreciated. Certainly the folks out on the Hanson Lake Road and communities like Whiteswan Lake will appreciate that they're being identified. But ultimately what they want to know is what's the plan for, you know, connectivity. But I appreciate that.

Could the minister just describe what undertakings he's taken on with respect to the federal government and these dollars?

Hon. Mr. Morgan: — We've written letters in support of the applications that are being made by SaskTel. We'll continue to do that. And for the benefit of your relatives, we know — and in absolute fairness, setting aside politics — that is an area of the province we would very much like to be able to provide coverage to. And in the event that we don't get funding from the federal government, it would be at or near the top of the list for SaskTel.

[14:15]

Mr. Wotherspoon: — The folks certainly . . . You know, you're mentioning one community. There's many like it . . .

Hon. Mr. Morgan: — All along the entire length of road.

Mr. Wotherspoon: — And I think that's the big thing is the communication . . .

Hon. Mr. Morgan: — Absolutely.

Mr. Wotherspoon: — And you know, the plan towards when folks can, you know, be connected is valued.

Just moving up the . . . Well not going up the Hanson Lake Road, now going straight up the middle to the tri-communities of La Ronge, Lac La Ronge Indian Band, and Air Ronge, I wouldn't be giving justice to this file or to my good friend the member for Cumberland if I didn't bring forward, as he's asked, for me to follow up on what he describes as inadequate connectivity for those communities.

One of the cases he really makes is that you're not dealing with, you know, the population of just one community. You're dealing with three different communities that need to be looked at as a region. And as well if you look at Air Ronge, La Ronge, Lac La Ronge Indian Band and the, you know, the neighbouring communities there, it's a real hub of service and support and economic opportunities for the North. So maybe an update on that front.

I know my good friend, who I don't think you'll find a harder working MLA than the member for Cumberland, he's a terrible fisher. Not good at fishing at all. But he's an incredible MLA, and I know he's pushing hard to, you know, address what he says is inadequate service.

Hon. Mr. Morgan: — Thanks for raising it on his behalf. And the comments you make about the member, in spite of my banter with him in the House, he's a good person and means well.

Mr. Burnett: — First I apologize for just stepping away there for a second, but I just went to talk to our legal counsel who really is in charge of these files, just to make sure we weren't somehow jeopardizing the applications in front of the federal government by naming the locations, and there is some sensitivity around that.

So if I could answer your next question without talking about whether they are or aren't the subject of an application for funding, I can tell you that they do suffer from the same problem that many of the communities along that area do, and that is a lack of backbone, a lack of transport capacity to both get the signal to them and to bring it back down. And they are all on our roadmap of areas that we recognize that we need to address with kind of a similar solution.

It all starts with getting the appropriate backbone in place, and then that allows us to branch off and put up the cell towers and get in the data services. So without the backbone you really can't provide adequate cell service except through a microwave shot, which has lots of limitations. And so I don't know if it answers the question to tell you we recognize La Ronge, Air Ronge, all of the locations that you mentioned, as having inadequate service. And we do have a plan for them, if we can move some of the pieces on the board.

Mr. Wotherspoon: — That's appreciated. We talked a bit about the prioritization around fibre deployment, and I understand there's over 400 communities that aren't connected to fibre. And what I'm hearing is that there's some different approaches in some of these situations based on size and economics, but a recognition that everyone deserves connectivity.

With respect to the smaller tower program, the 100-foot program, now I understand that that's coming to an end here right now. It seems like it's been a successful program. Is there a plan being put in place to advance another tranche of that program? And if you could describe just a little bit . . .

We've talked about who sort of, you know, is currently eligible based on prioritization on the fibre side around population and whatnot. Could you describe a little bit more, what sort of communities, population size, are we talking about for this other program? And if you're also able to give a few examples of those. It always helps illuminate things when, you know, when you identify that, oh it's Shaunavon or, you know, as you did in the other response.

Hon. Mr. Morgan: — Mr. Chair, we received comments from the legal counsel on not commenting too much about which communities may be under the applications for the federal grant, so we'll be cautious on those remarks.

If there's one thing that I agree with everybody in this room, is you can't have enough lawyers and you can't take enough advice from lawyers. You may or may not know: other lawyer right there.

A Member: — Don't hold that against me.

A Member: — That's a good lawyer.

Hon. Mr. Morgan: — I thought your father-in-law was a lawyer.

In any event, the member had asked about the usage of the small towers in small communities. It's a business decision and a practical decision what the best type of tower for a given area is, and that will depend on terrain, the size of the community, how close around the base of the tower the community might be, or how much they'd be spread out.

To do a tower, either a small one or a large one, requires sufficient land for the footprint of the tower and the structure on the base, as well as a power line going to it. So there has to be electrification plus the ability to get the fibre to the tower. So the small towers work quite well to supplement areas in and around cities and in some smaller centres. But I'll certainly let Mr. Burnett give a greater detail on it.

As we would travel along new areas of Saskatchewan where we have not yet been, likely the first path would be try and cover as much distance as you can, because you're trying to cover a highway so the larger towers, the million-dollar-plus towers, would be the ones that we'd use, would give the best coverage to try and move across an area.

Now, what they've done is they've used phases for a number of the communities that are there, and they are working on phase 4, which will add about another 24 or 25 communities. The province has directed they spend an additional \$50 million, which was not initially budgeted but that was the direction to come up with them, and may look at more as they go forward. But that, certainly, that's there.

So I'm going to let Mr. Burnett answer which are in phase 2 and which are in phase 3. Phase 3 is the current one that is being done

for '21-22. Some of those communities will be already done. Some of them will be done some time in the future.

But to answer more specifically the question about La Ronge, it's on the list and has been announced. I don't think it's under construction yet, but it's there. And I asked specifically whether that would cover all three of the communities that are there, and they're going to look at it and see that it does. I think you've been up there and know the Lac La Ronge Indian Band is immediately adjacent to the town of La Ronge, and Air Ronge is sort of across and just down. So anyway, I'll let Mr. Burnett indicate which are the communities.

Mr. Burnett: — Okay, great. Thank you, Minister. Yeah, so the small towers, so there isn't a program as such. The minister's given you the logic for that. But they really will now fall into our normal work projects. So to the extent that we identify a location, that will simply occur outside of a project. Not that we won't use that technology, because it's been successful, but you shouldn't anticipate that there's going to be a large program around it that we're working on.

As the minister said, the fibre installs phase 1 has been completely announced. Phase 2, I can list the communities for you if you'd like. And these are the communities that will be done, in all likelihood this year, '21-22.

[14:30]

So that includes Kindersley, Lloydminster, Meadow Lake, and Rosetown. So those four will be done this year. And then phase 3 is a much larger phase and it will include, I think, some 23 communities. These should be done by the end of 2023 and would include the communities of Canora, Carlyle — I thought there'd be a smile over there — Esterhazy, Fort Qu'Appelle, Hudson Bay, Indian Head, Kamsack, La Ronge, Lumsden, Maple Creek, Moosomin, Shaunavon, Watrous, Wynyrd. And that looks like that covers it.

So those are the locations that will be done by 2023. And then there are another 24 locations which is this last tranche that has been announced, but the locations themselves have not been made public yet.

Mr. Wotherspoon: — Well thank you. Thank you for that. I thought I saw a couple smiling faces around with my colleagues here, some of those communities that were identified.

With respect to connectivity on First Nations, it seems to me I saw, I believe it was a federal scan that at least the characterization — I have the report; I can pull it out — but it showed that in that scan, that connectivity on First Nations is very low in Saskatchewan relative to other provinces. Certainly First Nations communities, you know, deserve and need access to the internet, you know, and cellular coverage as well.

And it's important again for all these reasons. It's sort of an essential service. It's important for quality of life and safety and security, and it's important for economic opportunities. So I guess I'd appreciate a bit of an update as to why it appears that we're so far behind other jurisdictions, other provinces with respect to connecting First Nations, and you know, what efforts are being undertaken to address that.

Mr. Burnett: — First of all, I am not aware that we are behind other provinces. In fact I think Saskatchewan is second, maybe third to two maritime provinces in terms of driving fibre or broadband into rural locations including First Nations, and that we lead the rest of the country in that regard.

But I can tell you that First Nations are significantly underserved even in our province. And the difficulty is that the residences tend to be very far apart, making it very difficult to serve with a technology that we can do kind of cost efficiently. They are on our radar, and we have included them in many of the programs that we have here. Some of them are relatively large. And so it is an area of focus for us, and it's absolutely a deficiency, I think, across Canada.

Mr. Wotherspoon: — I appreciate that and I appreciate the response as well. And I only want to characterize the accurate situation. And so I understand sometimes how you measure these things can cause maybe some challenge in what you're comparing. And certainly First Nations in Saskatchewan are distributed across the province, and maybe in other jurisdictions there's larger, greater populations that are being served.

But I would just maybe leave by way of record as something to be reviewed then. Because when I read this report, it was a cause for concern as I looked at the graph portraying Saskatchewan. It's the communications monitoring report by the Government of Canada, and it was put out fairly recently through, I guess, the CRTC. And it's the LTE [long-term evolution] and broadband availability.

And within that, the graph, table 4.3, which it says is measuring this 50/10 access — the megabytes per second — really doesn't have Saskatchewan stacking up well in the way it's characterized relative to other provinces. And so I'll leave it with you. It might be the 50/10 measurement, but it has Saskatchewan at 1.7 per cent for First Nations reserves. And even next door in Alberta it has them at 19.6 in that same . . . or places like British Columbia at 68.3.

So I'm not sure. I present this . . . If you do have a response that helps us understand this disparity, that's good. I've heard that it's a priority for SaskTel itself, and I think that's really important. But I reference it for your folks as well, and maybe the minister or someone has some context on this report.

