

**Saskatchewan Power Corporation**

**The Chair:** — Good morning, everyone. Thank you all very, very much for your punctuality and your cooperation. It's nice to see a full house so early in the morning. We will now commence our review of the 1994 and 1995 SaskPower annual reports. Is that agreed? Okay. We'll review both concurrently. Thank you.

I would welcome Minister Lautermilch and ask him to introduce his officials and make a brief overview statement. After that I will ask Rupert James from Ernst & Young to make a comment on the annual reports and then ask the provincial auditors to also make a comment. Then we will throw it open to questions from the members to the auditors, and after that to questions to the minister and his officials.

**Hon. Mr. Lautermilch:** — Thank you very much, Madam Chair. I'd like to introduce the officials who are with me here today. To my right is John R. Messer, president and chief executive officer; to his right, Tony Harras, vice-president and general manager of system operations and decision support; to my left, Ken Christensen, the vice-president of finance; around the corner, Kevin Mahoney, the vice president and general manager of customer services; and Judith Fox, who is the executive coordinator in the president's office.

I'm going to attempt to make my remarks brief. This has been a very busy couple of years for SaskPower. There's been a lot happening, as you will know, in the utility industry and so I'm going to try and make my remarks as brief as I can.

I'm going to concentrate in my remarks on the necessity for planning and implementation of the renewed focus in '94 and '95, and specifically I will review the importance of the corporation to the economy and the people of Saskatchewan, to the communities that they operate in, the importance of the corporation being prepared for the new business environment that it's embarking upon, and the industry's leading role that . . . and the leading role that SaskPower is playing in change management.

I'm going to begin with the economic role and just give a little description of the corporation. It's the second largest corporation in the province. The corporation has assets of 3.2 billion, which makes it the 47th largest corporation in Canada in terms of assets.

The asset portfolio represents just under half of that held by the province's Crown sector as a whole. It's larger than SaskTel, larger than SaskEnergy and SGI (Saskatchewan Government Insurance) combined. These other Crowns have assets in the neighbourhood of \$2.4 billion.

The Power Corporation also has an outstanding debt to the province of about \$2 billion. It's received 15 per cent of the total debt issued by the province. The corporation has made, in the past two years, significant progress in implementing a long-term plan to pay down this debt.

Every year the corporation purchases hundreds of million of dollars in goods and services from local Saskatchewan suppliers: 181 million in 1995; 193 million in '94. And last year this represented 88 per cent of the total purchases compared to 76 per cent in 1994. And if you add these up, it's about \$2 billion over a 10-year period. So you can see our commitment to Saskatchewan business is strong in the Saskatchewan purchases.

The SaskPower northern enterprise fund provides scholarships and financing assistance to residents and companies developing new and existing businesses. In 1995, loans and loan guarantees totalled over one and half million dollars compared to \$1.2 million in '94. Last year 19 Northern Spirit scholarships totalling \$47,500 were awarded to northern students attending technical school or university, basically at the same level that we provided for 1994. Thus in '94-95 SaskPower continued to be a major contributor to health and stability of the provincial economy.

I want to say a few words about our role in the communities of Saskatchewan. The mandate of the corporation, which dates back over 65 years to 1929, goes beyond providing safe and reliable supply of electrical energy, which is a key role throughout the corporation's history. And through '94-95 SaskPower has continued to make important contributions to education, environment, and community projects to enhance Saskatchewan's way of life.

One corporate thrust is helping young people realize their full potential through scholarships, sponsorship of the junior citizens program, and business-education partnerships. These partnerships include a female mentor program which encourages female students to pursue careers in non-traditional occupations.

In 1994 the focus on youth well-being saw the corporation develop the Friends For Life program, a partnership with Canadian Mental Health Association, to combat serious problems with respect to youth suicide, the second leading cause of adolescent death in our province. The program is working to develop a community-based network of care-givers and volunteers which previously didn't exist.

In 1995 we marked the sixth consecutive year that Power has had an operational endowment to the Saskatchewan Science Centre. The endowments were 276,000 in '95, and 255,000 in '94. In '95 Power enhanced its work to encourage public safety around electricity, which is a long-standing mandate that during the year saw the corporation begin to remind customers of the family life priorities of why it's so important to take safety precautions.

Also undertook several initiatives in working towards providing electricity province-wide in an environmentally sound manner. And examples of this in 1995, Power engineered wetland upgrades of 1.4 million cubic metres of Estevan sewage water for use as cooling in the Shand power station. The Shand greenhouse has supplied about a half a million seedlings for tree planting projects during the years under review.

Solar-powered pumps installed at the Shorebird Reserve site at Quill Lakes provide water for four range land pastures fenced off from the water body to protect nesting grounds of endangered species such as the piping plover.

In both years Power worked with the Saskatchewan Roughriders to introduce the waste management program at Taylor Field. SaskPower has entered into partnership to undertake CO<sub>2</sub> (carbon dioxide) offset research and development, and we are working with other governments in other jurisdictions to establish greenhouse gas emissions at 1990 levels by the year 2000.

It's clear that SaskPower and the provincial economy are intertwined just because of the size and the magnitude of the corporation. It's also clear that SaskPower is entering into a new business world, a competitive business environment. And this competitive pressure is no longer a reality of thousands of miles away or several years in the future. Competition in the utility industry is a reality in neighbouring provinces and it simply wouldn't make any good business sense for SaskPower to remain or to think that they can remain as an island in a sea of change. Mr. Messer will talk about this a little later on in his presentation.

SaskPower took the challenging road in preparing for competition but to have done otherwise would have spelled inevitable disaster including loss of revenue through customer loss. This, of course, would have meant stranded investment for the corporation and the province. As I've indicated, we have a \$2 billion debt, and this was a consideration in the government's decision concerning the power rate adjustments that we have all become aware of.

Another strong consideration was the resulting job loss that would have been done if nothing was done to address the rate inequity. We looked down the road. We asked ourselves what would happen to job levels inside and outside the corporation if existing potential customers chose alternate suppliers or left the province; or potential large-volume users of power chose not to locate in Saskatchewan because there were better rates elsewhere. Prior to our price-changing decisions, major customers were already putting plans in place to generate some of their own electrical energy.

At the same time we considered the needs of our farm and residential customers, providing price changes that ensured rate stability till at least the year 2000. The budget concerns of schools, hospitals and nursing homes, curling and skating rinks, were also heard, and the decision to re-balance the rates resulted in a 2 per cent reduction for those facilities.

In 1994, SaskPower also played a leading role in renewing the business focus of the corporation. A key factor in the renewal was unprecedented employee involvement, both management and union. We face some very difficult times and involvement at these levels of the corporation by both CEP (Communications, Energy and Paperworkers Union) and IBEW (International Brotherhood of Electrical Workers) — the two unions that work within the corporation — has resulted in more flexibility and more customer-centred and entrepreneurial focus

for the company.

The employee involvement in SaskPower's change has been focused on teamwork. In March '95, 12 teams of . . . employee teams made comprehensive recommendations for what resulted in the SaskPower's new business unit structure. This structure is the product of the most broadly based review of operations that has ever been undertaken by a Canadian utility, and it truly is a credit to the employees that the review — including the submission of each team's recommendations — was completed in five short months.

Many of the teams' recommendations for changing internal operations and refocusing service and rate policies were also implemented. During the years under review, SaskPower has worked to extend this type of dialogue with external stakeholders. For example, we were involved in a 45-day public notification and review process. SaskPower directly contacted all customers, providing each with information and opportunity to comment about the change in business environment and the proposed rate adjustment package. SaskPower also held 15 local- and provincial-level meetings during the 45-day process, providing the opportunity for public and shareholder input.

I can assure you that this input was reflected in the government's decision concerning the proposed pricing changes. This partnering spirit on both sides of the meter solidly reflects the 1995 annual report, and will continue to drive change at SaskPower. This will be the critical factor as SaskPower works to achieve internal efficiency and customer service targets by the end of the decade.

In achieving these targets, the corporation will be able to successfully compete in the new business environment, preserving its value to the provincial economy and quality of community life for generations to come.

Madam Chair, that concludes my formal presentation. I want to thank members of the board for their attention, and I'll be pleased to answer any questions that you may have after Mr. Messer completes his presentation.

**The Chair:** — Thank you, Mr. Minister.

**Mr. Messer:** — Madam Chairperson, the overheads weren't set up. If it's agreeable to yourself, I had hand-outs of what I was going to present to the members. If we could distribute them, I'll just go through it and if that is facilitative and acceptable to you, we'll do it that way?

**The Chair:** — I think it's probably preferable because at this time of the day, if we lowered the lights for the overhead projector, people might snooze.

**Mr. Messer:** — I take it there were 10 members of the committee. We have 10 copies here.

**The Chair:** — We'll have to get at least one more photocopied because we need one for the record so before we . . . I think we'll distribute them to members of the committee, and then I would ask, Mr. Minister, could you have one of your officials

go and photocopy three more copies.

