

SaskEnergy Incorporated

The Chair: — It now being 9 o'clock we will begin once again with our review of the various Crown corporations. Today we have called back, at the request of the third party, the SaskEnergy, so that they will have an opportunity to ask questions about SaskEnergy since they weren't really able to get onto the agenda last time.

We will deal with SaskEnergy from 9 to 10, and then we will commence our review of the two concurrent years for Sask Water from 10 to 11.

Mr. Minister, I think you know the procedure. Customarily I ask you to give an overview and then I ask the auditors, both the private firm and the provincial auditors, to make a comment. Then I ask members if they have any questions of the auditors. If not, we then move into direct questions of the Crowns.

Since we've already started though with SaskEnergy, that will not be necessary in this instance. I would though ask you to introduce your officials, and if you have a very, very brief statement to make before we start on round two of SaskEnergy, you're welcome to.

Oh, one other thing for committee members' information. We're somewhat short in terms of copies of the annual reports, '94 and '95 of SaskEnergy. They were distributed at the last meeting. I would ask any members who didn't bring their copies to please share.

Hon. Mr. Lautermilch: — Madam Chair, we have a few extra copies.

The Chair: — Why did I not expect that SaskEnergy would come fully prepared? I apologize to both you and your CEO (chief executive officer), Mr. Minister. Would you like to take it away.

Hon. Mr. Lautermilch: — Yes, I'd like to reintroduce my officials, but before I do I'd like to welcome the board members again and I look forward to the dialogue that we'll have this morning.

I have again with me Ron Clark, the president and chief executive officer. Jullian Olenick, behind me, is the executive vice-president of TransGas Ltd. Russ Pratt is vice-president of utility distribution. Elaine Bourassa is vice-president of finance and administration. Ken From is the director of gas supply; and Mark Guillet, the acting general counsel. So I'm certain that they will be able to assist us in terms of answering some of the technical questions that may come forth this morning.

The Chair: — Sounds like you've got just about everything covered off there, Mr. Minister.

Hon. Mr. Lautermilch: — Well it covers pretty much every arm of the corporation.

The Chair: — Arm, leg, and hopefully the brains.

Hon. Mr. Lautermilch: — Yes, right.

Mr. Heppner: — Okay, to start off with, following through a bit of work that Mr. D'Autremont's been doing, I want to ask a number of questions about an individual case that he's been following, and it's with the Grant Sharman case. I'm sure you're aware of that one which has caused some controversy.

Mr. Sharman, as you recall, was relocated to Regina as a result of harassment allegations, which Mr. Sharman of course disputes. Okay. A couple of questions dealing with that area. First of all, what is your current internal harassment policy?

Hon. Mr. Lautermilch: — I'm going to ask Mr. Clark to give you the details of policy.

Mr. Clark: — We have, Madam Chair, an internal harassment policy that's been developed jointly with our company and the union. And, Mr. Member, rather than try to get into it in detail I would certainly arrange for a copy of it to be sent to you so you could review it, if that would be acceptable.

Mr. Heppner: — Okay, good. Has that policy significantly changed over the last number of years?

Mr. Clark: — It has been reviewed once since it was first introduced, first introduced to the company. And improvements, I like to think improvements, have been made, so that yes, it's fair to say that I think as recently as about a year or two ago, we made some minor adjustments to the policy.

Mr. Heppner: — Okay, you said that it'd reviewed once since it was brought in. What year was it brought in?

Mr. Clark: — Somebody can help me. I think 19 . . . If somebody can help me here on the details. This predates my arrival to the company so . . . 1992.

The Chair: — Excuse me, I wonder if I could ask everyone to please speak directly into the microphones so that *Hansard* can catch the pearls of wisdom as they drop from your lips. Thank you.

Mr. Heppner: — You mentioned there have been some changes made in the last time they've been reviewed. Any particular areas that were redeveloped?

Mr. Clark: — Madam Chair, I'll ask . . . Russ, can you expand on some of those issues?

Mr. Pratt: — I'll give you, Madam Chair, the best as I can recall. The original draft of the joint policy had some . . . (inaudible) . . . of human resources to follow if harassment was found. In cases where it wasn't found, it was then a completed file. And that was found to be unsatisfactory in that we never gave, shared, enough information because it's a problem-solving exercise. And it was redesigned to try and make sure that the people that were participating — whether

they be the accused or the accuser . . . an opportunity to make sure information was shared so that we would solve the problems. That's basically the change that took place as I recall, those changes. And there's probably some others; it's been incrementally changed as needs arose.

Mr. Heppner: — Thank you. I had two other questions in that area, but you answered those, and you answered already, so that's good. Next question generally — list and give the costs of vehicles leased for senior executives of SaskEnergy.

Hon. Mr. Lautermilch: — Has that been forwarded yet?

Mr. Clark: — I don't believe that was in the package, Madam Chair, but we'd certainly arrange for that to be forwarded.

Hon. Mr. Lautermilch: — Okay, we can bring that forward.

Mr. Heppner: — Okay, could we get that sort of information for all the Crowns?

The Chair: — You want information on all vehicles leased.

Mr. Heppner: — For senior executives.

The Chair: — For senior executives in all Crowns.

Hon. Mr. Lautermilch: — We haven't got that information, Madam Chair. SaskEnergy can forward what we have at our disposal, which is any arrangements that would be made with our senior executive.

The Chair: — Committee members will recall that we do still have the outstanding list of questions that people had asked and that would be provided just on a standard basis. I have had some discussions with officials from CIC (Crown Investments Corporation of Saskatchewan) to determine the doability of answering those questions on a standardized basis. I don't have a full answer back yet, Mr. Heppner, so what I will do is ask the CIC officials to take note of that question.

From my point of view, it seems very reasonable. And it's not going to cause a lot of difficulty in terms of gathering it. For instance, I've been told that it costs something like \$50,000 in terms of staff time to prepare some of these general questions for just one of the Crowns. So obviously we want to make sure that these questions are not going to incur a great expense. At the same time we want to have the information as widely available as possible.

So what I will do is add that to the list of the questions. My hope is that by this fall we will have a firm answer back and we will then be able to, all three parties, sit down and discuss this and decide which questions we want just customarily answered, similar to the globals in the House. So we'll add that one to the list for all Crowns.

In the meantime, I believe I've heard an undertaking from the minister and his CEO that the information on leased vehicles for SaskEnergy will be provided. Would you please, as is the custom, table that answer with the Clerk and provide 15 copies.

Hon. Mr. Lautermilch: — Absolutely, Madam Chair.

The Chair: — Thank you so very much.

Mr. Heppner: — And another question dealing with senior executives — and I guess the definition that we're using would be just essentially president and vice-presidents for that — could we have a listing of all the blood relatives of the SaskEnergy senior executives who have been employed in any capacity by SaskEnergy over the past year.

Hon. Mr. Lautermilch: — I think that we have no difficulty in providing that kind of information. I would want to say to the member that the hiring process is, I think, one of fairness. And if you're suggesting that there are some . . . I'm certainly wishing and hoping that you wouldn't be, but I think it's fair to say that we hire employees in the corporation based on merit. We have no problems in attempting to put together a list in that regard.

The Chair: — Mr. Minister, just because we are getting into an area where there seems to be an implied, if not an actual, accusation of nepotism and cronyism, would you also then include SaskEnergy's policy with respect to hiring so that it is very clear for all members.