Mr. Burnett: — If it's the report that I'm thinking of, I think you'll find that Saskatchewan's data is a year older than the rest of the survey group. And over the course of the last year, SaskTel has pushed 50/10 out to approximately, I think, it's 65 per cent of the communities. So that has pushed us up on that measurement, I think as I mentioned, to third, second only to the two maritime provinces. So it was almost comparing apples with oranges in that it was, say, comparing 2019 data from Saskatchewan with 2020 data from the rest the sample group.

Mr. Wotherspoon: — No, appreciate it.

Hon. Mr. Morgan: — Mr. Chair, I'm wondering whether we might ask the member if he might provide us with a copy of the report or at least the cover so we know for sure what it is so we're able to follow up. But thank him for raising it.

Mr. Wotherspoon: — You bet. Thanks, Minister. It's being sent your way. So you've described the different technologies and programs for the various regions and characteristics of Saskatchewan. There's other technologies that we hear about. You know, we hear about Starlink, as an example.

And you know, I guess my question would be, how does something like Starlink get assessed from a perspective as a province or from SaskTel's perspective? And you know, is it a complementary, you know, program that can help assist certain situations that, you know, receive connectivity that SaskTel can't provide? Is it a threat from a commercial or economic perspective? Has the minister met with Musk on these matters, and you know, discussed if there's a fit or in fact if it's not a fit at all? I know, I think, there's some subscription in the program within the province as we speak.

Hon. Mr. Morgan: — Mr. Chair, the member has raised a lot of potential comments about Starlink, and the simple answer is yes to all. In some parts of the province, Starlink is a good fit, a good add-on. Then there's areas of the province where it would not be possible or practical to get fibre to or much of a good coverage for, and in those situations, Starlink is a good thing. And SaskTel is monitoring that closely and has a number of employees that they've asked to subscribe to Starlink so that they're aware of how effective, or what the problems are or are not with Starlink. And then there are areas where there's denser population, where there's other coverage, and in those cases Starlink would be a direct competitor.

I haven't watched it myself, but I'm told it opens in a box, much like an Apple product — I don't know if you've seen it — and is easy to install. You apparently use your phone to connect and whatever, and it finds the satellites or finds where the satellites are travelling across. So in the situations where SaskTel already has coverage, it's certainly a competitive option that's there.

But for other areas of the province, and I made reference to the \$7.2 billion, there's certainly some of those situations where we would probably want to regard that as being a companion service that will enable our Saskatchewan citizens to be able to find acceptable coverage. So I'll let Mr. Burnett add whatever he wishes.

Mr. Burnett: — No, I think the minister's described it very well. It's in a beta test mode today, so it's a little difficult to assess what it will really function like when it's loaded right up. When we talk to our engineers they think that, you know, today's speeds — which I think can be easily 120 megabits per second, which is a pretty good speed — may have to come down, just because ultimately this signal does have to be beamed up and down to an earth station, which has some bottlenecks. And that apparently can't be overcome.

So it is a perfect solution. 7.2 billion for us to get fibre to the farms, it is just not viable. At least, I don't see a road to that. But if Starlink is able to provide 100-megabit service to the individual farm, that would certainly alleviate lots of problems. It is a competitor for us, even in that instance. But it's also, I think, really a dovetailed solution that dovetails well with what we need to do to improve service in deep rural areas.

Where it starts to become more of a competitor might be as you

get closer to some of the more inhabited areas: larger groups of people, larger gatherings of farms, or small, small communities that are currently being served by that Fusion technology that I mentioned earlier that's at 10 megabits per second. Well if this service is still providing service at 100 megabits per second, it will be very competitive to that service.

I did mention that that will be upgraded as we move towards 5G, but in the meantime that's probably where the most competition truly starts to hit. I think when you get to the communities, very much less so of a competitor. There fibre, copper, and 5G will likely outperform the LEO [low earth orbit] satellites. So that's kind of the spectrum of how we see it, and there's still a lot unknown in terms of how it'll function when it's finally in commercial mode.

Mr. Wotherspoon: — No, thanks for that information. Seeking a bit of an update as to, sometimes I hear within the agricultural community and the rural community that one of the challenges is that we have, you know, such sophisticated technology that's now incorporated into the tractors and the combines and all the implements, and it all lends itself to more sustainable agriculture as well, and you know, precision agriculture. But one of the challenges, of course, is connectivity and so it's, you know, germane to this conversation.

But I hear from some — and I'm just wondering what assessment there is on this front — that the RTK [real-time kinematic] technology is a technology that works for all the technology that's being deployed in agriculture. And that's a positioning system that apparently is quite an affordable system to establish and a rather simple technology, this real-time kinematic, RTK, that allows folks to utilize, you know, these big investments but to deploy the technology that they can. Right now a lot of folks have technology on their tractor or their combine or their sprayer that they can't currently utilize due to connectivity.

Folks I chat with on this front, some of them suggest that one way that the Crown could really be helpful on this front is enabling some of the infrastructure, maybe towers, to be able to work with a group of producers in a region who then kind of pool together and collectively, you know, bear the cost but are given some significant value by being able to utilize that infrastructure that's there. I'm just interested on these fronts. Is this something that's being explored, you know, by SaskTel? And do you have any analysis on these fronts?

[14:45]

Hon. Mr. Morgan: — There's been some meetings that have taken place with SARM [Saskatchewan Association of Rural Municipalities] and with some individual groups and with APAS [Agricultural Producers Association of Saskatchewan].

And the point you make about individual producers needing to have bandwidth or access to the technology in a field or in a remote area is incredibly important to that individual. They've made an investment sometimes of millions of dollars, and they need to have access to bandwidth for operation of that equipment. I mentioned at the outset, you know, that to do all of the residences in the province would be some \$7.2 billion. If they were going to try and do every field in the province, you can imagine how much exponentially more it is.

So I think the point you raised is something that SaskTel has worked with and is going to continue to work with, is the different producer groups. And if you have somebody that you want to refer to us by way of casework, be glad to meet with them. SaskTel has gone into smaller communities where they've said, okay, it does not warrant us to do fibre or to do a Fusion, but if the community wants to bear the cost of it, we'll bear this and we'll provide financing for it. So I think the same would hold true for a consumer group or a group of farmers or even one or two small farmers that could benefit from having either a tower or some kind of a data link, some kind of a connection. So I appreciate the point, and I know SaskTel has had discussions and will continue to have more.

Mr. Wotherspoon: — No, I appreciate that. And just to be clear, my understanding of this RTK is it's a more simple kind of positioning device, sort of just a basic transmitter. So certainly connectivity is important from a data perspective, but this is separate and apart from that. And these folks are saying that in fact you could use a cell phone tower and have these simple transmitters that would then be able to be deployed actually very efficiently by the producers within the region.

One of the challenges they suggest right now is that folks . . . Like a big farm, you know, is able to do this on their own. They'll put up a tower and they'll put up the device, the transmitters, and they can run this system which is . . . But it's hard, you know, if you're . . . Well if you look at any RM [rural municipality] map or many farms, there's many different sizes and you might have land here and some up a ways over, and so they would suggest that there's an opportunity to maybe use some of the infrastructure that's already there. They would suggest that there's a way to maybe go about it that doesn't really come at a cost to SaskTel and that there's a very efficient tool that could support the technologies that are being deployed in agriculture. So I appreciate the interest and would urge that follow-up.

With respect to the . . . Of course over the last number of years many security concerns have been identified with respect to Huawei, and there's been a lot of analysis and there's been recommendations. We know that SaskTel went down the road of entering into some contractual relationships with Huawei for certain technology. What I'm interested in, I guess as a first question, is what's been the total expenditure with Huawei to date? And what expenditure exists in the two annual reports that are under consideration here today, either directly to Huawei or indirectly through a third party?

Hon. Mr. Morgan: — Yeah. I'll say this. It's somewhat deceptive because the existing Huawei equipment is 4G equipment. The decision was made that Huawei equipment should not be in the 5G towers or in the core network, has not been nor will it be. So the existing 4G equipment exists in Saskatoon and Regina. It will be redeployed to other areas of the province that are not suitable to have 5G coverage. You may or may not be aware 5G signals do not travel very far. They're largely intended for densely populated areas. So I think I'll be able to give you the amount of expenditure on Huawei.

The other one will be the expenditure on Samsung because the Samsung equipment is significantly more expensive than the Huawei equipment. And we are aware of the security risks that there are with Huawei. I think I'd point out, you know, that over

a past number of years we used to have a superb trading relationship with China. Large amounts of our agricultural products, canola, and livestock went to China every year. Literally billions of dollars went every year. And we were purchasing Huawei equipment from them, which was a high-quality product, worked well, and they were a good partner in providing support.

Given what's taken place with Meng Wanzhou and with the two Michaels, it's a situation that is untenable for us to maintain that relationship. And we made the rather difficult decision that we were not going to go further with Huawei, and made that decision before we started to integrate whatever was going to take place with 5G. So I'll let Mr. . . . or Charlene, whoever's going to answer the question as to what money has been spent on Huawei, and then you may . . . if you've got some projections available for Samsung.

Mr. Burnett: — Yeah, absolutely. Thanks, Minister. Well let me start out by saying we estimate that, probably over a long period of time — we've had a fairly lengthy relationship with Huawei, I think, since about 2010 — that we probably today have about 200 to \$220 million worth of Huawei equipment in our radio access network. That's not to suggest that we are going to salvage \$220 million worth.

As the minister indicated, two things are going to happen here. It's going to take us probably five-plus years to transition to a 5G network and to transition to Samsung equipment. And in the meantime, Huawei equipment will stay on these towers, and it will become obsolete, as it would in the normal course of things. So much of that equipment will have spent its full life, its full financial life, and would not, should not be considered as part of this 220 million.

Also some of that equipment, as we put up Samsung equipment, will then be moved, as the minister mentioned, to other locations that could benefit from newer, higher capacity type of equipment. So as we build out Regina and Saskatoon, which will be the first areas to receive 5G, that equipment tends to be the newest and strongest equipment. We'll move that deeper and deeper into rural locations and redeploy it, and it will continue then to serve out its useful life.