**Mr. Koenker:** — Madam Chair, I think we can double up.

**The Chair:** — We can? Save the trees?

**Mr. Koenker:** — Sure.

**The Chair:** — Save the energy. All right.

**Mr. Messer:** — Madam Chairperson, members of the committee, the minister has made, I think, quite a significant statement in respect of some of the circumstances that the corporation is currently dealing with. It is the intention of my presentation to make a few more specific comments in regard to that.

We are very much involved with a changing environment. We not only see the market-place changing but borders disappearing. And there is certainly going to be a new competitiveness in regard to electrical power in North America, and Saskatchewan cannot retain the position that it now enjoys as a monopoly provider of that electrical service to its customers.

I have, under the 1995 operating profile, some indication of the customer profile within the corporation for the 1995 year. You can see that our residential customers are by and large the largest sector of customers — 69 per cent — but consume a relatively small amount of electricity. And I'll comment later as to why that is a more significant problem in Saskatchewan than it is in some other jurisdictions.

Our growth rate in the last three years has been about 2,000 customers per year. In 1993 we had 413,000 customers; in 1994 we had 415,000.

The next slide shows you the profile of employees. In 1994, one of the years under review, we had 2,329 permanent employees. In '95 we had 2,142. It also shows you, as I've already pointed out, the level of customers that we service, the service area, and the general ... (inaudible) ... which have obviously not changed in those two years.

The next slide shows more specifically the results of the restructuring during the 1995 fiscal year where management reduced its numbers by 121, IBEW by 36, and CEP by 42 for a reduction in 1995 of 199. We've also given you the level of employment for both management and those two unions for the two years under review ... for the other year under review as well as 1993 as a comparison.

The next slide, as the minister has pointed out, shows the assets of the corporation in 1995. But we compare that to some other large corporations in Saskatchewan, and you'll see that as far as an asset base is concerned, in order to conduct the business of the corporation, we have a much greater asset base than do many of the other large entities in this province.

When you look at the next slide, revenue for 1995, it shows our revenue, as the annual reports indicates, at \$861 million. It's

about sort of middle of the road for some of those larger corporations in Saskatchewan; nowhere near the revenues of the Saskatchewan Wheat Pool or Federated Co-op at two billion seven and two billion one. We do not however have the gyrations that for example the Wheat Pool and the Federated Co-op has. If we compare their revenues in 1994, in the instance of the Wheat Pool was \$2 billion — 700 million, almost 800 million less than 1995. And if we go back to 1994, it was one billion six. So I mean they have had significant growth in revenue. Federated Co-op is likewise a corporation that has quite significantly gyrating revenues.

The next slide is income as a percentage of revenue. For 1994, we were at 10.2 per cent. We compare ourselves to some other electric utilities. We are certainly less than the private sector. We've used an example — TransAlta. We're modestly higher than some of the other Crown-owned utilities.

When we look at our income to revenue in 1995, we weren't able to compare it to other electric utilities; we didn't have that information when we put this information together. But our income in respect of revenue was at 9.3 per cent. We undertook to compare that to some other corporations in Saskatchewan, both Crown and private sector. We're sort of at middle range in regard to that comparison.

The next slide shows you the gross income per employee at about \$52,000. This is significantly higher than most other electric utilities in Canada.

Our debt to equity in the next slide is 66 per cent. That is going down modestly from what it was in previous years. We are better than a lot of other electric utilities in respect of our debt to equity comparison. We're certainly higher than the private sector. It's our intent to continue to improve that. We would like to, in the not too distant future, have a debt to equity range of something that would compare to TransAlta's, or perhaps ideally a 50/50 ratio.

The next slide shows the direct payments to the Crown by way of royalties, rentals, and to urban municipalities by way of grants in lieu of taxes. And the capital tax, in 1995 our contribution was \$49 million. In 1993, the level of contribution was \$44 million. In 1995, it was \$51 million.

The next slide shows our generation by type. For 1995 hydro was 26; coal 67 per cent; gas 3 per cent; purchased was 4 per cent. In the preceding two years, gas and purchased was identical to what is shown here: 3 and 4 per cent. In 1993 our hydro was 21 per cent. Coal was 72 per cent. And in '94 hydro was 26 per cent as it is now, and coal was approximately at the same level. This is dictated primarily by water flow, depending on the snow pack on the eastern side of the Rockies. And we had a good hydro flow last year, and we're hoping for a good hydro flow this year which allows us to generate electricity cheaper. They have hydraulic rather than thermal-fired stations.

To just dwell for a moment on the major issues facing SaskPower in '94 and '95 and on into the future — and the minister has already identified them — we are in a very changing environment with deregulation creeping across the

border and with that comes competition. That should not be interpreted that only competition comes from outside; competition can clearly come from inside and can come before deregulation takes place.

We are a high-cost producer, and I'll make some comment about that in a moment. We have the risk of losing customers, as does any monopoly when they lose that monopoly. We still, even though we've made some adjustment to the high level of cross-subsidization in the 1995 fiscal year, cross-subsidize at a higher level than any other utility in Canada and probably any other utility in North America.

There is also the emergence of new technologies with lower-cost options in respect of generation. And we obviously need to improve our financial performance, and I've given you some indicators where we have already undertaken to do that.

The next slide simply indicates what I've already mentioned, and that is that the monopoly status is eroding. We see more probability for non-utility generation transmission access to our power grid, and certainly utilities outside of our jurisdiction are very active in regard to preparing for and seeking out markets outside of their jurisdiction.

In Alberta, January 1, 1996 saw a power pool establish itself, which is a first major step to a much more competitive environment. Both British Columbia and Quebec and Ontario are in the early stages of preparing for a much more competitive environment and for the wheeling of power, which doesn't now exist in significant circumstance.

We are also — unlike some other customers, some other utilities — more dependent on large customers, a limited number of large customers, for a large amount of our revenue. And we indicate to you, as we indicated during the 45-day review process, that our seven top customers contribute 20 per cent of our revenue. It's obvious that the loss of any one of these customers through whatever means would have a significant impact on our revenues and our abilities to fully utilize our generation.

I said that we are a high-cost producer. The next slide shows you one of the reasons for that. We have a widely dispersed customer base according to statistics that were done by the CEA (Canadian Electrical Association). We deliver power to something just over 3 persons per kilometre. The Canadian average is almost 12. This is obviously a significantly greater cost for SaskPower than it is to some other utilities.

If we look at it another way, in respect of the next slide, for energy distributed for a route . . . of kilometre. In Saskatchewan we distribute .05 gigawatt hours per kilometre, and that has stayed relatively static since 1970. In other jurisdictions, the Canadian average as of 1994, which was the last year that we have for statistics, was .35 gigawatts per hour, just under that.

So not only do we have fewer customers, but we have customers who consume lesser amounts of electricity than is the Canadian average. And it's obvious that small urban communities and farms in Saskatchewan make the largest

contribution to that circumstance.

We are, as I said, undertaking to reduce our internal costs and become more efficient and more profitable. You will know that during the 45-day review process we said that we were going to reduce our OM&A (operating, maintenance and administration) costs by \$80 million by 1998, and we're making major progress towards achieving that. And we'll see the beginnings of that in the 1995 annual report.

We want to limit our capital expenditures to 161 million in 1995, and 150 million thereafter. We are seeking full-cost recovery for fees and charges and we've undertaken increased customer contribution for new connections.

I've said that competition is a reality. What I've tried to point out in this brief presentation is that the corporation, as far back as '93, started to deal with that. It was our feeling that we first had to educate and bring our employees onside; and secondly, undertake to educate the consumers and the people of Saskatchewan. We have started that and that will be an ongoing process.

As far as our internal operations are concerned, we have to be more flexible, we have to be more efficient, we have to be more competitive in our service area. And we obviously, if there's going to be a disappearance of borders, have to be able to do business outside of our border, and that means we have to be more effective and more competitive there as well.

The business . . . or initiatives for the corporation in '94-95 were again to reduce internal costs, restructure ourselves into business units, and implement a rate strategy. And some of that has been subject to some controversy in recent months, but it was a reality that the corporation had to deal with in order to prepare itself for this changing environment of tomorrow.

We have, as I have said, put into place four business units and two corporate support groups. The last slide shows you the reorganized SaskPower of 1995 where we have business units for power production, for customer services, for systems operation and decision support, for transmission and distribution, and the two backup units, our corporate and business services, and finance.

It's significantly smaller and a flatter organization than existed in the recent past. I think this is already showing major contribution to becoming a more efficient, a more competitive, and a more beneficial corporation to the people of Saskatchewan.

With those brief remarks, I hope that helps focus the review of the two years, Madam Chairperson.

**The Chair:** — Thank you, Mr. Messer. I will now ask Mr. James from Ernst & Young to comment on the annual reports.

**Mr. James:** — Thank you, Madam Chair. My name is Rupert James. I'm a partner with Ernst & Young in Regina and the engagement partner for the financial statement audit of SaskPower for 1994 and 1995.

Our auditors' reports are found on page 24 in the 1994 annual report and on page 26 in the 1995 annual report.