Hon. Mr. Lautermilch: — Absolutely.

The Chair: — Thank you.

Mr. Heppner: — We'd also like the contracts of the president and each of the vice-presidents of SaskEnergy, if we could, including things such as salaries, benefits, allowances, vehicles, charge cards, perks, all those sorts of things that are included with that.

Hon. Mr. Lautermilch: — Madam Chair, as a matter of policy . . . it might interest the members to know that as a matter of policy, this kind of information is filed on a regular basis with the Clerk. This is all public information as part of how this government has been doing business in the past. This information is provided as a matter of course. We have nothing to hide.

Let me, if I can, make a comment with respect to remuneration in SaskEnergy. I would like to say and put on the record that the senior management of this corporation as compared to industry standard, in many cases are not what I would refer to as over-generously compensated. We have people who are dedicated to this province who have, I think, superior capacity to operate this Crown. And I say again, if you compare them to industry standard, you will find that the rates of remuneration are not in any way exorbitant.

We have been attempting to be very open and that's why we ask senior executives to file their remuneration, their contracts, with the Clerk. And all the member has to do is walk over to the Clerk's office, and he can have this information on a daily basis. It doesn't necessarily need to be dealt with in Crown Corporations.

Mr. Heppner: — Okay, thank you. The next question I have is still more answers. We would like a list and the cost of consultant contracts paid by the corporation with a description of the services provided by those consultants.

Hon. Mr. Lautermilch: — There seems to be some confusion, Madam Chair. That was part of what was included in a package of information that had been previously forwarded to the committee, as I understand it.

The Chair: — It was tabled with the committee the last time they were here, but if you will remember, that was one of our first meetings. There was a little bit of confusion. And Mr. Heppner, to be fair to him, is substituting for Mr. D'Autremont today, so he may not have received that information. I wonder if you have an extra copy now, could you perhaps give it to Mr. Heppner, and he can take a moment to look through it and see if there are any questions arising out of that information.

Hon. Mr. Lautermilch: — We can get a copy made, but let me read into the record the information that we forwarded. We have forwarded the senior management salaries as of December 31, 1995; executive expense claims for the year of 1994, executive expense claims for the year '95; executive travel for the year '94, executive travel for the year '95; board of directors' remuneration for the year '94, board of directors' remuneration for the year '95; a summary of advertising for the year '94-95; consulting for the year '94 and consulting costs for the year '95. All of this information has previously been forwarded to the board, Madam Chair.

Mr. Heppner: — Okay, thank you. Last set of questions that I have deal with CCTA (Crown Construction Tendering Agreement), and this may be in a package like that as well, listing and giving the cost of the contracts awarded by SaskEnergy pursuant to the Crown Construction Tendering Agreement.

Hon. Mr. Lautermilch: — I'm told by the officials that this was also provided to the Clerk as a result of the question in the legislature, and it's available. It's there.

Mr. Heppner: — Okay. The next question is a bit of an expansion on that, and that may be in that same package of information, asking for the offers of all bids made on CCTA projects that were rejected for not fulfilling the requirements of CCTA, and in each case a brief description of how that particular bid failed to meet the standards of CCTA and the price differential between those bids and the winning bids.

Hon. Mr. Lautermilch: — I think, Madam Chair, we would be willing to forward information as long as it wouldn't jeopardize the integrity of the businesses who have put forward tenders. It certainly wouldn't be our intention to divulge information that individual corporations would want . . . as is private and you know, corporate information that may jeopardize their ability to do business in the province and would affect their competitiveness. The nature of tendering and the nature of business is such that some of this information would be not appropriate to divulge, but we will release what we can in that regard.

Mr. Heppner: — Okay. Am I to take from that particular answer that when the bids were opened only the successful bid essentially becomes public?

Hon. Mr. Lautermilch: — Well I think it's fair to say that we will release the successful tender based on, you know, on a qualified bid. There is some bids that are rejected based on not qualifying for the criteria in the tender call. We release the information. It's not a practice that's changed over the years. I think it's . . . Since we've been in government, our practice is, you know, to release the information that's available. And the president may want to elaborate.

Mr. Clark: — Just briefly, Madam Chair, we only release the successful bid but we routinely meet with any other bidder who has issues or questions he wants to raise with us about the bidding procedure, about where he believes there were deficiencies, or wants to know where there may have been deficiencies in his bid and we share . . .

The Chair: — Or hers — occasionally.

Mr. Clark: — Or hers, yes. Sorry, Madam Chair, I wasn't intending to be sexist.

The Chair: — Nobody ever intends it. That's why sometimes . . .

Mr. Clark: — Well some people do, as a matter of fact.

The Chair: — But they always deny.

Mr. Clark: — Anyway, Mr. Member, that's the process that we use. In fact our experience with our bidders is they do feel very strongly about confidentiality, about the documents they submit to us and the results of those documents. So that process and interchange is . . . we're open to having them question us but we do not routinely share that information publicly.

Mr. Heppner: — Okay. Follow-up question on that. You mentioned that a non-successful bidder could meet with you and you would discuss why it hadn't been successful. If a bid is not successful, do they just get a letter saying it wasn't successful or do they get some information saying why it was not successful, if it was contrary to some of the other Crown tendering agreements?

Mr. Clark: — Well generally they would just be advised that they were the unsuccessful bidder, and then certainly be encouraged, if they like, to follow up with this in terms of more detail. And we just leave it at that.

Or if in fact their bid documents have failed to meet the tender requirements, then they would be advised that their tender is insufficient and will not even be considered. But that's the process we use.

Mr. Heppner: — That's it. Thank you.

The Chair: — Do you have any further questions, Mr. Heppner?

Mr. Heppner: — No, not this morning. Thank you.

The Chair: — Okay, thank you. I then have on my list Mr. Johnson and Mr. McLane.

Mr. Johnson: — In the '75 ... the project for construction, there was some ... it says that it was over 400-and-some-odd ... 481 kilometres of transmission as well as an expansion of storage. I'm looking on page 11 of the '95 annual report.

Is there any expected ... or was there any plans being put together during '95 for construction and that in this construction season, and what quantities, what mileage of pipeline, would be being constructed, or storage facilities, or any major construction of that nature?

Hon. Mr. Lautermilch: — Yes, with respect to the last year, we, as you will know, the last two years we had major expansion to the transmission in the north-west side of the province to assist the industry to get their product on-line and to the markets; it was a major capital expansion. Nothing for this year is planned in that magnitude at all. There will be some smaller projects but nothing to the degree that we had in the past two years.

Mr. Johnson: — Is there any upgrading of any compressors or anything that increases the carrying capacity of the pipeline systems that's planned, or anything of that nature?

Mr. Clark: — I think a minor, Madam Chair, a minor ... I can tell you that the capital program for '96 is intended to be around \$55 million; 20 million of that would be on the distribution side, which would be the normal amount of additions to the system, be they summer resort villages, other infills, gasification on reserves, etc., and 40 ... 38 million on the transmission side, which is an assortment of pretty small projects.

The last two years ... and last year particularly was a very big year for us. We've never ... That was the largest project we've ever undertaken in the history of the company — the 325 kilometres of 20-inch pipe up the west side up to Goodsoil. And so this year, by those standards, is a pretty modest year.