And so we anticipate that one way or another, we probably would incur almost the full expense of putting up these 5G radios, simply because equipment does tend to need to be replaced about every seven years. So it's not a real black-and-white answer where I could tell you \$220 million worth of Huawei equipment is going to be salvaged and we're going to have to replace it.

The minister did mention that the Samsung equipment is more expensive than the Huawei equipment to put up, and that's very true. The Samsung equipment is also much more powerful, so where we needed two Huawei radios, we will need one Samsung radio. And so when you factor in that, it really almost is a wash. In many instances, two of the old Huawei radios are more expensive than the one Samsung radio to replace it. And in other instances, it's just slightly the other way around. So the actual equipment that's going to go back up, although more expensive, probably requires less and is almost probably a wash.

The biggest cost for us to do this change is actually the labour of

climbing the pole and taking the equipment down and putting it . . . That in itself is about a \$70,000 touch per tower. And again, we probably wouldn't incur the full \$70,000 if you were just going up to supplement a Huawei radio. So a portion, probably the majority of that 70,000, is as a result of our decision to go to Samsung versus sticking with Huawei.

So it's kind of a . . . It's a very convoluted thing to try and work your way through to say, well how much is it going to cost us to actually go to Samsung? Much of that equipment will be redeployed and used right to the full end of its life. There will be some additional cost over the next five years of having to actually take down some Huawei equipment and put up some Sam. That's probably the primary cost, the primary additional cost.

Mr. Wotherspoon: — Appreciate the update and the minister's response. And I know the minister will know full well that we've pushed, you know, the concerns around security with respect to Huawei for some time, making sure they were paramount in the decisions being made within our province and protecting our network. I know I had it described to me by one security expert that you're not paying more for these other competitors' products. You're actually paying for the price of a secure network. You're paying for, you know, integrity and confidence that you can count on.

With respect to the security itself, you know, because I hear that there's going to be continued utilization of some of the infrastructure, some of the technology that's been acquired. And I don't understand, you know, the implications on the network. Something that we've called for over a number of years, and I'm sure there's been due diligence done by SaskTel, but what do you have by way of, you know, analysis and assessment of the security risks of the current technology that's integrated within the SaskTel network?

Hon. Mr. Morgan: — I think it's generally known throughout the industry, as the world sort of was making the difficult decision of what to do with 5G, the US carriers that had used Huawei and the European carriers all took the same position. There was not a risk with 4G because of how the data was handled. 5G is where the potential risk was. So far as we know, there's not been a breach anywhere, but who knows what's happened that we don't know about? But the engineering staff within SaskTel have always taken the position that there is not a security risk to use 4G equipment. And 4G equipment from Huawei is used globally.

So the issue is that it's not being accepted to use for 5G equipment. And I think there might be some places in the UK [United Kingdom] that decided to use it in any event, but we made the decision here that it was not appropriate to take the chance.

The Chair: — We seem to, I believe, have reached our allotted time. I'll now ask a member to move that we conclude consideration of the 2019-2020, 2020-21 SaskTel annual reports; the Saskatchewan Telecommunications financial statements for the years ending March 31st, 2020 and March 31st, 2021; the Saskatchewan Telecommunications International Inc. financial statements for the years ending March 31st, 2020 and March 31st, 2021; DirectWest Corporation financial statements for the years ending March 31st, 2020 and March 31st, 2021; SecurTek

Monitoring Solutions Inc. financial statements for the years ending March 31st, 2020 and March 31st, 2021; and Saskatchewan Telecommunications Pension Plan annual reports and financial statements for the years ending March 31st, 2020 and March 31st, 2021. Do I have a mover?

Mr. Terry Jenson has moved that we conclude the consideration. Is that agreed?

Some Hon. Members: — Agreed.

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

Hon. Mr. Morgan: — Thank you, Mr. Chair. I would like to take this opportunity to thank you and the committee members. In spite of some of the strong words that take place, it is a good learning experience for members of the public that watch. So I want to thank the committee for the information that was there. I would like to as well thank the Legislative Assembly Services, Hansard, building security, and the building staff for the work that they do to make these meetings take place.

And then today I would specifically like to thank the SaskTel officials that are here today, and the SaskTel workers that work all year round to make sure that we've got reliable service and, in particular, would like to mention the great workers of Unifor who have gone out, sometimes in adverse conditions, to make sure that signals continue to operate and to go out and change batteries and cell phones during power outages, etc. So we know that that is not always the easiest or most pleasant task, and we thank them for that.

[15:00]

The Chair: — Thank you, Minister. Mr. Wotherspoon, do you have any closing comments?

Mr. Wotherspoon: — Sure. Yeah, just thanks so much. Thanks to the minister for most of the exchange, his pleasant disposition for 90 per cent of the exchange, and his time here today. Thank you so much to Mr. Burnett and all the leadership of SaskTel, all the workers across the province that are a part of such an incredible company that means so much to the people of the province. So thanks for the time here today.

The Chair: — Thank you. We'll now take a short recess and bring the officials in from CIC.

[The committee recessed for a period of time.]

Crown Investments Corporation of Saskatchewan

The Chair: — Welcome to the officials from CIC. We're going to start with the consideration of the Provincial Auditor's 2018 report volume 2, chapter 34, Gradworks Inc., achieving intern development program goals. Ms. Clemett, please make your presentation to this chapter.

Ms. Clemett: — So thank you, Chair, Deputy Chair, committee members, Minister, and government officials. Before I present the chapter on the agenda, I would like to thank the president and CEO of CIC and his staff for their co-operation extended to us

during our audit work.

So chapter 34 in our 2018 report volume 2 outlines four recommendations we initially made in our 2015 audit of Gradworks Incorporated's processes to achieve intern development program goals. Gradworks was a non-profit organization established by CIC and was responsible for the Gradworks intern development program. The intern development program provided recent post-secondary graduates with employment experience through paid internships with CIC, CIC Crown corporations, and their subsidiaries. Due to CIC discontinuing the intern program in 2017 and formally dissolving Gradworks on March 31st, 2018, we determined the four recommendations we originally made in the 2015 audit are no longer relevant. This concludes my presentation.

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

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'm pleased to be here for the Standing Committee on Crown and Central Agencies to speak to a number of Crown Investments Corporation's report. With me this afternoon to assist in answering your questions are senior officials from Crown Investments Corporation: Mr. Kent Campbell, president and CEO; Ms. Cindy Ogilvie, vice-president, chief financial officer; Mr. Brian Gyoerick, vice-president of corporate services; and Mr. Travis Massier, corporate controller; as well as my chief of staff, Jared Dunlop.

On the agenda for consideration today is the Provincial Auditor's 2018 report volume 2, chapter 34; the 2019-20 and '20-21 Crown Investments Corporation annual reports — this includes the consolidated financial statements for the Crown sector and the separate statements for CIC; the CIC Asset Management Inc. financial statements for the years ended March 31st, 2020 and March 31st, 2021; the First Nations and Métis Fund Inc. financial statements for the years ending March 31st, 2020 and March 31st, 2021; the Saskatchewan Immigrant Investor Fund Inc. financial statements for the years ended March 31st, 2020 and March 31st, 2021; the Capital Pension Plan annual reports for the years ended March 31st, 2020 and March 31st, 2021; as well as the 2019-20 payee disclosure report.

[15:15]

Mr. Chair, CIC oversees the Crown sector, ensuring strong governance, performance, and accountability. It provides advice, direction, and oversight to the sector through the Crown sector strategic priorities which are developed to align with the government's priorities. Saskatchewan's Crown corporations produce strong results year after year with excellent customer service, affordable and safe utilities, cost-effective insurance programs, fostering innovative tech start-ups, and offering first-class entertainment opportunities.

Financial results for 2019-20 and 2020-21 continued to be strong. Results for 2019-20 were net earnings of \$435.4 million, a contribution of \$350 million to the GRF, capital spending of \$1.3 billion, total Crown assets of \$20.6 billion, and a debt level of \$10.3 billion at year-end, a consolidated debt ratio of 61.1 per cent, and a consolidated return on equity of 7.6 per cent.

Results for 2020-21 were net earnings of \$585.4 million;

\$150 million paid to the General Revenue Fund, bringing the total paid to the GRF over the past five years to over \$1.1 billion; capital spending of \$1.2 billion. Crown assets total \$21 billion, with \$10.3 billion in debt at year-end, a consolidated debt ratio of 59.5 per cent, and a consolidated return on equity of 9.7 per cent.

These results were accomplished in years that had unprecedented challenge with the COVID pandemic and volatile markets. Not only has the Crown sector successfully managed through these challenges, but it continues to be part of the solution for Saskatchewan and its people. The Crown sector maintained operations and continued to provide critical services. The services provided by the Crowns are an integral part of day-to-day life here in this province and they also play a big part in the solution to stimulate the economy.

I indicated in July at the news conference for the tabling of the 2020-21 annual reports that equally as impressive as the financial results for sector are the social outcomes the Crowns achieved during the pandemic, which total \$639 million in support for residents and businesses.

These include \$51,000 for SOCO rent deferrals; \$45,000 for waiving charges for local recreational facilities by SaskWater; \$158,000 in Crown sector donations supporting Saskatchewan food banks and crisis agencies; \$8.7 million in waived data overage fees by SaskTel to support remote work and learning; \$8.4 million to provide temporary relief and waive charges for oilfield customers by SaskPower; \$752,065 in SGI and Sask Auto Fund waived transaction fees; \$74 million in deferred utility payments for the Crown utility interest waiver program; \$262 million for the economic recovery rebate which is a 10 per cent rebate on SaskPower bills; \$285 million in Sask Auto Fund rebates to vehicle owners.

The Crown sector will spend \$1.6 billion in 2020-21 to help stimulate the economy as part of the Building a Strong Saskatchewan plan, and over the next five years an average of \$1.5 billion per year is planned. This equates to a \$7.5 billion injection in the provincial economy that will build capacity and create jobs. With that, Mr. Chair, I thank you, and we are prepared to answer any questions.