In our auditors' reports for both years we state that our audits were conducted in accordance with generally accepted auditing standards and that in our opinion the financial statements for both years are presented fairly in accordance with generally accepted accounting principles.

In addition to our reports on the financial statements, we issue three other reports to the Provincial Auditor of Saskatchewan. The first of those reports concerns the corporation's system of internal control. We reported that SaskPower's system of internal control, among other things, is sufficient to safeguard and control public money against loss from unauthorized use or disposition.

The second report concerns the corporation's compliance with legislative authorities. We reported that SaskPower did comply with legislative authorities.

And the third report concerns those instances, if any, that we found weaknesses in internal control, and have as a result conducted additional procedures to determine whether or not there was any loss to the Crown. We reported that nothing came to our attention that would indicate such instances.

In conclusion, all of our auditors' reports for both years were unqualified, containing clean opinions.

**The Chair:** — Thank you.

**Mr. Atkinson:** — Thank you, Madam Chair. I'll keep my comments relatively brief and deal with three areas. The first area, the financial statements, we concur with Ernst & Young, and our opinion is that the financial statements for both years are reliable.

The second item of note is to deal with the 1995 annual report, and it begins on page 21, and that is management's discussion and analysis of the operating and financial results of the corporation for the year.

I'd like to say that I found this section of the annual report very useful, especially the inclusion of the targets for the key financial ratios included in the annual report. And I'd encourage the corporation to continue in that trend, and also to include their key targets for their operational results as well.

**The Chair:** — That is of course, though, that you don't want a business plan released that will destroy SaskPower's relative competitiveness though, Mr. Atkinson.

**Mr. Atkinson:** — I would hope not.

**The Chair:** — Thank you.

**Mr. Atkinson:** — The third item is, as we've recommended for other corporations, we encourage the corporation to table the financial statements of the subsidiaries and also to include information about who received public money from this

corporation.

Madam Chair, that concludes my comments.

**The Chair:** — Thank you very much. Do any members of the committee have any questions of the auditors? No questions? If not, I will then recognize various members of the committee.

I'm going to ask for people's cooperation. I would like to recognize people at about 15-minute intervals so that everyone has an opportunity to ask their questions. And I will try to do that in approximately the proportions that people are represented . . . that parties are represented in the Legislative Assembly. Of course if the government members choose not to ask questions, that gives more time for the two opposition parties. Right now I have a speaking list of Mr. Trew, Mr. McLane, and Mr. D'Autremont.

**Mr. Trew:** — Thank you, Madam Chair. I will not be taking anywhere as close to 15 minutes. I've got three things I want to touch on briefly and just comment about the auditors' reports.

I'm delighted, Minister, to see clean financial statements. I shouldn't say delighted. It's what I expected. But it's very nice to see it. And as you will know, I've sat on this committee a long time and at one point in the not terribly distant past, that was not the standard or the norm.

I was also interested in Mr. Atkinson's comments about the targets on page 21 being very useful. To my recollection, that's the first time I recall the auditor commenting about that in that manner, that there is actually something in the report that is quite useful. And I'm pleased to see that, and congratulations to your folks at SaskPower, Minister.

The second thing I wanted to comment on — I wouldn't mind if it generated some discussion from you or some comment — I want to congratulate SaskPower for entering into the partnership for life program, the teen suicide program.

Suicide at any age, but amongst teens, is something that we just don't like to talk about. We don't even like to think about it. The truth is there's far too few families in Saskatchewan that aren't directly touched by this, and I just can't begin to tell you how delighted I am with your initiatives in that area.

Unfortunately, I'm not sure how you measure the success rate or anything like that, or if that's even possible, but I'd appreciate any comments you do have. But just to assure you, I think it is phenomenally important that SaskPower has entered into that and thank you on behalf of a great number of people who don't even want to talk about suicides.

The third matter is that of the CO<sub>2</sub> offset. I was interested in your comments, Minister, about heading for 1990 levels. It should be no surprise I'd like to see us head for earlier levels of CO<sub>2</sub> than that, but I'm pleased. Could you expand a bit on some of the initiatives on CO<sub>2</sub> offset, and what SaskPower is doing in that regard.

And I'll wrap up my comments on that by just saying, again the

other day I read a disturbing article about how farming is going to have to change, and the timetable wasn't over the next 100 or 200 years. The timetable was over the next 10, 20, 30 years as global warming hits us really big, and it just frankly, it scares the ... (inaudible interjection) ... pants right off me. Thank you.

Anyway, that's really all I wanted to touch. I have nothing controversial, but I didn't want to ... particularly on the partnership for life, I wanted to congratulate SaskTel and thank them for their efforts there ... SaskPower. Thanks.

**Hon. Mr. Lautermilch:** — Madam Chair, I'll just comment briefly. I just attended a luncheon in Prince Albert last week with our partners in this program, the Friends For Life program, and the Canadian Mental Health Association, and the people in that area. And I want to say that's it's a program that SaskPower is very proud of.

It's very difficult, because in terms of the success or failure of the program, to determine and put forth statistics that would show a success or a failure. But I think the fact that the awareness and that concern involving people on a community level to identify people in need and in trouble and then to be able to sit down and work with them to try and alleviate the conditions that would create the potential difficulty with respect to youth suicide — I think is just an example of the importance of SaskPower within this province.

It's more than just a vehicle to deliver electrical energy and produce electrical energy. It provides a lot of employment, good quality jobs for Saskatchewan people, but I think it also fulfils its corporate role in societal initiatives. And this certainly is one that I can't take credit for; it was initiated before I became the chairman of the board, but I think it's fair to say that the employees and management of the corporation are really very pleased and very proud, being able to be involved in this program.

In terms of CO<sub>2</sub> emissions, you will know that, by the annual report, we rely heavily on coal generation — coal-fired generation — to supply the majority of the power that we produce. It's low-grade lignite, and the emissions resulting from that kind of production create for us a very major, difficult problem. We've been working with the national government and with other provincial governments in terms of the voluntary challenge with the whole energy sector, SaskPower being a part of it, as you've indicated, to reduce CO<sub>2</sub> emissions to '90 levels by the year 2000. I think it's a real daunting challenge for us because of the nature of the resource that we use to generate electricity in this case. I can say that both the Power Corporation, Energy and Mines, and SaskEnergy, are working with industry in a partnership arrangement and we're certainly hopeful that we can be successful.

I'm going to ask Mr. Messer or one of his staff to describe for you some of the technical changes that we have been making internally with respect to reducing CO<sub>2</sub> emissions. So if I could just turn the chair to Mr. Messer.

**Mr. Messer:** — Thank you very much, Mr. Minister. I think

what's important here is that SaskPower is a, I think can safely say, leader and aggressive player in the voluntary challenge program so that we are undertaking to identify and communicate all of what can be done by the corporation on a voluntary basis, rather than to have it imposed on us by regulation or legislation. And I think that is a good indicator of whether the corporation is sincerely trying to address this very significant problem.

I'll ask Mr. Harras to give you some specifics in respect of what we have done and/or are doing up to this point in time.

**Mr. Harras:** — There are a number of initiatives that we are pursuing and some we have actually completed. They're generally in the area of energy efficiency, energy conversion, and looking at offsets, potential CO<sub>2</sub> offsets.

One thing that has happened which will reduce the amount of CO<sub>2</sub> that we'll be emitting is the decommissioning of the Estevan plant. It's an older technology; the generation will come from more efficient technology, and therefore the net amount of CO<sub>2</sub> generated per megawatt hour will be reduced.

We are pursuing energy efficiency in our buildings. We are looking at our power plants in general. We are looking for opportunities to improve the efficiency of our generating units, and we've made significant reductions in that area.

The Condie-QE (Queen Elizabeth) line will actually allow us to reduce our energy generation by something in the order of a hundred gigawatt hours per year and 20 megawatts.

We had a demonstration program in the Watson and Canora area which provided public education and reduction in energy consumptions in those communities which can be used in other areas.

The Saskatchewan ice rink energy management program — I think the minister may have touched on that — the air ... (inaudible) ... retrofit is another program in a similar category.

We conduct energy audits where the consumer then can use that information to reduce the energy consumption.

We for the long ... for a considerable length of time have used time-of-use rates, and I guess we're looking at, you know, additional rate structures that will facilitate greater energy efficiency.

We are also a member of a new consortium. This is a corporation that has been formed by a number of energy companies. The consortium is called GEMCO (Greenhouse Emissions Management Consortium). GEMCO will be a company that ... or is a company that will be looking for CO<sub>2</sub> offsets in western Canada primarily, you know, to give you examples, in agriculture. There are some opportunities in reforestation. There's other opportunities.

This company will be looking for those CO<sub>2</sub> offsets. They will also be working with government to have CO<sub>2</sub> offsets recognized as a credit. Those are not the total list but that will

give you a bit of an idea as to the various initiatives that we are pursuing. By the way, these initiatives are documented in a climate change action program which is a public document available to anyone who so wants a copy.

**Mr. Trew:** — Thank you for those answers. Minister, I'm interested in working with SaskPower and you — I guess through you — on energy audits. I have, as you know, some considerable thoughts on there and I know I'm not the only government member that has that. I'm not going to take the time of the committee dealing with that right now because you've always been easy to approach.