So the answer, member, is that there'll be some very modest improvements in some of our compression. I can get Jullian to get into some detail. But very modest additions and hook-ups on the transmission side with some very modest improvements in some of our transmission and compression operations.

Mr. Johnson: — The reason I'm asking is that you say that ... in the report it said that the transmission and that of gas has been increasing and that basically SaskEnergy has diversified into doing a gas brokerage side of business which has generated some profit for the corporation.

And I'm just wondering how that impacts on ... or what necessary investments and stuff that are necessary in order to generate that. Because at a \$5 million increase in net revenue, that appears to be an opening for generating some wealth for the corporation. And I'm just wondering if ... what all is

involved in that in the future.

Mr. Clark: — There's no question, Madam Chair, that this is an exciting potential opportunity for our company. We are one of the few full-service companies in North America. By that I mean we're a truly integrated storage, transmission, distribution, and gas supply utility. So for example in this past winter where we saw one of the harshest winters in North America, the demand for natural gas was brisk to say the least.

We have some tremendous difficulty with take-away capacity out of the western Canadian sedimentary basin. But we were able, for example, on the brokering side, through the use of our full-service ... By that I mean our transmission, our potential to store or park gas and take advantage of spot market opportunities in eastern Canada, eastern United States. I think Ken From can attest that on one occasion we bought some gas for about \$1.50, \$1.60, Ken, and sold it for \$10 U.S. (United States). Our only regret is we couldn't sell a lot more of it.

So the answer, member, is that the capacity in the system for us, because of our transmission, our storage, and our gas brokering business, I think is a significant growth opportunity for us. Obviously we won't always see those attractive price differentials because we all hope that we don't ... Well if we're going to see bad winters, I hope they're somewhere else, frankly.

So there are ... the short answer are there are opportunities and they certainly don't require us to build in excessive infrastructure. We can take advantage of the infrastructure we have and the opportunities that are inherent in the market and in the system that we have in SaskEnergy and TransGas.

Mr. Johnson: — Okay. Just in that thing, it shows that basically in the past 10 years — I'm looking at some of the report here — that there is basically a 300 ... or a 200 per cent increase in the transport volumes in a 10-year period. Is there any expectation of that continuing into another 10-year period? Or are we coming to another plateau? Because I notice that the five years previous to that was plateaued.

Mr. Clark: — Well I'd like, and the member ... I will circulate this in hard copy; it wasn't in colour, I don't believe. But I think that's the phenomenon which the minister ... or the member rather, is referring to, is that prior to the green part, on the left side of the graph, will depict the years prior to the deregulation of the natural gas industry. And then you can see it was pretty flat in terms of volumes moved through our province.

With deregulation we saw the almost 300 per cent increase in the flow of natural gas through our province — much of that to the export market — to the point where we're now around 350, 360 billion cubic feet a year.

The answer, Mr. Member, is that we saw that tremendous growth. We're not going to see another big jump-up like that. But we believe we've built the infrastructure to sustain a fairly healthy natural gas industry in Saskatchewan and we want to try to incrementally grow on that volume.

But I have to tell you, I'd like to be able to tell you that we're going to see another huge 2 or 300 per cent increase in throughput, but that isn't going to happen I don't believe. We're only sitting on 6 per cent of Canada's natural gas, so there are some limitations.

Mr. Johnson: — Okay. With that 6 per cent, the question that I had here, what percentage of the gas is generated in the province of Saskatchewan or that you're moving? It may be in the report, but I didn't . . .

Mr. Clark: — Two points, Madam Chair. That about 57 per cent of that volume of around 350 billion cubic feet goes to the export market. And of the 60 billion cubic feet or so that we buy every year for our own domestic consumption to heat our homes and businesses, we buy between 75 and 80 per cent of that here in Saskatchewan, from Saskatchewan producers in the province.

I'm not sure you asked a second question, but the first question is about 57 per cent of those volumes are going into export markets, either into eastern Canada or through the TCPL (TransCanada Pipelines Ltd.) system and breaks at Emerson into the Chicago market in the United States.

Mr. Johnson: — Okay. What I was really asking was, of the total movement of transport volume, what quantity of that is coming basically from someplace else and we're transporting it through Saskatchewan rather than just in Saskatchewan?

Mr. Clark: — About 20 per cent, coming from Alberta.

Mr. Johnson: — As I interpret what's in place, the hard facilities in SaskEnergy are basically all in the province of Saskatchewan. There isn't much ownership outside of the province of Saskatchewan unless I'm making a mistake in what I'm . . .

Mr. Clark: — Our infrastructure?

Mr. Johnson: — Yes.

Mr. Clark: — No, it's almost exclusively. I mean take our Many Islands Pipe Lines company, which is the National Energy Board-regulated company — accommodates what we call sausage links across the border into Alberta and, in the case of the interconnect with the Williston Basin system, into North Dakota.

I wouldn't call those outside of Canada but . . . or outside of Saskatchewan rather, but one I suppose might technically say that. So 99.9 or 100 per cent of our assets are located in the province of Saskatchewan.

Mr. Johnson: — Okay, in the year . . . or at the present time, is there any thought being given to . . . because you said that you, as a full-service organization, it's been generating a profitable operation, has there been any looking at moving and setting up infrastructure outside of the province of Saskatchewan?

Mr. Clark: — I think, Madam Chair, I'd want to say that

certainly we believe we have the expertise and the technology to seek out market opportunities outside of Saskatchewan. If I could just deviate very slightly from your comment about infrastructure, I want to say that we have been successful outside the province of Saskatchewan.

We — just about this time last year — did all of the gas service technician training for the Sarawak Gas Company on the island of Borneo in the country of Malaysia. We were very successful. We recognized a very satisfactory return on that endeavour, and we will continue to seek out non-Saskatchewan-based opportunities to trade on our expertise and our technology. And we have been contracted by Pan Alberta to do some work in Saskatchewan and in North Dakota. We're under contract to do some work in West Virginia. And we are optimistic that we will secure contracts this year in South America.

Now this is technology and our operating expertise; this is not physical assets or equity investments. Down the road, Madam Chair, I think that I leave it for the minister to comment. But I suppose Crown review will reveal to some extent the scope of mandate of companies such as ours, but we think that we're well positioned for the brave new world. And I certainly wouldn't suggest it's out of the realm of possibility at all that we could look at . . . in fact we should look at investments, prudent investments, outside our province if they improve the growth and vitality of Saskatchewan.

The Chair: — Mr. Minister, bearing in mind that we're reviewing '94 and '95 annual reports, not '96, did you wish to make a comment about the Crown review process?

Hon. Mr. Lautermilch: — Well only to say I think that SaskEnergy is very much looking forward to the process because I think it gives us an opportunity to sort of check the temperature of the corporation, to see the state of its health internally, to look at opportunities or suggestions with respect to the industry as a whole.

So it really is pertinent to our day-to-day operations and into the future because, as we operate within this fiscal year, we're certainly looking to future opportunities and future goals for the corporation.

So I just say that we certainly do welcome the review because it gives us an independent and an arm's-length analysis of not only the corporations and its operations internally, but it gives . . . it will describe for us with an independent eye, where we fit into the industry as a whole.

We've been attempting to develop partnerships through SaskEnergy International with other corporations. We think that information transfer, sharing of information both to and from, is healthy for the corporation. I think that we have shown that the corporation has a lot of credibility in terms of industry, in terms of the expertise that's been developed in this province and within the utility in the transmission, distribution side.