The Chair: — Thank you, Minister. Do any members have any questions on the audit report? Mr. Wotherspoon.

Mr. Wotherspoon: — Just first off, I'd like to just welcome everybody that's here, all the officials that are here — President Campbell, CEO Campbell; the minister, of course; and our auditor, Auditor Clemett, for her presentation. And with respect to the Gradworks chapter, I understand that it's no longer relevant, so I don't have questions for the auditor with respect to that chapter.

You know, I guess the only point I'd put to the minister is Gradworks was a really good program, and it provided young people with a couple really important things. It provided them with an opportunity to have a job and to build skills and experience in the public sector and the Crown sector in the province. Certainly if we look at youth unemployment in Saskatchewan, it's a challenge for many, as is gaining some of that invaluable experience in these Crown corporations.

The program, of course, was wound down by your government a number of years ago. But I guess I would urge the minister, is there some consideration to building an internship program like Gradworks — call it something else if he likes — to ensure those opportunities for young people and those jobs across Saskatchewan?

Hon. Mr. Morgan: — Thank you to the member for the comment. The Gradworks program was put in place to try and discourage people from leaving the province, to try and indicate to young people that there were good job opportunities with our Crowns here. The current program right now is that we have the graduate retention program, and a number of other facilities that are through Advanced Education. The Gradworks program cost about \$3 million a year, but the Crowns today aren't facing the same issues. Young people are staying in the province, and they work at companies like Vendasta, Viterra, Nutrien, as well as our Crowns.

To the member's point specifically, our Crowns still hire summer students. This year we're expecting the Crowns to hire over 220 summer students. We want to build and continue to build an economic climate that people are inclined to and want to stay in the province. The specific need that was addressed by Gradworks is not one that's there now. But I think the member makes a good point that any program that promotes young people staying, gives them some educational opportunities is worth considering. So we'll pass it to CIC and ask them to see where it fits and what things we might do with regard to other programs. But thank you for raising it.

The Chair: — Thank you. With that, we'll move into the 2018 report volume 2, chapter 34 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. Derek Meyers has moved that we conclude the consideration of the 2018 report volume 2, chapter 34. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with our Acting Provincial Auditor and her team and office today.

Hon. Mr. Morgan: — Mr. Chair, I'd just take this opportunity to thank the Provincial Auditor for the work that's done by their office. This is the last time we'll see them during this round of meetings, and they've been in and out for the last couple of days. And I want to thank them for all of the work that they do by providing guidance and direction and in the collaborative manner in which it's provided. We're well served by their office and want to let them know that their work is respected, valued, and we thank them for that.

The Chair: — As the Chair I would also like to thank Ms. Clemett and your team for your services that you have provided with us over the last two days and over the last while to this committee. You're excused at this point, and thank you so much for your work.

The committee will be moving on to consider CIC's annual reports, including the 2019-2020, 2020-2021 Crown Investments Corp. annual reports; CIC Asset Management Inc. financial statements for the years ending March 31st, 2020, March 31st,

2021; First Nations and Métis Fund Inc. financial statements for the years ending March 31st, 2020 and March 31st, 2021; Saskatchewan Immigrant Investor Fund Inc. financial statements for the years ending March 31st, 2020 and March 31st, 2021; Capital pension annual reports for the years ending March 31st, 2020 and March 31st, 2021; and 2019-2020 Investment Corp. and subsidiary Crown payee disclosure reports.

With that, do any members have any questions on the CIC reports and financial statements? I recognize Mr. Wotherspoon.

Mr. Wotherspoon: — Sure. Well thank you, Mr. Chair. Thank you, Minister, and all the officials, of course. Just looping back to the line of questions that we started with in SaskTel with just a bit of follow-up to understand the role of CIC in the rebranding exercise that has now been thankfully halted or put on pause, as the minister's described. I just am interested in the involvement and the role of CIC on this undertaking.

Hon. Mr. Morgan: — I'll let Mr. Campbell answer the question. As I indicated initially, the process started with Sask Government Insurance, SGI, coming and wanting to go through a fairly extensive rebranding, and they'd done a significant amount of work. Then it turned out that both CIC was considering it as well as SGC. So then that led to further discussions at CIC and at Exec Council. We're asking, as I indicated this morning, where the benefits might be, where the benefits might not be. But with regard to the process, I'll certainly let Mr. Campbell answer whatever questions you may have.

Mr. Campbell: — Thank you, Minister. Maybe just to add to that, so the minister did mention that there was three corporations that were looking at some form of rebrand, and so the question arose as to whether we should look at a more broad commonality amongst the Crowns in terms of branding. And so CIC, as the holding company, we did do some initial work with the Crowns in terms of looking at what that might look like. So a bit of a coordinating role in that process.

Mr. Wotherspoon: — Thanks for that information. How much either internal resources . . . you know, how would you characterize the value of the internal resources that were dedicated to this project, and were there any other external resources or costs?

Mr. Campbell: — The costs of internal time around rebranding, it would have been existing, you know, marketing people looking at this. It's hard to quantify because it would be their existing jobs, and I think looking at branding is part of their job. And so whether it's looking at what a more common brand might look like or something unique to an individual Crown, we consider that to be part of their work. And so there was not engagement of third parties in that sense.

In the case of Crown Investments Corporation, we had sort of started a look at what a new logo might look like prior to that, and we did have a design developed at a cost of \$1,500. But that was certainly the incremental cost that I'm aware of.

[15:30]

Mr. Wotherspoon: — Well thank you for the update. I know we've followed up with the various Crowns and we're well on

the record with concern to the project, you know, undermining, potentially, the strong relationship that each of the brands of the respective Crowns have with their customers and recognizing the exceptional marketing teams that they have, and then just recognizing from a cost perspective how exorbitant this project would have been. You know, and certainly at this time or even at any time, that's a very serious undertaking, so we're glad to hear it's not going forward.

The only part that maybe we don't like as much is that we hear the word "pause." I really think things like marketing and branding need to be led by the individual Crowns. But I appreciate very much the response of the president and CEO.

Moving along a little bit to some of the other considerations that we have before us here today, I'm interested in knowing with respect to anything that's been described as equity repayment from Crown Investments Corporation of Saskatchewan for the respective annual reports. If that can be characterized and described to us, that's appreciated.

Mr. Campbell: — Maybe I'll have Cindy Ogilvie, our CFO, answer that question.

Ms. Ogilvie: — Thank you. Cindy Ogilvie. I think we usually have to provide our names. Cindy Ogilvie, vice-president and CFO at CIC. So sorry, Mr. Wotherspoon, can you provide just exactly what you're wanting? Is it the amounts, why they're provided? If you can just detail your question a bit more.

Mr. Wotherspoon: — Yeah, well appreciated. So just if you can describe or list the equity repayment from Crown Investment Corporation, from CIC, if in these two annual reports and then describe the purpose of why those are being made.

Ms. Ogilvie: — I'll give you the purpose and then I'll have Travis provide me with the exact numbers. Purpose of equity repayments, they're typically from time to time. They're not an annual event that would occur. We book for dividends usually on an annual basis based on the Crown's capacity to pay.

Equity repayments are unique and infrequent events based on the capacity of the Crowns. Typically it would be after the sale of an asset, so they've got some cash freed up. Or perhaps their capital has decreased, their need for capital has decreased, and they've got some cash availability there and they're able to provide a repayment of the government's investment in them back to the government. So the Crowns were set up many, many, many years ago with equity investments into them, so those are still there today and they're just repaying those.

And Travis can provide the exact amounts.

Mr. Massier: — Travis Massier, corporate controller of Crown Investments Corporation. CIC paid no equity payments to the GRF in 2020-21. They made a \$100 million equity repayment in 2019-20. Thanks.

Mr. Wotherspoon: — And so the two reports that we have before us, there was none in the one fiscal year. In the other one, it was \$119 million.

Mr. Massier: — One hundred million exactly.

Mr. Wotherspoon: — One hundred million. And which Crown does that involve? Can you describe it a bit more?

Ms. Ogilvie: — So for the 100 million in 2019-20, we would have taken some . . . I believe there was 34 million that came in from SaskPower, and then CIC would have had some cash capacity from other events over the years where we had cash that had built up, and the rest came from CIC.

Mr. Wotherspoon: — And this year, is it \$200 million this year? Is that correct?

Ms. Ogilvie: — That's what's in the budget, yes.

Mr. Wotherspoon: — And where are those dollars coming from this year?

Ms. Ogilvie: — It'll be coming from a few of the Crowns based on what their capacity is, and that will change throughout the year. So we're not quite sure exactly where that will be at this point until we get closer to year-end. We have targeted the larger Crowns that have capacity based on where we were at when the budgets were developed, which was last fall. So you know, the year has played out differently than what you would have forecast at the time, so we'll see what their abilities are as the year moves on.

Mr. Wotherspoon: — So that's the larger Crowns. Could you be a little more specific as far as maybe the targets, if possible?

Ms. Ogilvie: — Sure, that's SaskPower. Yes, SaskPower, SaskTel, SaskEnergy, and then CIC as well.

Mr. Wotherspoon: — And what sort of allocations were you aiming for?

Ms. Ogilvie: — There was 50 million from SaskEnergy, 25 million from SaskTel, and 75 million from SaskPower. And the balance, 50 million from CIC.

Mr. Wotherspoon: — And what's the anticipated impact to those respective Crowns this year as a result of that allocation?

Ms. Ogilvie: — So that's taking us beyond what the annual report is, getting into the budget for the next year.

Mr. Wotherspoon: — That's fine, yeah. That's a good response. I'm watching for my member across the way there to point out. No, I appreciate the response. The one challenging piece that we sometimes have, Mr. Minister, is that with respect to oversight for our Crowns, that we don't have the same, you know, we don't have the same estimates time — typically, right? — to discuss these things. I can certainly send a note through your way to seek clarity on these fronts. Because I do understand that it's the two previous annual reports, but unlike other budget lines where you're able to sit down with the minister, you're able to talk about what's anticipated and the impacts. So anyways, I appreciate very much the information that you've provided. Thank you very much.