I appreciate the answers. I'm going to allow other members to ask questions, Madam Chair.

**The Chair:** — Thank you, Mr. Trew.

**Mr. McLane:** — Mr. Minister, welcome, and welcome to your officials this morning. I certainly would like to, I guess question or discuss a bit, the role of Sask Power as a Crown, and as it relates to a revenue generator as opposed to providing power at a reasonable rate or a cost-even rate.

I think that probably some of the other members are going to get into that so I'll move on to a couple of other areas that I'd like to discuss this morning. The first one being an agreement that was signed with the Cumberland House Corporation back in 1988. And I'm wondering if you can tell me what payments were made to that corporation through SaskPower in 1994-95.

**Hon. Mr. Lautermilch:** — The officials are looking for those payments for '94-95 and if you want to go on with another question, Mr. McLane, we'll forward those payments to you.

**Mr. McLane:** — Okay, fine. Then I guess I would ask as well along those same lines, Minister, total dollars to the end of '95 that have been paid through there, and as well as if that program will continue for its 10-year duration, and at that point in time, if the final payment of 3.8 million will be made in the year '98-99 or are there discussions going on to make that payment sooner?

**Hon. Mr. Lautermilch:** — Mr. McLane, we will put that together as a package for you, and I'm not sure if they have all that information here at this point. But if not, the officials certainly will . . . I think they do have it here . . . (inaudible interjection) . . . They'll have to bring it across then, but they will put all that together.

**Mr. McLane:** — Will we have that this morning or will it take longer?

**Hon. Mr. Lautermilch:** — We'll have it for you this morning.

**Mr. McLane:** — Okay, then just further to that project. I think under the agreement it talked about all sorts of things — the money being used for projects for that community deemed necessary, and which would include of course a bridge being built across the Saskatchewan River.

I'm wondering, number one, what was the reasoning for having those funds paid from SaskPower through the government as opposed to . . . I guess why was SaskPower involved would be the question.

**Hon. Mr. Lautermilch:** — Well, Mr. McLane, as you indicated, this agreement was signed in 1988, which was certainly before our time as government and before the time of the president and the CEO (chief executive officer) of the corporation at this time. And I guess that answer would be probably better asked of officials or politicians who made the decision at that time. The corporation has a legal responsibility under the agreement, as you have indicated. We will get the details of the requirements under that agreement and forward them to you.

**Mr. McLane:** — Thank you, Mr. Minister. I'm sure, however, that probably you or your officials, or if not, Mr. Messer, would have looked at that agreement when he became involved with SaskPower. And I'm wondering if that did indeed happen and if there were some questions asked as to why SaskPower was involved with it.

**Hon. Mr. Lautermilch:** — Well I think it's fair to say, and you will know, that there was a major hydro project that was built in that area. And I am assuming that the corporation felt some responsibility for the changes due to that major capital project, and the changes to the environment, the changes to the surroundings in that area.

I've talked to a number of people — trappers, hunters, people in the North. When major hydro projects take place, certainly there's some change to the environment, to the ecology. And I would assume that that would have been part of the discussion and that would have been part of the reason that SaskPower signed on to this agreement.

**Mr. McLane:** — Thank you, Minister.

**Hon. Mr. Lautermilch:** — I might add that Mr. Messer indicates to me that he reviewed this agreement when he took over his position. And he indicates to me that it was quite clearly not a decision made by the management of the Power Corporation, but it was a decision made by the shareholder, the cabinet of the day. And that's how the agreement was put forth under SaskPower.

**Mr. McLane:** — Thank you. Has there been any discussions then to having the funds not flowing from SaskPower for the duration of the project then, or will that continue?

**Hon. Mr. Lautermilch:** — Well I think the review that was done by the president would indicate that there's a legal document that's been signed in that regard, that that is all put in place. And under the conditions of that agreement, the Power Corporation has some responsibilities and will fulfil their responsibilities to the community of Cumberland House and the people of that area.

**Mr. McLane:** — I'm not suggesting that the agreement be cancelled or changed. I'm just suggesting that how the money

is paid might be an option.

**Hon. Mr. Lautermilch:** — Well in that information we will certainly be getting for . . . they'll be bringing to you this morning what the terms of the agreement are, what's been paid in the past, and what our future liabilities are.

**Mr. McLane:** — Thank you. Then I'll wait until I have those figures and at that point in time possibly return to the question.

Of course the second one would be the Condie-Queen Elizabeth power line that you're proposing to build. And I guess I have a number of questions regarding that proposed project. And I guess the first one would be, given that there's been some confusion over the last number of years as to why the project is needed . . . I think it has changed a bit over the course of the last two or three years, and I'm just wondering if maybe you could provide to us some information as to why this power line needs to be built.

**Hon. Mr. Lautermilch:** — Well, Mr. McLane, I think it's fair to say that there's been a lot of study on this particular project, both environmentally and economically, internally and externally, to the corporation. There's been a large degree of public input that began in 1992, continued in '93, '94 and into 1995. SERM (Saskatchewan Environment and Research Management), the environmental arm of government, has done due diligence on the program with respect to environmental concerns.

The corporation has done internal reviews in terms of efficiency of operation, and certainly it's our role and our goal to provide the cheapest source of electrical energy that we can. As you will know, we have major coal fired generating stations in the southern part of the province. We have some fairly major consumption in the North. There's a long transmission line. And what we want to do is ensure that future loads can be reliably served in that area.

We're certainly hopeful that there can be some expansion in terms of usage up there. We want to ensure that the frequency and duration of power outages is kept to a reasonable and an acceptable level, and we want reduce the corporation's cost of operations. We believe that the line loss in the existing transmission line with Condie-QE can be a major cost-effective initiative for the corporation, as well as reduce the amount of CO<sub>2</sub> by this efficiency.

And I think all of these reasons, both economically and environmentally and socially, have been studied. I think it's fair to say that the corporation is comfortable that it's a reasonable investment, and it's a sound investment. We will get a return within 14 years. The cost of the project is about \$40 million. We will, as I've indicated, be saving energy. And I think internal-external people who have reviewed the project will agree that it makes sense for the corporation to invest that money.

**Mr. McLane:** — Thank you. Would you be able to prioritize, I guess, the reasons for building a line?

**Hon. Mr. Lautermilch:** — Well I don't know that we'd want to put the economics ahead of the environmental concerns. I think it's part of a package. It's a \$40 million project. It makes sense in terms of the return on our investment. We believe that it makes sense environmentally, if you equate CO<sub>2</sub> emissions and our commitment to the voluntary challenge that it's one of the things that we can do as a corporation to ensure the efficiency of our operations.

But I don't want to put nor would I put economics ahead of environmental concerns, because I think they go hand in hand. Corporations, I think — SaskPower not exempt from this — operate differently than perhaps was the case 15 or 20 or 30 years ago. Environmental concerns are part of doing business. They're part of factoring in a good business deal. And I think we don't want to put economics ahead of the environment, as I've said, because they go hand in glove. A good economic investment on a capital project has to make some environmental sense as well, and I think we've been able to couple together a project that is a winner on both sides.

**Mr. McLane:** — You mentioned \$40 million. If I'm not mistaken I believe that was the figure quoted a couple or three years ago. Is \$40 million still a realistic figure for the line?

**Hon. Mr. Lautermilch:** — Yes, it is.

**Mr. McLane:** — What would the start date be for construction of the line?

**Hon. Mr. Lautermilch:** — Well the project is scheduled for in-service September 1997. The start-up date . . . that would be the date, September '97.

**Mr. McLane:** — What to date has been done with regards to the line?

**Hon. Mr. Lautermilch:** — Well there's been a pile of mitigation measures. We have received input from operations such as Ducks Unlimited, the Canadian Wildlife Service, Nature Saskatchewan. And we have addressed their issues as best we can. We have made a commitment to bury some 60 kilometres of line because of the concerns in that regard. We've worked very closely with landowners in the area. I can report to you that certainly not all of the landowners are or will be satisfied that this project will go ahead; there is some opposition to, as I've indicated.

We have worked with SERM, the energy and resource management, in terms of their concerns. We've had a number of presentations made to the corporation with respect to environmental concerns. We have worked with SERM to address those. And as I've indicated, the fact that we have agreed to bury some 60 kilometres of this line for those very reasons would suggest that there has been an awful lot of work done on it.

The engineering studies have all been done, and we are preparing to proceed with the transmission line.

**The Chair:** — Mr. McLane, I'm wondering if we could begin



wrapping up this particular line of questioning, so I can recognize another member.

**Mr. McLane:** — I'll try, Madam Chairman.

**The Chair:** — Thank you.

**Mr. McLane:** — Mr. Minister, I guess my question was more in terms of construction work regarding the line itself. I assume there's been some surveying done. Has there been anything else done along the line?

**Hon. Mr. Lautermilch:** — Well let me give you a list. The right-of-ways have been dealt with . . . doing the surveys for them right now. The easements have been done. The final design is proceeding as we speak. And we're preparing right now the specifications for the material that we will be needing to construct the line.