And so I think this really, for us, has been a growing . . . you know, will add to the growing experience of the corporation.

Just with respect to investment outside of Saskatchewan, as the president has indicated, much of what we have been doing is a consulting role. We haven't at this point made any capital investments, any major capital investments other than our time in lots of cases, but it's something that we will be looking at. And if an opportunity presents itself, we would certainly, as a board, upon recommendation from the management team, look at the options. And based on whether it made good business sense, prudent business sense, make a decision on that.

Mr. Johnson: — What would the, in round figures, the consulting services that you provide generate in gross income? And I may not . . . it may be because I don't have a good understanding of the consolidated statements. It might say it there, but it doesn't register to me.

Mr. Clark: — Don't seek for it, Madam Chair; it's not there. We have one formal consulting contract . . . I'm sorry, two. One off-shore in Malaysia which was \$100,000 and which, as I say, we made a rate of return which was consistent with our internal hurdle rate, and we were contracted with Pan Alberta out of Calgary to do some work in . . . partially into North Dakota. Not as exotic as Malaysia perhaps, but we . . . I think that contract, Jullian, was \$250,000, I believe.

Mr. Olenick: — 150.

Mr. Clark: — 150, sorry — 150. That would at this time be the extent. We certainly feel that there is . . . I mentioned . . . I alluded to some other opportunities. We feel confident that they've come. . . these are cases where the industries come to us. In the case of West Virginia, because of our expertise in salt mining gas caverns. We have the leading technology in the world. One of our people our engineers, produced a technical paper at a symposium, and it was read and some people have approached us. So we find those to be attractive opportunities.

Mr. Johnson: — So I'm assuming that this is then all in-house personnel. There is no employment of outside people or increased employment or anything. Okay.

Just breaking to another line, have there been any major breaks that SaskEnergy has had in their lines in the year '95?

Hon. Mr. Lautermilch: — No, Mr. Member, we've had no major difficulties with our transmission system. You know, there are always difficulties when you have construction happening around the distribution system in residential, in rural or urban areas. There are occasions where we have difficulties, and our crews, our staff, respond very quickly when we're notified that there's a difficulty in that area. But in terms of our transmission system we have had no difficulties in that regard.

Mr. Johnson: — Has the corporation made any changes or anything related . . . as I understand it, some of the older lines and some of the things that have been happening indicates that procedures that were done 20 years ago are creating some of the problems of the lines that have been burning and popping their seams or whatever. Is the corporation making any changes because of what has been taking place then in other areas?

Hon. Mr. Lautermilch: — Well I will ask the officials to speak to the technical details and the technology change. But I can say to you that in my role as Energy minister, I have been meeting with Interprovincial Pipelines, TransCanada Pipelines, and of course our own transmission system, TransGas. And I think it's fair to say that industry is working very diligently in terms of trying and working to prevent the kinds of breakdowns in the system that you allude to.

Our system is relatively new compared to some of the other systems that are operating in the province. We, in our expansion from Rosetown-Goodsoil took, I think, very close scrutiny to what we might be able to do to ensure that that system and that line will last in a safe fashion for as long as possible.

So I think we're doing everything we can to ensure that safety is adhered to and safety factors are adhered to. And as always, technology will develop and advance over the years, but at this point we're using as up-to-date information to apply to the system as we can.

Mr. Clark: — Just a couple of footnotes to the minister's comments, Madam Chair. Obviously we're always, as the minister has indicated, concerned about safety and reliability of our system, and I can defer to Jullian in a moment. But for example, in Goodsoil to Rosetown we had gone to extra pipe thickness. In urban areas we've gone to new coatings. In the case of that particular line we went to a new welding procedure which we think is superior, and we've had external metallurgical firms confirm that this was a better welding procedure.

We're certainly very conscious of the stress-corrosion cracking issue which is now in front of the National Energy Board, which is the alleged source of those two explosions in Manitoba, one last summer at Rapid City, Manitoba. We are participating with the Canadian Energy Pipeline Association in these hearings and waiting for the decision of the National Energy Board on that particular issue.

So I think I'd suffice to say that we are trying to do everything to ensure reliability and safety. Jullian, have anything?

Mr. Olenick: — Yes, I don't think I can add to it with CEPA, the Canadian Energy Pipeline Association. We're really on a team that has the best of the expertise from the pipeline companies in Canada. We're involved in that process all the way. We've learned a lot in participating.

Now we're going to go out and start looking on our system to see if we have any situations of stress corrosion cracking. We haven't found any so far. We've had investigative digs, over 40 in total so far over the last couple years, and we haven't found any. So hopefully we don't have any there, but we will go look for it because some of our pipelines are 40 years old. The smaller ones are 40 years old. The newer systems, we're using the best of current technology.

Mr. Johnson: — The debt/equity ratio was problematic a couple of years ago. What is the present state, and where do

you expect to go in the next . . .

Mr. Clark: — Just a couple of comments, Madam Chair, I alluded to this in my overhead presentation last time. The debt/equity ratio for our company is not precisely, as a benchmark, where we would like it to be; we acknowledge that. The industry benchmark is around 65 per cent debt and 35 per cent equity. That is, we had experts called Foster Associates do a review for us. They have indicated that that is the industry benchmark. We, as an aggregated company now, are around 77/23: 77 per cent debt and 23 per cent equity.

I make two comments. Not a bad performance frankly in the last eight years since this company was created in 1988 out of SaskPower, when we were created with a debt/equity ratio closer to 98 to 2, I think. So there's been, I think, meaningful movement in that area. And our five-year business plan sets out a goal that by the year 2000 we would be at 69/31: 69 per cent debt, 31 per cent equity. We think we're still on target for that. So it's clearly moving in the right direction in my view.

Hon. Mr. Lautermilch: — Just to elaborate on that, I think, from the perspective of government, it has been our goal to ensure the fiscal health of these corporations, SaskEnergy included. And I mean, it's easy enough to drain the corporations. Having a high debt/equity ratio is the case in some of the neighbouring provinces with their Crowns. Manitoba as an example, I think, would be very envious of the debt/equity ratio of our utility Crowns as compared to theirs, similarly with our telephone system and with theirs.

I mean, short-term gain by draining these corporations, leaving them in an unhealthy situation with an excessive debt/equity ratio, I don't think would be prudent in the long haul. And what we're attempting to do is use benchmark of industry standards to ensure that this corporation is as healthy of any of our competitors. We are striving, as is indicated, for a debt/equity ratio of 70/30 by 1999, which is a long haul from where it was when we took office in 1991.

I think in a lot of cases, there is some criticism in terms of the amount of profits from these corporations that is funnelled into CIC and through CIC to the Consolidated Fund to deliver health care, education, and other programs in the province.

But I think we can make an argument, and it's evidenced in the financial statements, that we can make an argument that we are appropriately managing these corporations. I think you can make an argument that our rate structure is comparative to other jurisdictions with respect to SaskEnergy.

We have the second lowest rates, I believe, in western Canada and in the country. The return on investment to the shareholder, the people of Saskatchewan, is not overly excessive, and I think we can mount an argument that that is the case. And at the same time, we're able to improve the internal health and the debt/equity ratio of the corporation.