I understand that CIC's balanced scorecard includes a performance assessment by the CIC board which is conducted through a survey of all board members. And I understand this

survey provides important feedback to CIC on the quality and effectiveness of CIC services to the board. I guess in the spirit of openness and transparency, is the minister able to . . . Is that public? Is the minister able to provide a copy of that, of the previous year's assessment?

Hon. Mr. Morgan: — I think I would largely regard it as an internal document. And I think it's asking the individual board members whether they feel the information they're receiving in the board packages are received in a timely manner. Is the information complete and accurate? Are there other things that they wish to see provided? Are they getting their questions asked if they have questions prior to the meetings? And what other . . . [inaudible] . . . The survey is not a document that's going to take hours to do. I think there was about a 20-minute suggested time allotment for it.

I spent maybe a little bit more time on it (a) because I signed it, so I wanted to be somewhat more responsible. Others may have chosen to put it in anonymously, which was a way they could do it, but I thought I wanted them to know the concerns that I had. And you know, my preference is I'd rather have things on the iPad than in this — but you'd probably be the same — and just sort of how the things are there.

By and large the officials at CIC, I think, do a good job of getting the information ready, getting it to the board members. But I think the questionnaire was a method of feedback, probably to affirm what they likely already knew, because I think if anybody was dissatisfied, they would have spoken up. So with that, I think it was for the most part a good exercise to go through.

Mr. Campbell: — Maybe I could just add to that, Minister. You know, the CIC board is in effect, I mean, it's all ministers and elected members. It's like a cabinet subcommittee. And so that's sort of a confidential feedback mechanism we have for them, just to make sure that we're, like the minister said, hitting, meeting their expectations.

Mr. Wotherspoon: — Did they have any opinion on the minister? We'll move along to the other . . . Are there any pieces that you're able to glean as sort of anything that brought light to something, that you're able to share that you're acting upon?

Hon. Mr. Morgan: — I think it was largely operational on, you know, what information should be provided . . . [inaudible] . . . And I'll leave it to Mr. Campbell to say whether he thinks that things are totally . . . that my comments are of any benefit whatsoever. But I'd like to think that the comments were read and that we can make the material useful in a different kind of format other than paper. With respect to the accounting profession, they have a great propensity for paper, and I don't. I prefer an iPad that's got tabs on it and work my way through it.

So that was the one thing that came out. And we usually have meetings early in the week and I always like to have the information on the Friday before so I'm able to spend time on the weekend with it. But I wouldn't say there was anything earth-shattering as far as doing business fundamentally different. If there is some significant issues I would usually pick up the phone and feel free to bother the CEO at his home on the weekend.

Mr. Campbell: — In our most recent survey there was one comment about us having an excellent Chair. So that was one verbatim comment I can share. A lot of it did relate to, you know, the quality of the analysis, which was appreciated. Overall quite high ratings, I would say, for the work that we provide.

But one of the things we're very interested in learning from them is, what's the best way to get you information to make the decisions that you need to make, because there's a lot of things happening across the Crown sector, right? And these are very busy people who have a number of other committee duties and many of whom are ministers. And so making sure that they . . . we're getting them the right information at the right time in the right form.

Mr. Wotherspoon: — Thanks for that. I also think we have an excellent Chair of this committee here this afternoon, Mr. Chair.

The Chair: — Thank you.

Mr. Wotherspoon: — With respect to the Crown portfolio, and over the years canvassed in these two annual reports, has there been any initiatives or meetings or considerations that would include sort of equity investments or sell-offs or privatizations of the parts of those Crown holdings?

Hon. Mr. Morgan: — No. We want to reassure the people of the province that there's no hidden agenda, hidden plan. I don't want to be part of any of those discussions to try and divest or anything else. The goal, and what we're pushing the boards of all of the Crowns, is look for efficiencies and best ways to provide service to the citizens of the province.

So we have a Crown collaboration committee that is made up of the CEOs of the different Crowns, and they're working together to try and find better things. And I think I used the example before where SaskPower, SaskEnergy use a common line-locate service, and then how they would go into a new area to do subdivisions and a variety of things where they share information in a more timely manner.

We've asked them to take it a step further and to work with the ministries as well — for example, the Ministry of the Environment — as to how they move forward with small modular reactors. So we have sort of a joint approach from all across government, from SaskPower as well as the Environment and Exec Council, so that everybody knows what we're asking for from the feds and that we're able to hopefully move that forward as expeditiously as we can over the next number of years. So we've got people that are working in SaskPower that are doing it. We have some people that are working within CIC that are wanting to do it, as well as people . . . So that's the type of thing that we've encouraged them to work on and work for.

We also regard the CIC board as a social utility mandate. Initially I think there was a sense on the part of all of the Crowns, their role or their responsibility was to produce as much profit as they can. And I'm certainly a profit-oriented person. But some of the things that were going forward were things that we felt there needed to be a slightly different direction on them, and one of the ones were some of the things that we talked about previously today.

And we said okay, you may not be able to pay as much of a dividend. It may affect your debt/equity ratio, but we want you to do so many hundred more cell phone towers. We want you to develop strategies for rural internet. We've said to SaskPower, we want you to find ways to improve the infrastructure so we have fewer power outages. We want you to find best practices for maintaining the continuity of supplies, as well as work with the other entities across government to try and develop good strategies for meeting our energy targets, as well as trying to be efficient and be able to continue to provide power and maintain some of the lowest prices in Canada.

[15:45]

Mr. Wotherspoon: — Thanks. So there's no contemplation in these last few years, no meetings, no consideration of privatization or an equity stake or a sell-off of Crowns, sort of as we've seen with ISC [Information Services Corporation of Saskatchewan] or with STC [Saskatchewan Transportation Company] or the meetings, of course, with SGI and SaskTel.

Hon. Mr. Morgan: — ISC is not . . . You know, we have a minority stake in it, so whatever happens at ISC, we have little or no control of ISC. The Crowns that we've dealt with over the last two days, they're not for sale. You know, we look at strategic partnerships with regard to SOCO and the universities, but the utility ones, those are owned by the people of this province. They're not going anywhere.

Mr. Wotherspoon: — So setting aside ISC, what about any other Crowns or treasury board Crowns? Any contemplations or actions on this front?

Hon. Mr. Morgan: — Not that I'm aware of. This is my file. My other file is Workers' Compensation and Labour, and I'm not selling off my relationship with Sask Federation of Labour. It has ups and downs, and right now it's working pretty well. There's some great folks there that I acknowledge and respect and regard as friends.

Mr. Wotherspoon: — Shout-out to President Jobb and the good folks over there at the fed, for sure. Good common-sense leaders in the province.

With respect to CIC's annual report, it references a dividend policy. We've already talked a bit about concerns on dividends from a Crown like SaskTel at this time. I think the same can be applied to SaskPower on different fronts. These are Crowns that are essential to the people of the province. Different situations for both, and that can be applied across the, you know, to each of the specific Crowns. But I'd appreciate an explanation of the dividend policy of CIC.

Hon. Mr. Morgan: — CIC gets a recommendation, or a recommendation comes to the board from CIC based on what they feel the Crown's cash needs might be over the next year, what the cash position is at any particular time, what the debt/equity ratio of that particular Crown is, and a dividend is recommended. And then those are reviewed on an ongoing basis because of potential changes during the year.

This last year, so with COVID things have changed, sometimes for the better, sometimes for the worse. But as you're aware,

SaskGaming Corporation had no revenue and we had to backfill for a period of time. So those are the type of things that you would change the dividend policy as you're going along, so it's relatively fluid. I don't know if Mr. Campbell wants to add anything, but it's based on the recommendations that come forward from the Crowns.

I know that they have some discussions with the Ministry of Finance because, as you're aware, we're now in a situation where we have summary financial accounting processes, so a dollar of debt at a Crown is a dollar of debt for the province. You know, we're essentially one large entity. So we try and be mindful of the effect of what those things might happen.

The two things we don't have any control over are market conditions and that affects the approximately billion dollars in each of the Saskatchewan Auto Fund and *The Workers' Compensation Act*. You know, a market correction there can mean upwards or downwards of several hundred millions of dollars in a matter of days. Fortunately in our time in government, any time we've had one of those corrections, within a matter of months afterwards it's not only rebounded but gained significant ground after that.

You know, I remember the 2009 crash. I was away at the time and I was phoning back, you know, twice or three times a day. What's happening? Where are we with this? What are the risks here? What are the risks there? And I'm really pleased to say that we had good officials in the Crown sectors, good officials at WCB [Workers' Compensation Board], auto insurance fund, as well as the regulatory agency which was at that time Financial and Consumer Affairs Authority. And those people were working with credit unions, working with everybody else to make sure that we were in a good province to weather what was at that time regarded as an unprecedented storm.

So anyway those are some of the factors that would go into establishing a dividend policy. And given that it's taxpayer dollars and not our dollars — this is money that's owned by the citizens of the province — I think we want to be cautious and very mindful of the fact that a pensioner that's living on a limited income, seeing what's happened with their investments, they want to know that the investments that they have are wisely and carefully administered, that when dividends are paid that the dividends go out for what they would regard as uses they would expect. As in SaskPower's case replacing aging infrastructure or in Sask Government Insurance paying a rebate or a refund to people that have paid it in the first place.

Mr. Campbell: — And maybe just to add to that, Minister, certainly the board's direction to us is that they want, you know, long-term, sustainable, financially viable Crowns. And so when you look at things like the dividend policy, you look at that in . . . we look at it in relation, in part, to what the industry metrics are in terms of things like debt ratios, right? What do other companies in those industries pay and how much debt do they have? And that helps inform the process too.