As we indicated and as I indicated in my opening remarks, we have been a very active participant in terms of the Buy Saskatchewan program. We are procuring . . . I believe the figure is 88 per cent. Tony might want to correct me. We do an awful lot of Saskatchewan purchases, and I think that in terms of the economy, we will be able to maximize Saskatchewan opportunities for Saskatchewan business.

**Mr. McLane:** — You mentioned 60 kilometres of this line being buried. Are you referring to the line that you're constructing?

**Hon. Mr. Lautermilch:** — No, this is single overhead line that exists now, that we will be burying.

**Mr. McLane:** — Right, so basically what you have there with the wildlife group is a trade-off of burying 60 kilometres of line, which a lot of it is up in the country where I am from, in order that they would, I guess, give you the nod on this particular line. Would that be a correct assessment?

**Hon. Mr. Lautermilch:** — I think it's fair to say that we look at this as not . . . I mean the corporation doesn't just operate in one isolated corner of the province. We tend to want to work with these groups in areas where they have concern, where they have mitigation concerns. And, you know, I think it's fair to say that that is the case.

**Mr. McLane:** — I think there's been a considerable if not an extreme amount of opposition to the line, both from the wildlife groups, proponents of wildlife. There's also been a great deal of concern directed toward the line from people concerned about health hazards, as well as a great number of farmers talking about what it does to their land. Any indication where we're headed with that cost for legal battles, if you will, and as well, will those battles tend to hold up the project?

**Hon. Mr. Lautermilch:** — Well I think, Mr. McLane, I want to begin my response by saying that we will do everything we can to avoid legal circumstances that may cost landowners money and that may cost the corporation money. I think by sitting down and negotiating and discussing, we can probably

alleviate a lot of those kinds of conditions.

I would want to say that I believe the opposition to the line. We have attempted to address issues, specific issues with landowners. We have, as I've indicated, worked with Ducks Unlimited, Canadian Wildlife Service, and Nature Saskatchewan. And I don't think that this is out of the norm in terms of the concern that has been expressed on this particular project. I think it's well within the norm of what we might expect with this kind of a development in Saskatchewan.

**The Chair:** — Thank you.

**Mr. McLane:** — I'm certainly not done.

**The Chair:** — No, but I can recognize you again, Mr. McLane. I'm trying on a rotational basis to recognize people for about a quarter of an hour, including questions and answers, and to divide the time proportionally amongst the caucuses.

**Mr. D'Autremont:** — Thank you, Madam Chairman, and thank you, Mr. McLane, for providing the opportunity. I'd like to welcome the minister and his officials here today.

As you know, there's been a certain amount of controversy dealing with Crown corporations in the papers in the last little while, going back to last spring dealing with the Crown construction tendering policy.

I'm wondering if you could indicate just what kind of dollar volumes of construction SaskPower has done since the implementation of the CCTA (Crown Construction Tendering Agreement).

**Hon. Mr. Lautermilch:** — Mr. D'Autremont, the total number of contracts awarded at the facility since the introduction of the CCTA is \$6,393,106.

**Mr. D'Autremont:** — Thank you. And that's as of what date — closing date?

**Hon. Mr. Lautermilch:** — This document was prepared March 29, 1996.

**Mr. D'Autremont:** — Okay. How many of those projects, with what total volume, have been tendered in urban areas — that's centres of 5,000 or greater — where the projects qualified for the greater than \$50,000 size?

**Hon. Mr. Lautermilch:** — I'll just give you a breakdown of the \$6 million as I have it. There were CCTA awards, 17 or them in the amount of \$4,756,406. At the generating sites as well there was one contract awarded and it was a non-CCTA — that was in the amount of \$4,569. There were two other CCTA site contracts awarded in the amount of \$1,592,131 for a total, as I've indicated, of \$6,393,106.

**Mr. D'Autremont:** — The last figure, the 1.5 million is . . . would be non-urban?

**Hon. Mr. Lautermilch:** — We're not clear on where they

were, but we will get that information to you.

**Mr. D'Autremont:** — Okay. How many non-union contractors have been awarded work on such projects? Just the one, on the non-CT . . . well I guess . . .

**Hon. Mr. Lautermilch:** — There was one non-CCTA award, and that was under \$50,000. It was in the \$44,000 range.

**Mr. D'Autremont:** — Of the 4 million plus the 1.5 — 4.7 plus 1.5 though, some of those could have been non-union contractors. Were any of them? If so, how many?

**Hon. Mr. Lautermilch:** — Of the 20 contracts that were awarded in the \$6 million, there were none that were non-union. Or there was one — one in the amount of 44,000. That was the one that was non-union.

**Mr. D'Autremont:** — So all the rest of the projects were tendered and won by union contractors.

**Hon. Mr. Lautermilch:** — I'm told by the officials that this is all generation. The transmission and distribution and the other portion of the work that the corporation does, doesn't fall under this CCTA agreement. These are all at generating sites, other than the two that I indicated in the amount of 1.5 million, and we will get for you the breakdown on those two contracts.

**Mr. D'Autremont:** — Okay. The 4.7 million was generation plant work.

**Hon. Mr. Lautermilch:** — That's right.

**Mr. D'Autremont:** — Okay. Why do the transmission work not fall under the CCTA — transmission distribution?

**Hon. Mr. Lautermilch:** — I'm told by my officials that those kinds of awards, those kinds of contracts have always been exempt. They have never been part of this policy.

**Mr. D'Autremont:** — Okay.

**Hon. Mr. Lautermilch:** — I guess a similar circumstance to that would be pipeline construction under SaskEnergy. They are, as well, exempt.

**Mr. D'Autremont:** — So on the generation — and you can answer this when you get the information on the 1.55 — were there any non-union employees employed on those projects?

**Hon. Mr. Lautermilch:** — I'm just told by the officials that there may have been some non-union employees. It would fall within the purview and the guidelines of the policy. I don't think we have those figures because that's not how our . . . you know, I mean that's not the information that we have here. We don't have that kind of specific information here.

**Mr. D'Autremont:** — Okay. I'm not clear on one question or one answer on the CCTA, the 4.7 million. Those were all union contractors. Because under the CCTA, you can have a non-union contractor who wins the bid and that qualifies,

providing they hire the quotas as set out.

**Hon. Mr. Lautermilch:** — I'm told that the successful bidders on the generating sites, the 17 awards in the amount of four and a half million roughly, were all union. The one successful bidder, in the amount of 44,000, was a non-union corporation.

**Mr. D'Autremont:** — I wonder if you can outline the tenders then that were placed on those 17 construction projects that qualified under CCTA. How many non-union contractors bid on them, and what were their tenders in comparison to the winning bids?

**Hon. Mr. Lautermilch:** — I'm just going to give you some examples of the number of bids that were received on the individual contracts within the 17, and my officials are putting together the numbers in terms of how many union and how many non-union bids were received on the 17. And we'll put that across to you. I'm just waiting for a copy of that.

Just as an example, I will just go through a list. There was one contract in the neighbourhood of \$80,000; tenders were issued to five union and two non-union. There was another contract where tenders were issued to 2 union and 17 non-union. In one instance, the number of tenders issued was to 1 union and 32 non-union; 2 union, 27 non-union; 9 union, 22 non-union. And that's sort of how the tenders were issued. We can get a global number for you if you want.

**Mr. D'Autremont:** — I wonder if you could give me the individual tenders, the winning contract dollars, and the other tenderers that put in bids on that and what their tenders were for, and whether each of those was union or non-union.

**Hon. Mr. Lautermilch:** — We will get a copy of . . . these are the whole 17? We will get a copy of this and forward it to you. It gives the amount of the tender. Or can I give him this copy? Do you have another one?

**Mr. D'Autremont:** — Well you need 15 copies so that every member of the committee gets one.

**Hon. Mr. Lautermilch:** — We'll have to get copies made then and we can pass them out to the members.

**Mr. D'Autremont:** — Maybe the government doesn't want some, but I'm sure the other opposition does.

**The Chair:** — Minister, I just heard some discussion about copies of an answer. I just remind you that has to be distributed to all committee members when we distribute information.

**Hon. Mr. Lautermilch:** — Okay, we will undertake to put together . . . I would want to say to members of the committee, we will be checking with our purchasing department to see what can be legally released. As you will know, sometimes there's confidentiality in terms of the successful amount, and I don't think it would be appropriate to put the businesses in a situation where they may be jeopardizing their financial well-being. So we will run this through our purchasing department and we will share with the committee as much

detail as we possibly can.

**Mr. D'Autremont:** — How many of these tenders were what could be called a closed tender where information other than the fact of who the winning tenderer was?

**Hon. Mr. Lautermilch:** — I would want to be able to check with the purchasing department to determine that, and then based on their response, forward to you what we can.

**Ms. Lorje:** — Mr. Minister, you realize of course that you do not forward this information directly to the committee members. You forward it to the Office of the Clerk, 15 copies, and she will then distribute them.