So I think we have a good story to tell in terms of management of this utility, as we have with some of the other Crowns in the portfolio. And I think the people of Saskatchewan can rest

assured that good, sound fiscal management within the Crowns will be evidenced and is evidenced the same as it has been and is on the executive . . . on the other side of government that is funded through the Consolidated Fund. We've been able to balance our budgets. We've been able to reduce the total debt of the province. And I think the stewardship that has been shown by the Romanow administration since 1991 is one that we can and should be all proud of.

The Chair: — Thank you. Mr. Johnson, I wonder if you could wrap up your questioning now. Thank you. I have two other members who wish to speak, and we have Sask Water on for 10 o'clock.

Mr. McLane: — Thank you, Madam Chair. We are 50 minutes into this session, and we've had two speakers to date, so I guess your plan of 15 minutes per questioner is gone out the window, which is fine. We'll certainly remember that in the next Crown Corps meeting.

The Chair: — Actually, Mr. McLane, if I could just interject there . . .

Mr. McLane: — As long as you don't waste too much time.

The Chair: — It did seem to me that SaskEnergy, when we started the review, that was before we were trying to use some self-discipline and when we were trying to give everybody approximately 15 minutes' time for questions. So what I have been trying to do is keep a close eye on the clock and give approximately balanced time for each member. Mr. Heppner had 18 minutes of questioning. Mr. Johnson was questioning for 26 minutes. And I as I recall, and I've reviewed the *Hansards*, it seems to me that you and Mr. McPherson took up the majority of the time for the first 2 hours and 20 minutes that we met with SaskEnergy.

So I'm just trying to be fair in this. And when we go back to the Sask Water review, I will be asking people to once again demonstrate the spirit of cooperation and mutual respect that we have seen, and go back to the 15-minute regime.

A Member: — Point of order.

The Chair: — Point of order, Mr. McPherson, yes.

Mr. McPherson: — Are we to understand then that the government, being open and accountable as you claim to be, are now putting time limits on the amount of questions that we can ask on behalf of the people of this province in regards to the corporations and departments? Is that what you're saying?

The Chair: — No, we're not putting time limits. What we have been doing, Mr. McPherson — and I realize that you're somewhat at a disadvantage since you haven't been attending these meetings — but what we have been doing as a matter of mutual respect and joint cooperation amongst all three parties is to try to give members the opportunity to ask their questions but to also give them approximately 15 minutes each unless they're into a particular line of questioning, and then we simply let them go on a little further. But it's to maintain the interest of

all members and also to give everybody an opportunity to be able to ask their questions.

As I've indicated to Mr. McLane, what I have tried to . . . I have — and I appreciate your point, Mr. McLane — I have very deliberately allowed the members from the Conservative Party and the New Democratic Party to ask questions a little bit longer than the 15 minutes this morning because I feel that there was a somewhat unusual situation created from SaskEnergy.

But, Mr. McLane, would you like to put your questions?

Mr. McLane: — Yes I would, thank you. Mr. Minister, officials, just a question on natural gas delivery in the province as it relates to small communities. I just wonder if you could enlighten us a bit, whether it's through you, Mr. Minister, or through one of your officials, as to what the policy might be, for example, for people in a small community or small town — resort village, what have you — if there's someone in the community that doesn't have natural gas, how they would go about getting that to their homes and what the procedure is in terms of time, cost, and a policy that you might have on this.

Hon. Mr. Lautermilch: — Well with respect to communities that aren't now served, when an application is made or when interest is shown by the community, our officials will look at the size of the request — how many people would take up the service if it was offered; what the cost of delivery from our distribution network, wherever that might be; the distance required and the cost involved in doing that — would do an assessment as to how much gas would be needed to serve the community; put together a cost factor, and based on that, work within the policy to put a cost to each individual home or business; and based on that, await the decision of a community as to whether or not they would want to take up the service.

Mr. McLane: — Thank you. In terms of a community that might already have natural gas supplied and where all the residents of the community are not on natural gas, what would the procedure there be?

Hon. Mr. Lautermilch: — Well they could contact SaskPower through the district office or their closest office, and one of our people would come out and give them an estimate as to the cost of hook-up.

Mr. McLane: — Thank you. Would the cost vary from community to community, the distance involved? Is there a ceiling on the cost, that it might cost any individual in the province?

Hon. Mr. Lautermilch: — Well as I understand the policy and what we are attempting to do is do this on a cost-recovery basis. Certainly we would have an investment, would want to see a return on that investment, and that would be done through the sale of gas over a period of time.

Also there's the cost of maintenance and operations that the corporation keeps in mind when they're costing these projects out.

Mr. McLane: — So then really what would happen is the individual would bear the cost of getting the gas to their home.

Hon. Mr. Lautermilch: — Well ultimately it's the consumer who has to pay for a service. The position that we take and that the board has taken is that this corporation is not — and should not — in the business of subsidizing service.

We are moving with our rates to a dollar-for-dollar return. And I think the same can be said with our distribution system — that we'd like to see a return, and that we don't believe that subsidizing the distribution network is something in the long term that we want to see.

Mr. McLane: — Could you just explain what vaulting is in terms of a natural gas line. Vaulting?

Hon. Mr. Lautermilch: — Where was it?

Mr. McLane: — In terms of a natural gas line.

Hon. Mr. Lautermilch: — I'm not certain what you mean, Mr. McLane. Maybe you can help me with this because I'm not sure, we're not sure, what you're asking.

The Chair: — Speak directly into the . . .

Mr. Pratt: — Yes. I'll try to . . . I was seeking out the answer myself to that the other day, and to the best of my understanding is that there's certain areas around Regina in the lakes where they're subject to slides, landslides, and they use the term vaulting as a protection against damage to sewer or gas or anything that's buried. And that's the term they use.

There's one, particularly, where we're looking at running gas and vaulting — we have to have three. And that raises the cost considerably.

So best as I understand it, it's protection against earth moving and ripping the lines out.

Mr. McLane: — Thank you, Mr. Pratt. Maybe you could tell us as well, you talk about it being very costly, could you give us an example per metre what it might cost to do that?

Mr. Pratt: — I'm sorry, I can't. I don't have those details. And I asked that again, and there's so many variables that the average may not be meaningful, but if that's something . . . We can give you an average. I don't know how meaningful it will be.

I asked that very question of our engineers the other day — here, it's this, and here, it depends on the size of the line. Depends on so many factors. But we'll . . . I can endeavour to give you what we believe is average if you need that.

Mr. McLane: — I would appreciate if you would. Maybe if you could relate the answer to the soil, say, along Last Mountain Lake, in particular at the south end?

Mr. Pratt: — Yes, yes, that's where we're looking.

Mr. McLane: — Okay, thank you.

So, Mr. Minister, then if that is the case, would that individual then be required to . . . again for cost of recovery for all those costs, whether it was vaulting or whatever it was, to get the line to his home, they would have to bear the cost.

Hon. Mr. Lautermilch: — Well we do our own . . . we do . . . a portion of these costs is part of SaskEnergy's investment policy. And I guess what I should do is read into the record that policy.

For residential services, and this was effective April 1 of 1994, that would be \$1,250 for residences. For farm and commercial services, it's 19 cents per cubic metre of what the anticipated annual consumption is. The project prices are established for groups or customer groups receiving services at the same time under this policy. And we're putting this in effect for a five-year period.