And then how much capital needs to be reinvested into that business for renewal? And are we investing enough on the capital side? And so we're in regular conversations with the Crown CFOs around what those appropriate levels are. And then like the minister said, we then liaise with the board in terms of what the

appropriate targets are. So maybe I'll leave it at that unless, Cindy, there's anything else that I missed in that.

Ms. Ogilvie: — Dividends flow out after you've made all of your other investment decisions, so you invest in your capital first. You look at the industry benchmarks and what a healthy, sustainable debt ratio is and ensure that you've managed your debt appropriately, and then they flow out afterwards based on the capacity after those two things. And you look, you know, into the future, as the minister said, to see what the needs are over the next three years.

Hon. Mr. Morgan: — Cindy does a remarkably good job of looking after the . . . [inaudible] . . . has been there for a long time. Some of her less inspired decisions were, she urged one of her sons living in Ontario to purchase a Tesla and to drive out here when it was 40 below, in a Tesla. With each successive charge, the range of the Tesla went down and down and down until it eventually had to get trailered to Calgary for new batteries.

Mr. Wotherspoon: — I hope he was able to come through at least without an additional fee being added on by the minister as he came through.

Hon. Mr. Morgan: — Interestingly, when they were done repairing the batteries in Calgary, they put it on a flatbed to return it to the owner. So he's staying with his mother in Lumsden, waiting for the car to . . . It doesn't come, doesn't come. He checks. They had returned it to his address in Thunder Bay. Or no, Toronto?

Ms. Ogilvie: — They found it in Thunder Bay. . . [inaudible].

Hon. Mr. Morgan: — So maybe it was to avoid that fee.

Mr. Wotherspoon: — I appreciate the information. It's pretty fluid in a way, or at least it seems to be that way, and kind of subjective, which is hard to kind of define exactly what that policy is. I appreciate that, you know, the explanation around sort of the capital program and the undertakings and that this is after that.

But certainly I think you're . . . you do see a trend, certainly, of debt-to-capital ratios within many of our Crowns, you know, pushing the kind of a pinch point at those upper thresholds. And certainly we do know that the demand is significant in places like SaskPower to renew that power generation and that grid. And ultimately it comes at a cost to Saskatchewan people. And we talked before about SaskTel itself. And when we talk about something like connectivity, it really is more of a provincial project when we look what it's all about.

And just to counter just a little bit of what the minister said about debt, and I understand summary financials very well, whether it's a dollar that's on the Crowns or it's a dollar over on the GRF, it's being added up to the total. But it is a different situation as to who's going to be paying that off. And if you look at a project like connectivity, just as an example in SaskTel, of course the cost is borne by ratepayers.

And that's a different situation than, you know, the debt carried by the province of Saskatchewan and the many different

contributing lines to advance a project like that. And the risk, if you're not careful in a project like that, and if you're taking I think too much of a dividend, or maybe it's not appropriate to be taking a dividend right now to advance a project like that, is that you'd hate to ever price SaskTel out of, you know, a competitive situation in certain markets. And so it's, I think, something important to observe. I am interested when the policy would have last been reviewed, the dividend policy.

Ms. Ogilvie: — So we generally review all of the major subsidiary policies annually, just to ensure that they're still relevant. This was last updated, any changes to it were done in 2020. March of 2020? Yeah. The policy is available online on CIC's website, and I think the date would be right on there as well.

Hon. Mr. Morgan: — The point I would make, I think it's right for you to raise the issue of dividends and the ability of the Crowns to pay dividends versus reinvest money. And I appreciate you making that point.

Infrastructure needs will continue on, and I would not want to ever see that the requirement to pay a dividend would make it not possible to maintain or complete infrastructure, things that are there. And in some cases, we've certainly provided additional funds to the Crown corporation from the GRF so that it didn't impact their debt/equity ratio. So I think we always want to be mindful of what that is. And I'm going to let Mr. Campbell give some particulars as to what it is or what it has been.

But a point you make is something that I think all of us want to watch is making sure that (a) dividends continue to flow, because those provide services for our citizens, but secondly that we ensure that the Crowns remain well capitalized and that the debt does not become . . . [inaudible].

Mr. Campbell: — The only other thing I would add, Minister, is obviously we track things like debt ratios for each of the individual Crowns and we track that sector-wide as well. And so on page 49 of the 2020-21 annual report, you'll see the consolidated debt ratios for the sector overall. And it tracks it for the last five years, and you can see it's actually quite stable. So for as a sector in '16-17, debt ratio was 62.7 per cent. It's 59.5 per cent as of '20-21. And so, you know, over the last five years, debt has increased by just over 1.2 billion, but that corresponds with asset increases of just about 2.9 billion. And so you've seen a lot of what is incremental debt being invested into capital and the ratio has actually been quite stable overall.

Mr. Wotherspoon: — Thanks so much. Has there been any undertakings to review the dividend policy approach by any external authorities?

Hon. Mr. Morgan: — The CIC has got internal accountants, and there is an external accountant — I think it's KPMG — that we meet with at least quarterly. And they provide commentary on the financial affairs of CIC as well as the dividend approach that's being taken. They meet in camera with the board Chair, and then meet in camera with the board itself so that they're able to answer whatever questions are put forward by board members and they express opinions as to what should or should not happen. And for the most part they've, as far as I . . . since my time I've been there, they've been supportive of the direction and

the advice that's been given to the CIC board by the officials there.

[16:00]

Mr. Wotherspoon: — Thanks for the information on those fronts. What's the external investment policy of CIC at this time?

Mr. Campbell: — Do you mean in terms of investments outside of the . . .

Mr. Wotherspoon: — External to Saskatchewan.

Mr. Campbell: — I see. Well really the big unique . . . Obviously, out-of-province investment always gets lots of scrutiny. I think, you know, where you've seen more latitude on that would be in relation to SGI and SGI Canada. As an insurance company, of course, you want to have a diversified risk pool, and so that's where you've really seen the growth outside of Saskatchewan is with SGI Canada, who now has, you know, a fair presence in Ontario, BC [British Columbia], and Manitoba and Alberta. And so from my perspective, that's really where there has been the external growth. But I'll see if my officials have anything additional to add.

Ms. Ogilvie: — The only other one I would add to that is SaskTel also has the ability to invest through its SecurTek. They have customers out-of-province. Otherwise there's been generally, I guess, restrictions on moving out of the province, focusing here and making sure we're supporting the economy in Saskatchewan.

Mr. Campbell: — Yeah. Certainly those types of initiatives would come to the CIC board first for any discussion.

Mr. Wotherspoon: — Well I think it's important for these entities to be as viable as possible, and when there's something in our economic interest as a province and for the ratepayers to have their interests advanced, it should be pursued when there's solid economic ground. So certainly expansions, as we've discussed in SGI, make sense.

The government came years ago, I think shortly after your government came into office actually, there was sort of this announcement that, you know, it was not going to be advancing investment outside Saskatchewan in the Crowns. And this, you know, any of that always has to be done in an incredibly prudent way and making sure that the benefit is derived for Saskatchewan people. Would the minister say that he's softened his . . . What was that? The point seemed to be a fairly hard-line view that there wouldn't be investment placed outside of Saskatchewan, and to the detriment of Saskatchewan people, if you're not able to pursue good, economic, viable opportunities that are going to return benefit. Would you see this as a departure from that policy? That policy's maybe evolved. And then is it sort of assessed on a one-off basis if there's an opportunity presented in the Crown sector?

Hon. Mr. Morgan: — I think the goal of the Crowns should be to serve the people of the province and provide services to the people of the province. We're becoming more of a global or more of a national entity as a province, so it's appropriate to have some things that take place across different provincial jurisdictions.

SaskTel acquired SecurTek, which had been a private entity before, purchased it. And the monitoring station happened to be in Manitoba. So rather than say, oh well, we're not going to do business in Manitoba, what are you going to do with the Manitoba accounts? It was a prudent decision just to carry on and let them do that and let them grow out and expand for that. And I'm one of their customers, and it seems to work fairly well other than for the times that I drive away without closing the garage door. But it's a good service and provides a good service to all of the citizens that are customers.

SGI has got Coachman Insurance in Ontario, and if you were to put the question to their CEO, the response would be to the effect that it spreads risk, that if we have a catastrophic event in our province by way of a major, major hailstorm, that wouldn't exist in Ontario and we would be able to get a balancing or a trade-off on rates. So I think you used the word "evolved." I think maybe just better defined. I don't think it was ever that there would never be any business out of province. We certainly have got SaskTel and SGI now carrying on business in a number of jurisdictions, and we're supportive of the directions that they go to. And I think CIC is mindful that we're not letting them expand to an area where risk is . . . [inaudible].

I mentioned earlier that the people of this province are cautious by nature. And if somebody else wants to build a mega-company, leave it to the Jeff Bezoses of the world to do those kind of things. I think here we want to take a cautious, careful approach where the Crowns continue to be focused on looking after the customers and looking after seeing to it that we get a reasonable dividend every year.

Mr. Wotherspoon: — No, I appreciate the response. I think that the very simple approach that was, you know, taken on by your government to not allow for that risk to be diversified or for economic benefits to be brought back to Saskatchewan people, was a short-sighted approach. So you know, I'm thankful that we have some examples of good, viable commercial operations that are bringing benefits back to Saskatchewan people. And those decisions should ultimately always be made in the best interests of, you know, of Saskatchewan people and bringing the benefit back.

With respect to the previous CEO of CIC, to the minister, why did he depart?

Hon. Mr. Morgan: — It's a personnel matter and I wouldn't comment on it.

Mr. Wotherspoon: — Are you able to share at all any of the terms of the settlement?

Hon. Mr. Morgan: — No. Nothing that I would . . . Ultimately, you'll see what comes out when the appropriate payee disclosure . . . But at that point in time I won't have any comment on it.

Mr. Wotherspoon: — Like, a cash settlement, if that occurred, would be printed then in next year's annual report? Or in this annual report?

Mr. Campbell: — So that would show up in the payee disclosure report for this year.

Mr. Wotherspoon: — Not the one . . .