**Hon. Mr. Lautermilch:** — I appreciate that information and the officials will follow that rule.

**The Chair:** — Thank you.

**Mr. D'Autremont:** — I wonder if you can give us any indication if there are any of the contracts that were let under the CCTA that could be compared directly with contracts of a previous year for a cost comparison analysis.

**Hon. Mr. Lautermilch:** — Well I think all contracts are different. I mean certainly every project will have its own uniqueness, and I don't want to begin or indicate that we would be able to sit down here and put together a scenario where we're comparing apples and apples. I think the uniqueness of each individual tender would preclude the ability to be able to make an analysis. And I don't think you or I want to be comparing apples to oranges. So I don't know that that would be possible.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Under the CCTA contract, do you have any knowledge of how many out-of-province employees may have been involved in those contracts?

**Hon. Mr. Lautermilch:** — We would have no knowledge of that. I mean we don't do a check on every work site to see how many Alberta or Manitoba licence plates are on the job site.

But I can suggest to you that the record of this particular Crown in terms of Saskatchewan hiring is one that we are very proud of. And if you look at the capital purchases and the amount of procurement that we've been able to achieve within the province, I think they've done a very admirable job.

You will also know that the agreements with other provinces in some instances would preclude a Saskatchewan preference. And we honour the agreements as the officials have signed.

**Mr. D'Autremont:** — Isn't it one of the stated policies, though, of the CCTA to hire Saskatchewan people?

**Hon. Mr. Lautermilch:** — Well I think it's fair to say that it would be government policy to, wherever we can and whenever can, hire Saskatchewan people.

I mean I don't think it was any different when your party was in power in that you wanted to maximize Saskatchewan content. You wanted to maximize Saskatchewan purchase. You wanted to maximize the number of people in Saskatchewan who were working as opposed to importing workers from outside of this province.

I think it was your government that initiated the Buy Saskatchewan program in the 1980s. It was your political party that made that decision to do that. And I think that in keeping with the agreements that we reach with other provinces certainly we want to be cognizant of those agreements. But on the other hand, where we can enhance the opportunity for Saskatchewan people to generate salaries and wages, we certainly will do that.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Although I have to say I've heard a certain amount of rhetoric in the House in the last little while that one of the reasons the CCTA is so important to your government is that under the Devine administration all of the construction jobs were coming from outside of the province. So I would have to assume that your government is somehow tracking that then to assure that that is not the case today, that you are indeed hiring Saskatchewan people.

So if the stated purpose of the CCTA is to ensure that Saskatchewan people have employment under the construction policy, you must somehow be tracking then that Saskatchewan people are indeed getting those jobs. So what is SaskPower doing to ensure that it is Saskatchewan people who are getting those construction jobs?

**Hon. Mr. Lautermilch:** — Well I can say to you that the history of this corporation has been . . . and not only under this administration but under the former administration, with respect to generating plants, they have been largely union, whether it's been a PC (Progressive Conservative) government or whether it's been a New Democrat government. That's been the history of this corporation in that those are the companies that have the ability to win these contracts. So I would say to you that it's been historical that the vast majority of jobs under these tenders are Saskatchewan jobs and are union jobs.

**Mr. D'Autremont:** — So when members stand up in the House and make statements that during the 1980s at construction sites such as Shand . . . were hiring mainly out-of-province employees, that's not correct then?

**The Chair:** — Mr. D'Autremont, in the interests of cooperation, can you start to wrap up your line of questioning because Mr. Bjornerud has indicated that he would like to be on the agenda.

**Hon. Mr. Lautermilch:** — Well I can only say that in the history of the tenders in this area and within the corporation . . . have been for the most part largely Saskatchewan jobs through the union halls, whether it be labour or whether it be tradespeople. That's been the history. That's how it's been from the perspective of the power corporation.

Now if you're asking ... and I'm assuming you're paraphrasing, and I'm not sure from whose comments. But you might be describing a circumstance that would be expanded beyond the boundaries of SaskPower, and it may be a circumstance that was described by a member of the legislature in terms of the contracts throughout the province and with other Crowns.

I can only tell you what the history, as I know it, of this corporation is. And the fact is that the vast majority of jobs on these construction sites, where it deals with generation, has been union which means Saskatchewan jobs.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. No, I was dealing with comments made in the House as they pertained to the Shand construction site made by some of the current government members as to the number of Saskatchewan employees being employed there.

And I'm glad that you have straightened it out that most of the employees working at Shand during the construction phase were indeed Saskatchewan people.

**The Chair:** — Thank you, Mr. D'Autremont.

**Mr. Bjornerud:** — Thank you, Madam Chairman. Mr. Minister, I'd like to also welcome your officials here today, and I'd like to ask a few questions on the RUD (rural underground distribution) program. Can you tell me exactly why the program was cancelled.

**Hon. Mr. Lautermilch:** — Well, as the president of the corporation indicated, it's our intention to reduce the internal operations and reduce the internal costs of the corporation by some \$80 million in 1998. When we were looking at reducing the internal costs to enhance our ability to compete, we had the people within the corporation sit down and prioritize the capital projects to determine which, if we going to be doing reductions, which would make most sense for the corporation in terms of its operations, which would have less impact on our customer base and on our clients. And it was determined that the RUD program was one that was not a high-priority item.

The reason it was not a high priority item was because under that program, I think it's fair to say, that there was a lot of distribution lines that had ... or the transmission lines that had some life left in them and that the program was in fact removing some lines that had some life expectancy and that we could still serve the purpose of delivering electrical energy using that line without moving it to an underground program.

As I understand it, the program was a capital cost of the neighbourhood of \$35 million annually, and it was determined that we would not continue with the RUD program and that we would be replacing these lines on an as-need basis, meaning if a line is no longer functional that it would be replaced and that the line would then be put underground which has been sort of past practice in the last while.

**Mr. Bjornerud:** — Thank you, Mr. Minister. How many jobs ... do you have any guestimate of how many jobs this will cost

this summer that the program is not in place?

**Hon. Mr. Lautermilch:** — Well these were mostly done by tenders to different contractors who would be the successful low bidder. I don't believe that I can give you the number of jobs that would be lost doing this. I can only say to you, on the other hand, by the changes that we are making in the corporation and the reduction of the capital program and restructuring the corporation to reduce the costs of operation, maintenance, and administration, we will be saving hundreds of jobs by putting this corporation in a position where, with a de-regulated market-place, it can in fact compete and save the jobs of the people working within the corporation.

**Mr. Bjornerud:** — You may have answered the next question somewhat, but would the cost of maintenance down the road not be far less by burying the cable on a continual basis than shutting the program down now, like maintenance would definitely have to go down?

**Hon. Mr. Lautermilch:** — I want to say that the program, as it existed, has changed fairly dramatically. And as I've indicated, we will be replacing overhead lines with underground lines on an as-need basis.

The other point I think to be made is the major cost of the program was not the amount that was spent on wages burying it. The major capital cost was for material.

So in terms of the numbers of jobs, certainly there are some jobs and were in Phillips Cable, at Alcatel who produced the wire for us. And you know I think it's fair to say that there would be some impact on those production facilities, but I think as well that they are in a position where they can and will complete. They both have very competitive operations. Alcatel in the southern part of the province, I think is poised to be expanding because they believe this is a good place to do business. Phillips Cable is diversifying their client base so that they're not totally dependent on SaskPower. We have given them some breathing space by a purchase of some of this material that we will using to replace the worn out lines.

And so I think certainly there's going to be some loss of jobs, but I think we have done everything we can to mitigate the impact of the changes to the program.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Will there be some cable buried this summer then as an ongoing thing even though the program is cancelled?

**Hon. Mr. Lautermilch:** — I'm told by the officials that certainly there will be some in terms of the Condie-QE that we have discussed here a little bit earlier. And in terms of what might happen over and above that, it's going to be done on an as-need basis. If we have power interruptions because of a worn-out line or the engineers determine that a line has outlived its usefulness, certainly it would be then transferred to an underground delivery system, as opposed to what it is now.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Now that the rural are starting to get their power bills on a quarterly basis,

can you explain what the reconstruction charge is on the bills that are coming out now?

**Hon. Mr. Lautermilch:** — Well the reconstruction charge was introduced . . . And I think if you were listening, and I'm sure you were, to the president's report with respect to our debt/equity ratio and trying to poise the corporation to be able to compete in the new market-place that we're going to be experiencing, you will know that the \$2 billion debt load that the corporation has is in excess of what we would want to see.

You will note in the annual report that our debt/equity ratio has been decreasing over the last years as management has taken on the task of increasing and enhancing the economic health of the corporation. And it was determined that what we needed to do in order to reduce the debt load of the company was to start working towards putting a pool of capital together, as opposed to going out and borrowing the money to do some of the projects that need to be done.

As a result, we instituted a reconstruction charge of 4.95 for farm customers; \$2 for residential urban customers; and I think that the people of Saskatchewan, as they see . . . And I want to indicate to you that this is going to be identified — and easily identified — for the people of Saskatchewan, and it'll be earmarked and targeted for that very category: for reconstructing some of the lines that we will need to reconstruct.