So you know, I think we've developed some stability. When a client comes to, or a group of clients come, to the corporation, we will sit down with them, work out in the context of our policy what it would cost per home, per residence, per farm, and based on that, determine whether . . . they would determine whether or not it would make sense for them to use this as a source of energy in their homes and/or farms.

So it's a policy that's been in place for awhile. We're planning to continue it for awhile, and communities who want to update the service certainly have the access to the officials within the corporation to give them a dollar and cents figure in terms of the cost of delivering it.

The Chair: — I'm sorry, Mr. McLane. I'm sorry, Mr. Minister. It is now 10:01 and we do have Sask Water scheduled, so we will with reluctance adjourn this particular portion of the Crown Corporations Committee review and I will give members about three or four minutes to stretch and then we will reconvene and review Sask Water. Thank you.

The committee recessed for a period of time.

Saskatchewan Water Corporation

The Chair: — I would ask committee members to take their places. We will commence our review of the 1994 and the 1995 Sask Water annual reports.

We did have a fairly extensive presentation from Sask Water the last time they appeared before the committee, which was way back before the last election. Since we are a little bit backed-up in terms of time, I have asked them to circulate that presentation. And when we call you back for the '96 review, if committee members want a more elaborate presentation, I would ask you to please indicate to me outside the committee if you want a more elaborate presentation for when we're dealing with '96, and we will then do that.

But we are, as the session winds its way inextricably towards the summer, we are getting a little bit backed up in terms of

times, so I'm going to try to move things along as quickly as possible.

Mr. Minister, I would welcome you and your officials. Would you like to introduce your officials and then give us a brief overview, or not?

Hon. Mr. Lautermilch: — I would be most pleased to introduce my officials. And I'm going to be, in my opening remarks, very, very brief, because I know there are some issues that members will want to deal with on a more detailed basis. I will offer to members of the committee presentations with respect to the overall operations of the corporation, its direction, and the goals. We are more than willing to meet with the committee and make presentations to the committee.

I will also extend to you an offer that if there are individual projects that members would want explanation to, the officials are more than willing to brief you on an individual basis. I think that understanding developments and projects is very important and that dialogue is offered to members of the committee, and as well to individual MLAs (Member of the Legislative Assembly) in the legislature.

I have with me today, Brian Kaukinen, the president of Saskatchewan Water Corporation; Harvey Fjeld is the vice-president of irrigation and agricultural services; and Bryan Ireland, who is the director of corporate development; and Dave Schiman, manager of financial planning.

Madam Chair, I'm just going to be very, very brief to say that we appreciate the opportunity to review the operations of the corporation for '94-95, as well as the financial statements.

The corporation is attempting to address changing conditions as it relates to water management in Saskatchewan. And as part of that adaptation to fulfil the mandate, we have reorganized the corporation under three main lines of business: water management and protection; water supply and services; and as well, water-based economic development, which is an area that I think members should and probably are very much interested in.

This was noted in the annual report of '94. A lot of that work was done in '94. We're working and we worked to complete it in 1995.

I want to reiterate . . . and there are some misconceptions with respect to the corporation and its operations. It's kind of a unique structure in Saskatchewan. Part of it is that it's sort of a hybrid corporation in that it's funded through the Department of Finance, which means it reports to the Legislative Assembly. But as well, it's one of the Crown Investments Corporation Crowns. So it sort of rides two horses at once, which is why it's here before the Crown Corporations Committee.

The corporate body is, and as I've indicated, a facilitator working with communities to develop and to assist with technical and financial resources to solve some of the water problems in Saskatchewan. I think that although we have an abundance of water in Saskatchewan, there's no doubt that in

lots of areas, many areas, we have substandard water. We're working with communities to upgrade those. Humboldt-Wakaw pipeline is an example of one of the developments that we are helping to facilitate development of.

We work with the federal government on some joint initiatives with SIBED (Canada-Saskatchewan Subsidiary Agreement on Irrigation Based Economic Development), PAWBED (Partnership Agreement on Water Based Economic Development) agreements. We as well manage some of the water control projects that have been put in place in Saskatchewan over the decades, and I think, Madam Chair, we look forward to working with communities around the provinces.

I'm just going to outline, not in any detail at all, some of the challenges that we face over the next five years. There's ageing infrastructure in the province that we want to work with communities to deal with. There's some water quality and quantity concerns. We will work with the people of Saskatchewan to assist in development.

And as I've said before, we want to maintain and will work to maintain safe drinking water standards throughout the province, and that very much is a challenge. Anyone living in rural Saskatchewan who is dependent on dugout water will certainly recognize that there's some areas that we need and will continue to work to develop.

Saskatchewan Research Council is working very closely with the Water Corporation in developing technology, and with industry to develop technology to be able to deliver good quality water throughout the province.

So with that I'll finish my remarks and entertain questions from members.

The Chair: — Just so we don't get a total rural/urban split on the matter of water quality, I would like to point out to you that in the city of Saskatoon they also have alum at seven times the Canadian allowable rate. So perhaps water quality is an issue all across the province.

Hon. Mr. Lautermilch: — Madam Chair, no one will deny that that in fact is the case. In terms of shortening my remarks, I didn't feel it was appropriate to go through every community and discuss in detail their concerns.

The Chair: — Thank you. I'm going to stop being an activist Chair now.

Hon. Mr. Lautermilch: — One more introduction I would like to make is Brian Drayton from Price Waterhouse, who's our external auditor. Brian, welcome.

The Chair: — Mr. Minister, it wasn't really necessary to introduce him since that was next on my list of things to do.

Hon. Mr. Lautermilch: — Well pardon me. I didn't want to move into your jurisdiction.

The Chair: — I would now call on Rosemarie Evelt from the Provincial Auditor to make a comment, and . . . or Mr. Atkinson. But first I would ask Mr. Brian Drayton from Price Waterhouse to comment on the annual reports for '94 and '95, which are the subject of the review today.

Mr. Drayton: — Thank you, Madam Chairperson, and committee members. It's certainly a pleasure for me to be here today. As indicated, my name is Brian Drayton. I'm an audit partner with Price Waterhouse here in Regina and the engagement partner on the Sask Water Corp audit for both years under review, '94 and '95.

My comments as well will be brief. I draw the committee's attention to page 21 . . . actually in both the annual reports, but perhaps dealing with the '95 annual report which contains our auditor's report, it is an unqualified report.

Our audit was conducted in accordance with generally accepted audit standards and applied those procedures and tests as we deemed appropriate in the circumstances. I'm pleased to report that in our opinion these financial statements do present fairly the financial position of Sask Water for the years '94 and '95.

In addition to the statutory audit report, as I'm sure you're aware, we also issue three reports under sections 11 and 12 of The Provincial Auditor Act. Those reports are submitted to the Provincial Auditor's office dealing with the adequacy of the company's internal controls, the company's compliance with legislative authority, and other matters that come to our attention.

All three of those reports for both years under review, '94 and '95, were unqualified reports, that being that in our opinion the company's internal controls are adequate to safeguard the company's assets for both '94 and '95.

The company did comply with legislative authorities for both '94 and '95 and there were no losses to the Crown through the fraud, mistake, or other areas of any individuals involved with the corporation during the years under review.

I might say, Madam Chairperson, that with this company as well we certainly complied with the recommendations of the roles and responsibilities of auditors' task force and do have a very good relationship with the Provincial Auditor's office and work cooperatively with them. And I must say that worked very well again on this audit.