Mr. Campbell: — Sorry, not the one we're considering today, but the one that we issue . . . We issue a payee disclosure report each year for . . . That would be for '20-21 because it will cover the end of the fiscal year ended of March of 2021.

Mr. Wotherspoon: — So that'll be coming out in due time then?

Mr. Campbell: — Yeah, that'll be coming out over the next period of time.

Mr. Wotherspoon: — Right. Okay, is the government, Minister, is the government planning on centralizing purchasing for the Crowns through the central purchasing agency?

Hon. Mr. Morgan: — The Crowns have been asked to look at better ways to try and collaborate. Through executive government, there's been good services that were provided through Central Services. And the Crowns, I think, are looking at that type of a model where they would share some of those resources. I don't have any information as to where those discussions are, but those are the type of things that a Crown collaboration might lead to.

Mr. Wotherspoon: — Did your government contemplate this change through the 2020-21 fiscal year?

Hon. Mr. Morgan: — Which change?

Mr. Wotherspoon: — The change to a more central approach of procurement within the Crowns, where, you know . . .

Hon. Mr. Morgan: — I think those things are an ongoing process. I don't go to the Crown collaboration meetings, or not ordinarily. Those are operated by the CEOs, and they make their recommendations or come forward with different things that they've done out of them. And common buying would be an option, and I don't know at what level and for what items. You know, we'd look to them for some guidance and direction. We think those are some things that should come from the Crowns. But I don't have any information as to when it was first discussed.

Mr. Campbell: — Maybe just to expand on that, Minister, so the Crowns, the CIC Crowns at this point are not part of that centralization you're seeing over on the exec government side. I mean the government could make a decision, different decision in the future, but for now that's not part of it.

But the minister is correct in that through Crown collaboration, we're hoping to encourage the Crowns to collaborate in different ways in areas where they can do joint purchasing, as an example. But there's a whole other range of areas, and we're kind of hoping that the Crowns themselves will come forward with ideas in terms of whether there could either be cost savings through joint purchasing or efficiencies through working together or even areas where there might be not even cost savings at all, but service improvements to citizens or businesses through a more unified approach. And so that's sort of how we'd be handling those types of initiatives within the Crown sector at this point.

Mr. Wotherspoon: — I know our Crowns have, you know,

incredible expertise built out in procurement and, you know, have a lot invested in making sure that they have value within their operations. And I would urge, you know, I would urge a high level of caution in going about any sort of a controlling exercise on procurement with these Crowns, because I think the expertise and the relationships in those supply chains and everything else are that it just can't be underestimated, you know, what's invested in those Crowns. So I just would urge the minister to, you know, really make sure that the best interests of each of those respective Crowns are what's causing action around procurement policy.

Hon. Mr. Morgan: — Point well taken. I think we'll look to the CEOs for advice and direction. And it's good to see them working together, and it's good to see when a number of them come forward with a similar plan or a similar suggestion. So point well taken.

Mr. Wotherspoon: — Is there any policy around, and has there ever been a policy around a board of directors for respective Crowns? I know certainly that there's important competencies to, you know, ensure are in place. What about where someone resides? Has that ever been a factor or a component of a policy?

Hon. Mr. Morgan: — You know, as you're aware, the Crown boards are order-in-council appointments. They're usually done on a recommendation that would come from our office through CIC. And what we're looking for is appropriate skill sets so that each board would have somebody that might have had an accounting designation, possibly a legal background. Of course you can never have enough lawyers on a board. Sorry.

But we look for some of the appropriate skill sets and in some cases where it might be . . . one of the Crowns, there maybe somebody that's got an industry background. And then we look for a gender balance, and then we look for diversity, and we try and find people with an Indigenous background. As you're aware, the Chair of SaskPower is First Nations. So we have First Nations people on a number of the boards and we want to continue to grow that out. And then we look at where the parties live around the province so we've got a good geographic diversity.

So it makes it somewhat of a challenge to find people that fit all of the ticked boxes so that you can say every Crown has got this, every Crown has got that. When we formed government in 2007, we focused on expertise. A lot of the people that were there from 2007 have now termed out or asked to be replaced. And as that's happening, we're seeking a broader range of individuals to come onto the boards.

We've made it more or less of a policy that we expect the directors to live in the province. We've had, over the years, some that have moved out of the province. And then as those ones are terming out, we're looking for in-province people to fill the gaps. Not saying we wouldn't take somebody from out of province or keep somebody, but by and large we think those people are representing a Crown board, they should have the benefit of being Saskatchewanians to try and contribute to it.

[16:15]

Mr. Wotherspoon: — It's real important that the boards are

representative of Saskatchewan people, and you talk about the makeup on these fronts. It's certainly not been the case going back in time. With respect to the residing out of the province, how many board members of the various Crowns and Crown entities that we have right now that would reside outside of Saskatchewan.

Hon. Mr. Morgan: — I'm aware of two. Both were residents when they appointed and I think both are I believe living in Alberta. Do you know of any more?

Mr. Campbell: — I believe that's right. We'll confirm that though.

Mr. Wotherspoon: — When you're able to, that's good. What's happening with our Crowns with respect to ECG, the environment, social, and governance reporting?

Hon. Mr. Morgan: — ESG.

Mr. Wotherspoon: — ESG, sorry, yeah, ESG. Certainly I think SaskPower incorporates ESG into some of its planning. I think the question, you know, relates to many of the other Crown corporations, you know, SGI, SaskTel, others. How come that's not incorporated?

Hon. Mr. Morgan: — I think it's an increasingly emerging issue and it's something that over the next year might become a bigger factor for CIC. Primarily the Crowns are service vehicles, so the ones that you look at for what their ESG requirements are would likely be the customers. And I met with a number of the larger SaskPower customers. All of them have got a strong ESG focus. It comes not just from the individuals that we talked to, but from their board of directors as they are directed by their shareholders. So for them meeting requirements on energy, on what the CO₂ requirements might be or what the plans are going forward, and it varies from customer to customer, but all of them are putting that out front and centre as how they want to define their relationship with the utility providers.

So if you're a major mining company or something, they ask the questions, okay what can we tell our shareholders for where it's coming from? So those are increasing issues and will increase more over time. So the point that you're raising is there. A couple of our board members have suggested that that should be a greater focus for CIC itself, and I'm inclined to agree with it. I have not yet had discussions with CIC about it, but it's certainly something that is rapidly becoming an emerging issue.

Right now the focus that we have on it is the part on emissions and what we're going to do to deal with carbon tax and maintain the ability to provide power as we go into an area where the use of fossil power, fossil fuels is becoming increasingly limited and increasingly expensive. So I'm glad you raised it.

Mr. Campbell: — Maybe just add to that, Minister, I think it is really a rapidly developing area, as you've highlighted, and I think on the . . . It's an interesting question about how much commonality should there be across Crowns versus, say, particular to their sectors in terms of what's sort of leading edge. I would say as the Crown sector more generally, you know, we've been quite strong leaders in terms of a couple of those elements for sure around ESG.

And obviously just having Crown corporations with public policy mandates, there's a big social component there in terms of, you know, Indigenous business development, procurement policy, things like that. The spend we do on community development and events has always been a pretty prominent feature across the Crowns. If you look at governance, I think we continue to have pretty leading practices in relation to how our Crowns are governed.

And the minister mentioned about some of the criteria we look for in board members. And if you look at the diversity profile of our boards, you know, since 2017 women have composed anywhere between 46 and 54 per cent of our board members consistently over those five years. Indigenous representation has ranged anywhere between 9 and 11 per cent, and percentages in terms of visible minority, again between 8 and 10 per cent consistently for the last five years. And that's up from previous levels, and so it's something that I think certainly from those components we've been quite strong . . . the Crown sector's been quite strong leaders on.

Mr. Wotherspoon: — Thanks for all that information and as well about the . . . Like when you're putting reporting requirements in place and in governance pieces, that it is important to make sure that the respective industry that they're operating in, that you have to understand kind of where the rest of the players are as well.

It just seems that, you know, with respect to exposures to environmental risks, and you know, potential impacts of climate change, that if you're looking at entities like SGI Canada or the Auto Fund, or you know, SaskEnergy, SaskTel. I mean the list sort of goes on. But it just seems that this area of focus could be, you know, is likely very important if we're taking a long view of the best interests of Saskatchewan people as the owners of the Crowns.

I guess to the minister: is there any timeline to when your government or when the Crown sector would adopt ESG reporting for the Crowns?

Hon. Mr. Morgan: — I don't have a timeline. As you're aware, I've only had this file since, you know, less than a year. And as a result of the meetings that I've had with various customers, it's something that's becoming increasingly important to the customers and I think should be important to the board members. So Mr. Campbell has just returned from holidays, so it will be on his list to have some discussions. But I'm sorry I don't have a timeline I can give you, but it's important.

Mr. Wotherspoon: — A couple other areas to maybe cover or canvass just a little bit before our time will conclude here today. I appreciate that. With respect to the change in compensation for the Crown executives that were made this last year, were those changes brought to the respective boards before they were made?

Hon. Mr. Morgan: — No, it was not something that was driven by the boards. It was driven by CIC and by our office. And there was communication with the board Chairs shortly before and that would have been . . . this was a direction that was given.

Mr. Wotherspoon: — Did the boards express concern, sort of having maybe some of their duties overridden?

Hon. Mr. Morgan: — For the most part, not. I think one or two said, well is this not something that's our responsibility? And we said no, this is something that the CIC board has given a direction on and that's their right to do that. And we've worked through those issues.

Mr. Wotherspoon: — Have there been any legal undertakings or lawsuits or actions taken as a result of that change by anyone?

Hon. Mr. Morgan: — As a result through any of the board members?

Mr. Wotherspoon: — No. I guess maybe any other folks that might have impacted by the changes.

Hon. Mr. Morgan: — I'm not sure of the status, whether there's any . . . if you're talking about whether there any employees have left, I believe there may have been one or two, but I don't have any information on that.