**Mr. Bjornerud:** — How many dollars will this reconstruction charge raise for SaskPower? And also, are the large companies also receiving reconstruction charges too, or is this just rural and residential?

**Hon. Mr. Lautermilch:** — First of all, let me describe the rate structure. Our key accounts — these are some — and our large commercial and institutional customers are paying \$10.60 a month. The small, commercial customers are paying 4.95 a month, as our farm customers are. And urban residential, as I've indicated, are paying \$2 a month. The total amount of revenue to be generated in the year 1996 is \$14,000,884.

**Mr. Bjornerud:** — Thank you, Mr. Minister. I'd like to get on a little bit different subject now. Within the SaskPower workforce, has a re-engineering program taken place?

**Hon. Mr. Lautermilch:** — No, we were never involved in that type of program.

**Mr. Bjornerud:** — So what you're saying, there's never been nothing like that anywhere. No company has been hired to give programs to the workforce, be it middle management or anything else like that?

What I'm comparing it to is the SaskTel re-engineering program that took place, and I'm asking if this has happened within SaskPower.

**Hon. Mr. Lautermilch:** — I can only tell the member that we hired certainly an outside facilitator to help the employees deal with those situations, but it is in no way a process that could be

or should be described as re-engineering. Much of this was done internally by the employees, by management, and by the in-scope employees of the corporation. We, the management of SaskPower, determined that people who have worked within the corporation understand where we could generate and create some efficiencies in terms of operation, whether that be structural or whether that be specific initiatives.

We put together, I think, 12 teams — was it? — to look at this. They worked on an ongoing basis. Certainly there was some cost to the corporation, but it was internal to the employees. We hired a facilitator, and I think that resulted in a very positive initiative.

I don't think that it's fair to say we didn't go through some period of pain through this process. It was a new process to the employees. It was a new process to management, and we had some difficulties which is frankly what we expected.

But I think the end result over the long haul will be employees who understand their corporation, the corporation that they work for, the pressure's on it, and I think there's certainly much more knowledge throughout the corporation.

And the other thing I think we've been able to achieve is, I think, a new corporate — how might I describe this? — a new mentality and a new way of thinking within the corporation. We're becoming much more aggressive in terms of our commercial side in terms of marketing, and I think that's been evidenced by, you know, some of the achievements that they've made in the last while. TransCanada Pipelines is on stream with a long-term contract as a result of rate restructuring and as a result of the aggressiveness that our sales arm of the corporation have taken.

And so I think overall it's been a very positive change. But I would want to say to the member that it can't be and shouldn't be referred to as a re-engineering process. It was basically done internally by the employees, both management and in scope.

**Mr. Bjornerud:** — You had mentioned, Mr. Minister, that you had hired a facilitator. Can you give us the name of who was hired?

**Hon. Mr. Lautermilch:** — It's Towers Perrin.

**Mr. Bjornerud:** — From?

**Hon. Mr. Lautermilch:** — I'm told that they're a North American company, and they operate out of their Calgary office.

**Mr. Bjornerud:** — Okay, just one further question on that. Were there any health or stress problems within the workforce caused by this program?

**Hon. Mr. Lautermilch:** — Oh I mean change always creates some kind of pressure. The fact that SaskPower is in a downsizing mode, and the fact that we were reducing the number of full-time equivalent jobs . . . and change is always stressful. And I wouldn't want to suggest to you that the

employees of the corporation weren't under some pressure as these changes took place and are taking place. But I think it's fair to say that the changes both at the management level and in scope have put a lot of pressure on the employees and on the workforce.

SaskPower is, I guess, in no different position than utilities throughout North America which are experiencing similar change, whether it be the utility industry or whether it be the electronic communications industry. Change is happening throughout those operations, and certainly there are some pressures on the employees on the workforce.

I can say that we have done, I think, a reasonable job within the corporation to minimize the impact of this change. But the fact that change was inevitable, was necessary, meant that it would happen. Change would happen and will continue to happen within this corporation.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Madam Chairman, I would pass on now to . . .

**The Chair:** — Thank you. I appreciate that, Mr. Bjornerud.

**Mr. McLane:** — Thank you, Madam Chair. Mr. Minister, back to the Condie transmission line. Will the CCTA apply to that project?

**Hon. Mr. Lautermilch:** — No.

**Mr. McLane:** — You talked about 60 kilometres of buried line in the wildlife area. Do you have a cost on that?

**Hon. Mr. Lautermilch:** — The cost of that is \$886,000.

**Mr. McLane:** — Thank you. Is that included in the cost in the \$40 million?

**Hon. Mr. Lautermilch:** — Yes.

**Mr. McLane:** — On having some contact with some of the people that are involved in the tract of the line, some comments have been made that there's been some agreements made to redirect the line around certain tracts of land. What kind of additional cost does that provide for the project, and is that included in the 40 million?

**Hon. Mr. Lautermilch:** — I'm told that . . . the officials tell me that they build into their projections for the cost, those kinds of initiatives. And they tell me that they have no reason to believe that that portion that may have been budgeted for that will be overrun. They're quite confident that the program or that the project will come in on target as budgeted which includes that kind of . . . the ability to be a little flexible.

**Mr. McLane:** — How far is the corporation prepared to go in meeting the wishes of landowners to go around their land?

**Hon. Mr. Lautermilch:** — Well I think we have done an awful lot of work to this point, and we will continue to satisfy the concerns, where we can, of landowners. I mean, I guess it may

not be possible in all cases to satisfy all of the concerns of all of the people whose land this will cross. I mean just the nature of these kinds of projects would say . . . when you're dealing with hundreds of people, there were some you may not be able to satisfy. But what we will attempt to do, and what we do attempt to do, is to reach agreements where we can and where it's reasonable.

**Mr. McLane:** — I guess what I'm asking is, if a landowner decides that he doesn't want the line to cross his land — cross a section of his land — simply because he doesn't want the line on the land, tell me about the process that happens then if you can't reach an agreement with him. Would you try and accommodate going around his land, or what's the process?

**Hon. Mr. Lautermilch:** — I guess, to the member, Madam Chair, the last resort would ultimately be expropriation which would not be, I think, the choice of either the corporation nor the landowners. If a landowner would approach the corporation saying that they don't want perhaps the line going across their land just because they don't want it going across their land, without some kind of a logical reason, it would stand to reason if the corporation was going to move from that person's land, it would then go to someone else's land. And if there's no logic for what would be a reasonable path to put the line together, then I guess ultimately if an agreement through negotiations couldn't be reached, expropriation would be the last alternative.

But that certainly isn't the alternative that we would choose because we feel that we can and would want to negotiate an agreement and an arrangement with landowners . . . and I want to say for the most part have been successful in terms of achieving right of ways.

But I guess, as with any project, there may be times when you simply can't reach an agreement.

**Mr. McLane:** — What happens then, Minister, with expropriation if that's the course that's chosen to take? Just explain to us how that will work and what recourse does a landowner have?

**Hon. Mr. Lautermilch:** — Well first of all, I would want to say that it's not a course that we would choose to take. It would be a last resort where we had no alternative. And if we were going to build and design a line to serve all of the people of Saskatchewan, that that would be . . . that would be necessary to do.

The corporation, as I understand it, has the legislative authority to use expropriation, and I can get the officials to describe in more detail how expropriation would take place if an agreement couldn't be reached.

**Mr. Messer:** — I think that the member may very well be aware of what the latitudes of expropriation are. If, unfortunately, that's the only way that right of way can be acquired, expropriating action is taken and the compensation will be the same as what was offered to the landowner previous to the expropriation action. And I believe it's correct that there is no recourse that can be taken after that.

**Mr. McLane:** — Thank you. Can we talk for a minute about the line itself — the size of the line; what determined the size of the line, and those types of issues?

**Hon. Mr. Lautermilch:** — Well I can . . . you know, the details, certainly the officials will have in terms of what the end result of the design is. But I think it's fair to say that would be an analysis of the load on the other end. What the future projections for load growth would be. What the ability of the generating stations would be to feed in. How we could minimize the line loss as it wends its way, as the electricity wends its way, through the line, through the new line.

So I think we would be doing future projections in terms of consumption. The engineers would design a system that would handle that, and based on their design, we would then put the specifications forward, order the material, and go ahead with it.

**Mr. McLane:** — I think you mentioned earlier that the design was basically complete. Can you tell us the size of the cable, the size of the line? I assume that there's some new terminology for the size and the kind of line that's going to be used.

**Hon. Mr. Lautermilch:** — Yes, I think Mr. Harras would be very much familiar with the size of line and what the proposal is, and I'll have him describe that to you.

**Mr. Harras:** — I should have the size of the conductor in my head but I unfortunately don't. I think it's . . . it will be the conductor above grade which is 795. It's a 230,000 volt line.

What we do is that we look at the reliability requirements. What sort of conductor we need to allow us to transfer the power so that on a life-cycle basis, we minimize the losses. Because what you want to do, you want to pick the least costly option.