And I also want to acknowledge the support and cooperation of the corporation staff in assisting us in conducting our audit, preparing information in formats and time frames which significantly improve and affect the overall efficiency of our audit procedures. And I want to acknowledge that at this committee as well.

That would be the extent of my comments.

The Chair: — Thank you, Mr. Drayton.

Ms. Evelt: — Thank you, Madam Chair. We have completed

our audit work for the years ended 1994-1995 for Sask Water Corporation. We agree with the work that Price Waterhouse has done and ... (inaudible) ... the opinions that they have expressed.

We do have three matters that we would like to bring to your attention. And we encourage Sask Water Corporation to provide public disclosure of persons who receive money. This disclosure can be done in the annual report or in some other form. We encourage Sask Water Corporation to include a comparison of actual to budget results in their financial statements. And thirdly, we encourage Sask Water Corporation to disclose in their financial statements information to describe their investment and infrastructure.

This recommendation was initially reported in our 1992 annual report and has been accepted by a Public Accounts Committee. Currently Sask Water Corporation owns a number of dams and other waterworks that are not disclosed in the financial statements because they are fully depreciated. While this disclosure is in accordance with generally accepted accounting principles, it does not provide the reader of the financial statements with a clear picture of assets Sask Water Corporation is responsible to manage and maintain. That concludes my report.

Hon. Mr. Lautermilch: — We have no difficulties with staying until 25 after. My next commitment is 11:30.

The Chair: — I'm sorry. It would be wonderful to have you stay a little longer, Mr. Minister. Unfortunately this room has been booked for Estimates at 11 o'clock, so we won't be able to. I have three members who have indicated they wish to speak, and I'm going to have to ask you to simply cooperate and give each other approximately the same amount of time.

Mr. McLane: — Thank you, Madam Chair, and I certainly will not take long this morning.

Mr. Minister, just a question, and I believe this maybe was raised in estimates. I'm not sure about who owns the bodies of water in Saskatchewan, particularly the lakes. Do indeed the taxpayers of Saskatchewan own the water in the provincial lakes?

Hon. Mr. Lautermilch: — Mr. McLane, the province has since 1934 owned the water bodies with the exception of some that are in the treaty lands, which would be then a federal resource. But basically it's a provincial resource owned by people of Saskatchewan.

Mr. McLane: — Right. In the particular case of Last Mountain Lake then, the taxpayers and the residents of Saskatchewan would own that body of water. I guess to what height does that apply ownership — are we talking the high water mark? Where does the provincial jurisdiction end?

Hon. Mr. Lautermilch: — Wherever the water goes. The resource is there. We attempt to manage through the infrastructure that's been built over the years, the fluctuations. But if the water is at a high level mark or at a low level mark

it's all owned by the province.

Mr. McLane: — Okay so it wouldn't be the high water mark then?

Hon. Mr. Lautermilch: — Well at high or low, the resource, the water, wherever it is, is owned by the province of Saskatchewan, by the people.

Mr. McLane: — Right. In the case of Last Mountain Lake of course, as you're well aware of I'm sure, on the north end of it is a wildlife sanctuary. I'm wondering, does the same thing apply in the sanctuary?

Hon. Mr. Lautermilch: — Well as I say, water goes where water goes, and wherever it is, it's owned by province.

Mr. McLane: — So the province would have jurisdiction over that water, to the edge of it then.

Hon. Mr. Lautermilch: — That's right.

Mr. McLane: — Good, thank you. Also, I guess we all know what's happened this spring, that there's been an extreme amount of run-off and particularly many bodies of water are high, particularly Last Mountain Lake is very high. I'm wondering what level you're planning at keeping Last Mountain Lake over the summer.

Hon. Mr. Lautermilch: — By agreement and by history for the most part, they generally establish an operating ... a desired operating level. Sometimes there needs to be management in terms of reaching and achieving that level depending on the conditions — depending on the snow conditions, depending on the rain conditions. And sometimes it takes some degree of management to achieve that level. I'm going to ask Mr. Kaukinen to give you the details with respect to Last Mountain and where that sits.

Mr. Kaukinen: — Last Mountain Lake, this year, is above its operating level, as you would know. And we intend to try to maintain what we have there until late fall because we are trying to ensure that the farm lands below Craven are allowed to have the water that's presently inundating these lands recede back to within the banks of the Qu'Appelle River.

So it's a balancing act in this case here. And as long as we can determine that there isn't any actual property or loss of property amongst the cabin owners and other interested parties, stakeholders around Last Mountain Lake, we will maintain that lake at its highest possible level.

Mr. McLane: — Thank you. Who would determine this operating level that would seem to be an optimal level that you would want to keep the lake at?

Mr. Kaukinen: — It would be Sask Water. It would be our hydrologists that are ... water resource management.

Mr. McLane: — Is there any consultation with the stakeholders, including the cottage owners, as well as the

farmers that border on the lake?

Mr. Kaukinen: — Yes, as we speak, we have a group from our office that is presently taking a tour all around Last Mountain Lake because we're coming up with a decision to put what will be the first log barrier in at the dam, and before we do that we want to ensure that we've visually inspected these facilities.

We realize that it is above the operating level, but it's a matter of trying to work out the priority of these type of things. And the farmers below Craven are suffering with a lot of acreage that is presently under water, that just lowering it by about 10, 12 inches will certainly relieve that and remove the worry of having a loss of grassland for about four years before it would recover.

Mr. McLane: — Thank you. I'm happy to hear that there will be consultations. I hope your officials will stop and talk to a farmer by the name of Harvey McLane who farms along that lake.

Hon. Mr. Lautermilch: — Maybe Mr. McLane can speak to them directly this morning.

Mr. McLane: — There has been some concerns of course as an irrigator, and we've recently lost a couple of systems along the west side of the lake for a number of reasons. But there are also some concerns that some of us have at the fluctuating levels of Last Mountain Lake and what they've been over the course of the last two decades, I guess.

And certainly in my individual case, it causes me some major problems. I'm trying to pump water out of that lake. I personally would like to see the lake where it's at for irrigation purposes. It works well for me and it's a lot easier for me to get water out of it to suit my needs. And I know there's other factors as well, but I certainly hope to have a chance to have some input into that.

Just another question, I guess, would you have some statistics, Mr. Minister, on the water projects in the province for the two years that we're dealing with as it relates to infrastructure grants? I'm not sure when those programs were started. I would be happy to hear the amount of money that has been spent on water projects in the province and maybe a list of them.

Hon. Mr. Lautermilch: — I think I may have tabled these in the legislature; I'm not certain of that. But what we'll do is we will table them with the Clerk so that you have some them. We'll as well give you those for the year 1994 whether it's in respect to . . . and those will come in the nature of grants to clients that we've been involved in, irrigation development. Some of these are joint ventures with . . . (inaudible) . . . and others.

Flood control and drainage is another area that we will give you; sewer and water and the assistance that we have dealt with in there; and with respect to draught activities and areas where there is a deficiency of an adequate supply of water. But we will table those for both years for you.

Mr. McLane: — Thank you. I guess a question that arises from time to time is the issue of water as it relates, I suppose in particular, to irrigators. Has there been any discussions within Sask Water about the possibility of a charge for the water?