Mr. Wotherspoon: — So one or two executives may have departed. Is that the . . .

Hon. Mr. Morgan: — I'm told, one.

Mr. Wotherspoon: — Okay. A bit more of, like, just a specific question here . . .

Hon. Mr. Morgan: — On that issue, every year when the pay disclosure went out, the salaries, the benefits, everything, are all disclosed in that. And when you look at what people in the province were typically earning, it was difficult to say to somebody that was a pensioner earning 40 or \$50,000 a year and would look at a Crown executive that was getting more by way of an entertainment allowance than they were earning for the entire year . . . And we felt it was appropriate that the Crown employees be compensated adequately, appropriately, and fairly. But some of the add-ons, some of the bonus features were something that was, we felt, not something that the citizens of the province would be comfortable with. So early on we made the decision that that was something we wanted to make a change on.

Mr. Wotherspoon: — Yeah, just a couple questions around process there and consistency, maybe in other areas of government as well. But a bit more of a specific question because we have quite a few, you know, different reports that are here today. So I'll drill down on a couple more specific ones from, in this case, the First Nations and Métis Fund and as it relates to the \$3 million investment made into MRL [Muskowekwan Resources Ltd.] in 2011. Do you know what the current values of the shares of Encanto are held at, what they were held at the end of March 2021, and what the loss on that investment would have been?

[16:30]

Hon. Mr. Morgan: — Mr. Chair, Travis Massier is going to provide some background on this one, and I apologize for taking this long, but both Mr. Campbell and myself are relatively new on this file, and it was before our time. So Travis has been around long enough that he'll be able to provide a bit of background and be able to provide the dollar figures that were being requested.

So I'll turn it over to him.

Mr. Massier: — So the First Nations and Métis Fund provided a loan of \$3 million to MRL, as you mentioned, Muskowekwan Resources Ltd. The value at March 31st, 2021, because they took that money and invested in Encanto Potash, is 170,520.

So when the initial investment was made, every year in the financial statements under accounting standards, you're required to look at the value, market value, and take those losses. So over time, all of those losses and potentially gains, if the price went up one year, would have been recorded in the financial statements. So cumulatively, since the investment was made, there's about a \$2.8 million loss.

Mr. Wotherspoon: — Thanks for that information. And what are the value of the Encanto shares? What can you report at this time?

Mr. Massier: — They were about 7 cents per share.

Mr. Wotherspoon: — Thanks. As it relates to the \$1.2 million investment made into Force Energy Services, is it fair to say that the fund has no intention of collecting on that investment at this time?

Ms. Ogilvie: — With respect of those investments, those are physical assets, and they're being held and will be liquidated at some point in time. And so we do intend to recover on those investments. The current value of those are about \$144,000.

Mr. Wotherspoon: — Yeah, thanks so much. I just noted that the note stated that there was no value that'll be recovered, so I appreciate hearing that there's some value that'll be recovered. Certainly there's significant losses in both cases here. Is there anything gleaned or learned from these investments or anything that would cause you to change practice moving forward?

Hon. Mr. Morgan: — I think with any investment, care and caution should be taken. The First Nations and Métis Fund was established in 2006 under the previous government to invest in First Nations or Métis owned businesses. We supported that and believe that that's something we ought to continue. I think one of the best things that we can do as part of truth and reconciliation is economic opportunities for First Nations people. Not all of them are going to be successful as with any investment portfolio, but I've got a quote, "The First Nations and Métis Fund is a welcome and much needed source of additional financial support for First Nations and Métis people and businesses in our province." And that was a quote from NDP [New Democratic Party] minister Maynard Sonntag, May 11th, 2006.

And as much as I may disagree with his political affiliation, I think I agree with this statement that those are the types of things that we want to continue to do, and I think with any tenders and investment that did not prove a success in the long run, you always look at it and say, well was the right criteria used, was it overly cautious? But with a portfolio like this, there's certainly some element of risk. And I'm glad that there was a number of successes and continue to be, and would encourage our officials to continue to work with the various tribal councils and individual bands for investment opportunities.

Mr. Wotherspoon: — Yes, certainly the aim is incredibly important, and making sure that it's structured in a way that allows the portfolio to be a success and extends opportunities is very important.

Moving along just a little bit to the Saskatchewan Immigrant Investor Fund, can you speak to the reports before us here today and those fiscal years with respect to losses of concern or speak more directly to concerns with the Immigrant Investor Fund?

Hon. Mr. Morgan: — The Immigrant Investor Fund was started 10 years ago, and the fund was a partnership with a federal program and the program was called Headstart on a Home program. And it was kind of a unique partnership between municipalities, builders, industrial organizations, and the province. There was 74 projects that were approved and funded in 19 communities across the province, \$480.1 million in construction activity. The benefit of the program has been to Saskatchewan families in the province. Ninety-one per cent of the Saskatchewan families that bought a Headstart home were actually first-time homebuyers.

So in that regard it's been a success. Not every project was a success, but the vast majority of them were successes. And I have a quote that I'd like to use from a person who I do actually regard as a really good friend, MLA David Forbes. And this is what he stated in *Hansard*, March 30th, 2010: "... I'll celebrate when the 1,000th family moves in" to a Headstart home.

Well right now 2,220 Headstart homes have been filled with Saskatchewan families so I'm looking forward to David Forbes's invitation for the celebration. And because we're now over 2,000, I'm expecting two celebrations. So David's a good person, but he owes me. They were programs that were intended to provide them. And there were certainly one or two of them that were not successful, but the vast majority of them did what they did. And when we see that the goal of the program was to provide homes and that we've now provided 2,220 homes when there was doubts whether it would make 1,000, I would regard that as something that the province should be regarding as a success.

Mr. Wotherspoon: — Thanks for the information. And what are the total losses cumulative to the end of this report?

Mr. Massier: — So if you go to the March 31st, 2021 financial statements on the statement of financial position, the total retained earnings in '20-21 is accumulative losses or gains. So we had about 788,000 positive retained earnings. However there were losses that occurred in one development throughout all the projects that the minister had mentioned.

Mr. Wotherspoon: — And what was the value of the losses with respect to that development?

Mr. Massier: — I'll have to dig through it. Just give me a second.

Hon. Mr. Morgan: — Travis will have the dollar figure. It was an apartment complex in P.A. [Prince Albert] where the builder defaulted part way through, and there was a completion loss to the project.

Mr. Massier: — So the total losses for that project were about

\$9.5 million.

Mr. Wotherspoon: — Thanks for that information. And at this point, as I look through my notes here, I think we've canvassed most of the areas that I wanted to seek answers on here. So I don't have any further questions, Chair.

The Chair: — Thank you. Seeing no further questions and that we've reached our allotted time, I will now ask a member to move that we conclude the consideration of the 2019-20, the 2020-21 Crown Investments Corp. of Saskatchewan annual reports; CIC Asset Management Inc. financial statements for the years ending March 31st, 2020, March 31st, 2021; First Nations and Métis Fund Inc. financial statements for the years ending March 31st, 2020, March 31st, 2021; Saskatchewan Immigrant Investor Fund Inc. financial statements for the years ending March 31st, 2020, and March 31, 2021; Capital Pension Plan annual reports for the years ending March 31st, 2020, and March 31st, 2021; and the 2019-20 Crown Investments Corp. and Crown Subsidiaries payee disclosure report. Do I have a mover?

Mr. Daryl Harrison has moved to conclude the consideration of the annual reports for CIC. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business for today. Minister, do you have any final comments?

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'd like to thank you and the committee's members for their deliberation over the last two days. I'd like to use this opportunity to thank the building staff, the Hansard staff, the building security, Legislative Assembly staff, and in particular, the folks from Crown Investments Corporation that are here today, not just for the work they did in preparing for today, which I think is a significant amount of work, but also for the work that they've done throughout the year to look after the affairs of the province.

Mr. Speaker, I know that this is Stacey's last day in committee, so I want to wish her well in her future endeavours. I know that she will miss the great humour supplied by Trent Wotherspoon and myself. So to you, we wish you well in the future and apologize for having to put up with us.

The Chair: — Thank you, Minister. I'll recognize Mr. Wotherspoon for closing comments.

Mr. Wotherspoon: — Thanks so much, Mr. Chair. Thanks, committee members. Thanks to the minister for his time, and thank you to President Campbell and all the officials of CIC and all the important work that you're involved in, all of those across the Crown sector that are involved in doing the good work for the people of Saskatchewan and providing us a whole lot of value and benefits. So thank you very much.

And thanks to all those other folks that make this place operate. But very specifically, it's a real . . . well it's with sadness to say goodbye to Stacey Ursulescu from this Assembly. She's served here for 12 years, since 2009. I've known her long before that. She's a remarkable person, and she's supported all of us in this Assembly and its work so well over so many years. We wish you and Shawn all the best in the years to come and many, many

happy adventures.

The Chair: — Thank you. And before we do close out, I would also like to thank you, Minister Morgan, and your staff, Mr. Campbell, CIC, and the officials for all the hard work you do and being here today, and the various Crowns that have been here the last two days and their officials for all their hard work and presentation over the last few days. Thank you to Ms. Clemett and her audit staff over the last two days of their presentations.

And also I'd like to thank all my committee members on both sides for two long, hard days of work. I thank you for all that you guys do. Thank you to Hansard and the staff in the building.

And finally, a special thank you to Stacey Ursulescu. You know, I've had this position for a little under a year, and she's been here for 12 years. And for her to keep me on track as a Chair she must be one heck of a person, because I'm usually pretty hard to control. But I know this is her last week, and I'm glad we got this in and, just to show her efficiency over the last 12 years, I think we're caught right up on this CCA [Crown and Central Agencies] committee. And I just want to wish her the best in the future and we'll certainly miss you, and if you're ever out this way, please stop by. Thank you.

With that, I will ask a member to move a motion to adjourn. Mr. Jenson. Terry Jenson has moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned to the call of the Chair. Thank you.

[The committee adjourned at 16:45.]