So depending on the size of conductor you select, the amount of losses can be minimized so your life-cycle costs are impacted that way. When we do a design, we look at a number of conductor sizes. Unfortunately the size of conductors slips my mind right now.

So you want to minimize your losses, you want to make sure that you can actually regulate the voltage at the sending and the receiving ends. So I don't know if there's anything further that I can . . .

**Mr. McLane:** — Yes, I'd like to know as well, is there one wire, two wires, three wires?

**Mr. Harras:** — It's a three-phase 230 kV (kilovolt) line.

**Mr. McLane:** — I guess I'm talking about each individual line then.

**Mr. Harras:** — Whether it's bundled or singled?

**Mr. McLane:** — Yes.

**Mr. Harras:** — Okay, we'll provide that. There is reasons why we will in some cases put up one conductor per phase as

opposed to bundling. Recently we have been putting up single conductors, but we will confirm that.

**Mr. McLane:** — Okay, thank you.

**Hon. Mr. Lautermilch:** — Harvey, you are very knowledgeable at this. Are you an electrician?

**Mr. McLane:** — No, as a matter of fact.

**Hon. Mr. Lautermilch:** — Just from your experience working on the farm?

**Mr. McLane:** — Yes, that's it. Thank you. Madam Chairman, I asked for some information earlier. The officials were going to have that for us this morning. Is that available now?

**The Chair:** — You wanted information on Cumberland House?

**Mr. McLane:** — Yes.

**The Chair:** — We do have some of that information available. What we will do is we have to photocopy it, so we'll send it to you this afternoon in the House to all committee members, if that's acceptable to you.

**Mr. McLane:** — Do we not have the information now?

**The Chair:** — Well yes, Mr. Messer or the minister can read it into the record right now.

**Hon. Mr. Lautermilch:** — Okay, I'm hopeful that this is all that you've asked for, Mr. McLane.

I'm going to read in the schedule of payments to the development fund with respect to Cumberland House. Year one, which is I believe 1989 — year one, 1.2 million; year two, 1 million. And this continues up until year nine which includes 1 million as well; and year ten, which is 1998, a \$3.8 million pay-out; and a total value of \$13 million.

And this was I guess with respect to the tenders that was requested. The two other sites were for head office modernization, one contract in July 1995 to AFG project no. twenty-two sixty-seven in the amount of \$822,043.

The second project was Westridge Construction. This is also head office modernization in the amount of \$770,088; for an aggregate total of 1,592,131.00.

And I should indicate to the members that this was to replace exterior structural panels that were creating some risk in terms of falling off of the building, and as well to create some energy efficiency by reinsulating.

**Mr. McLane:** — Thank you, Mr. Minister. Madam Chairman, we are approaching the hour, and there was another question.

**The Chair:** — Yes, I have two government members that indicated they wanted to ask questions. I know that Ms.

Murrell's question is a follow-up on the line of questioning you were pursuing.

**Ms. Murrell:** — I've had concerns raised by RMs (rural municipality) regarding the lack of consultation with councillors before the lines are buried, and sometimes the most direct route is not the most cost effective. Do the surveyors confer with RMs before proceeding, and if not, why?

**Hon. Mr. Lautermilch:** — Well they do. Certainly they do. And I mean the corporation is well aware of the impact and the need to share information with municipal governments, and certainly we endeavour to meet whenever requested or when we are putting forth a project that impacts in their area. If you can give me specific concerns by specific RMs, we certainly will look into it.

And I think it's fair to say that with Condie-QE that has been . . . those documents have been public, have been around this province, for years. And there's certainly ample opportunity for input, both by municipal governments or individuals prior to a final decision being made. But if you can give me an instance where that information hasn't been shared or isn't understood, we will certainly undertake to have people attend to that.

**Ms. Murrell:** — I'll send you a memo regarding that then. Thank you.

**Hon. Mr. Lautermilch:** — Thank you.

**The Chair:** — Thank you, Ms. Murrell.

**Mr. Koenker:** — Yes, I'd like to talk about conservation and efficiency measures, but given the hour we won't do that today.

Instead I'd like to just mention or question why in terms of the sheet you provided on business initiatives to reposition the corporation, '94-95, no mention was made of SaskPower Commercial. I would think that this might be a major opportunity to help reposition the corporation given the globalization that's taking place. But so far today, we haven't heard anything about SaskPower Commercial.

**Hon. Mr. Lautermilch:** — No, I can say to the member that the annual report for SaskPower Commercial has not yet been tabled, so I guess that discussion will have to take place.

But just to say a couple of words about that initiative, it's a small, little corporation that has, I think, all measure of potential in terms of assisting and working with developing countries, sharing our technology. Some of our equipment has been redeployed to other areas for other purposes . . . (inaudible) . . . some of the old boilers that the corporation owns will be moving and having a new purpose, that of distilling sugar cane in another area of the world. And I think those are opportunities that we shouldn't pass up.

And the other positive part of SaskPower Commercial is the ability to work with other corporations on a consultant's basis, sharing the information and the technology that we have developed here in Saskatchewan in partnering with other

corporations.

I want just to say a couple of words in terms of this particular corporation. It's sort of in its fledgling stages. We're just developing initiatives now that we think will generate a positive return for the corporation. We're taking a very small "c" conservative approach to its operations.

We are, in the board of SaskPower, are certainly concerned that we not put at risk major investments, major capital investments, and that's sort of the approach that we are taking. But all of those discussions can, should, and will take place when the annual report for SaskPower Commercial is tabled.

**Mr. Koenker:** — Is the SaskPower Commercial annual report . . . does that come before Crown corporations as a separate report?

**Hon. Mr. Lautermilch:** — I don't know that. Okay. It's a separate report, but it will be dealt with at this committee . . . at this committee level, as I understand it. If that's what you're asking.

**Mr. Koenker:** — At another time?

**Hon. Mr. Lautermilch:** — Yes. That would have to be after the table . . . the report is tabled and then comes back. And I mean if you have some questions with respect to SaskPower Commercial, you can ask them at this committee and we'll certainly attempt to answer them.

**Mr. Koenker:** — Now is the time.

**Hon. Mr. Lautermilch:** — Well sure, if you want to do that.

**Mr. Koenker:** — Yes. I'd just like to encourage you to pursue that. I think the recent initiatives in the Ukraine are very important. In fact I know you mentioned you're very conservative in your approach; I would be very aggressive because I think that this presents a . . . given the increased competitive marketplace that you've alluded to earlier in the presentation, this is a wonderful opportunity to reposition the corporation in the global market-place. And we simply have to be more outward-looking in many respects and this is one way we can do that.

Certainly there's competition coming into Saskatchewan, but we can be competitive as well outside of Saskatchewan. I'd like to ask, very quickly, a related question. Is SaskPower pursuing any initiatives in North Dakota in terms of marketing power in that direction or consulting in that direction?

**Hon. Mr. Lautermilch:** — We don't know of any initiatives in North Dakota either by SaskPower or SaskPower Commercial. I just . . . in North Dakota. But I want to just make a couple of comments. In terms of what the corporation, SaskPower Commercial, is doing and how we're approaching these initiatives, we are being aggressive and that's one of the reasons we were able to land the contract in Ukraine, was because of the aggressive nature, the fact that the Premier and I as the minister in charge of SaskPower met with officials, politicians,



political people from the Ukraine, or from Ukraine, in order to develop a relationship whereby we could in fact land this contract.

Where we are very conservative is in terms of offering up consulting services and/or services that we don't think we're going to get paid for. And there are some of those circumstances around. But two areas where we see opportunities is working with operations like CIDA (Canadian International Development Agency), working with the World Bank, where we have some measure of comfort that the work we're going to do is going to be reimbursed.

**Mr. Koenker:** — I'll just conclude by saying the Ukraine, I think is particularly important and I really applaud your efforts there, given the state of their nuclear industry and the need for retrofitting and providing alternative sources to that nuclear supply.

**Hon. Mr. Lautermilch:** — Well I think it's been well recognized that some of their coal-fired plants can have some efficiencies built into them and can take a lot of the pressure off of their existing uranium production.

I think as well in other areas, the modernizing the existing plants, both coal-fired and their nuclear facilities, I mean it's sort of atypical of a lot of the infrastructure, in that I think there's some concerns that safety hasn't been designed or built in. There's some concern that there may not be an adequate degree of maintenance.

And certainly we think that we have some opportunities and can expand on them, even what we're doing now, and are certainly willing to assist Ukraine and other eastern European countries to bring up to date and up to speed their facilities.

**The Chair:** — Thank you, Mr. Minister. The time for adjournment has now been reached. I would thank you and your officials for your attendance on the committee.

And I would like to inform committee members that next Thursday, May 23, from 9 to 11 we will be meeting. We will be reviewing the Saskatchewan Gaming Corporation from 9 to 10 and Minister Crofford will be in attendance, and from 10 to 11 we will be reviewing the Saskatchewan Liquor and Gaming Authority with Minister Serby.

Again, thank you very much. The committee is now adjourned.

The committee adjourned at 11 a.m.