Hon. Mr. Lautermilch: — Well I think it's an issue that's been discussed not only in Saskatchewan but I think in many other jurisdictions. I think for too long and for so long, we have not recognized this resource as having a dollar value. I know in some areas where there is a great degree of deficiency, where it's always a struggle to find an adequate supply of water, there's much more awareness in terms of the economic benefits and the economic value, the dollar value of water. We have looked at this as a corporation on an internal basis in terms of what water charges may look like if we were to value them and put a dollar value on them.

And I think that just because of the nature of this province where we have always perceived ourselves to have such an overabundance of water, it really hasn't become an issue. But I think over a period of time, it's something that we as a Saskatchewan community will have to start talking about. I know there are many who would dearly love to get their hands on the water and have a channel of the water system we've got, to divert some of that into other jurisdictions simply because they don't have what we have.

Those discussions have taken place internally. I can say to you that certainly we haven't made a decision on that on a provincial-wide basis, but I think we need to at some point in time be discussing that issue as a province and as a people of Saskatchewan.

Mr. McLane: — You mention that we'll be forced into coming to terms with this issue in the future. I'm wondering why that would be.

Hon. Mr. Lautermilch: — Well I think the cost of infrastructure is one issue. Just as an example, there is . . . you're an irrigator so you will recognize that through developments over the years, the amount of capital that's been invested in infrastructure for irrigation has not delivered a return on the cost of investment. And I think that certainly that was an attempt to stimulate economic development through irrigation and diversity of cropping, and perhaps some secondary manufacturing based on that kind of infrastructure.

What we're attempting to do as a corporation is move towards being facilitators, assisting with designing and with engineering, but ensuring that whichever projects are developed, that there will be a return on the investment and it won't be a subsidy. That's just I guess one element of it.

And part of that I guess would be reflected in a water charge and what kind of a water charge it would require to maintain a return of the capital investment. You know, certainly there's other factors with spin-offs come as a result of the development. But I think that's just one of the areas where we have to be cognizant of the fact that if we're going to be investing capital, that there's got to be a return on that investment.

It's not unlike one of the initiatives that we talked about earlier this morning. We didn't talk about it specifically, but with respect to SaskEnergy. You indicated you might ask a SaskEnergy question, so let me answer with a SaskEnergy answer.

To put an infrastructure in place to deliver rural gas to farms and small communities, an investment of over \$300 million that no way in God's earth is ever going to return, through the sale of gas at the rates that would be appropriate, going to return a cost of that investment. So what we're attempting to do with the Water Corporation is to base all of our investments on a cost recovery basis.

Mr. McLane: — Just for your information, in our neck of the woods there has been very little money spent on infrastructure projects. It's been individuals' pocketbooks that have financed those projects. I just wanted to make that clear.

Hon. Mr. Lautermilch: — Mr. McLane, you're right. I recognize that. I wish that could be said for other areas of the province, but that's not the case in all areas.

Mr. McLane: — However, as well, I guess Saskatchewan wasn't built on individual costs. I recognize that there are areas in the province that have special problems, special recognitions, and certainly rural Saskatchewan fits that bill. So I hope that as these discussions continue, that those things you take into consideration and that individual concerns are recognized as well.

Now, Madam Chair, I have several other questions, but in the interest of time . . .

The Chair: — You'll have your chance to ask those questions. Particularly for the '95 report, we will obviously have to have the officials back and have a greater, more in-depth review. But at this point I'd like to ask Mr. Goohsen to start his line of questioning.

Mr. Goohsen: — Thank you, Madam Chair. I'd like to say good morning to the minister and to his officials and to the people from the auditing world.

I'm glad to hear, Madam Chair, that you are suggesting that we can come back, because obviously the time frame won't allow us to get through all these questions that we have.

The Chair: — No, it certainly won't, Mr. Goohsen.

Mr. Goohsen: — But there are a couple of pertinent ones that we want to do today. And of course after that we'll leave the more general questions until later.

So that being said, I guess, Minister, I have general questions about the provincial water situation, but of course we all represent constituencies and our most pressing needs always are to get back to the people that are closest to us that can cause us the most sleepless nights, and that being our own constituents.

So I want to talk to you of course about the Battle Creek

and make a comment to you about the value of water.

We do, in south-west Saskatchewan, know about the value of water. If there's ever a place in the province of Saskatchewan that has experienced those things in life that would teach us what water is worth, it would be in south-west Saskatchewan, a semi-arid part of the world where rainfall is very low. And some people actually term us as partly desert.

So I want you to know that we have a value for water and we're willing to share that with you. The value of water in south-west Saskatchewan is just always a little slightly higher than the price of gold on the open market — per ounce.

Now having said that, on the Battle Creek, the dam project there, and we've talked about this before, and we've gone back to our people and we've explained to them what your position is, that your government is out of money and that you can't afford to do these things right now. That doesn't stop the necessity for the dam being there, and the good things that could spin off from that certainly are available.

And the environmental studies were done, basically completed. However they've been held up and that has become a vehicle for stopping the project because the funding wasn't there.

But our people in south-west Saskatchewan are very resilient and they are very determined. So they have come up with another plan that we want to run past you. And that plan being, of course, that if you haven't got the money, maybe they can go ahead and find the money someplace else.

So they have embarked on an initiative to go to the federal government and to discuss with them the availability of federal monies. And they have gotten some very positive feedback from the federal . . . I think it's PFRA (Prairie Farm Rehabilitation Administration) and people like that they've been talking to. And the government federally has said, well we have a budget every year and we've never said no to the project. And every year that budget can be reallocated, and there's a good chance that your project would be included.

Now if the provincial government is short of money, our people are willing to concede that yes, in Saskatchewan we have money problems. Maybe the provincial government can't hold up its end as it originally had planned in the project, and so maybe they won't be able to put up as much money; maybe none. But maybe there's another vehicle that they could use to get this project going and do some fund-raising projects of some other kind. Municipal taxation on land, you know, all kinds of things are being considered.

And because the project's been stalled for so long, but yet has so many merits that have been proven, the people there are willing to start to consider some other funding arrangements.

However they can't do that unless these environmental studies are completed so that they can go ahead and say to people, yes, if we do collect the money, we now have a place that we can spend it. Because people won't give you money if you can't assure them that you're allowed to be able to spend it.

It's like the elevator downtown here. They collected a lot of money and then it got ripped down and they have to send it all back. People kind of get turned off and they start thinking, well we won't bother committing ourselves because you really don't have the right to do the job anyway.

So their question is simply this. In light of the fact that they are now willing to look at other options for funding, would your department consider allowing those studies to be completed so that the door could be opened for another approach to funding.

Hon. Mr. Lautermilch: — Okay, I think it's fair to say you have identified certainly our concern with the project, and that is that we don't have the funding available to proceed with the project. And I think we've had this discussion before.

You indicate that there seems to be some interest from the federal government in terms of funding, and I find that to be positive because I . . . and I wish I could say that that was the case in all areas of expenditure of the federal government, given the fact that we just back-filled \$114 million of federal government cuts to education, health, and social services. Were that not the case, it may be that there would be some capital to be able to invest in a project such as Battle Creek, but as, I guess, as you've indicated, we deal with the reality that we're dealt and the cards that we're dealt. That happens to be our reality in the '95-96 fiscal year.

With respect to alternate ways of financing this project, I can commit to you that if the community has, and is willing to put, a proposal to us, to the corporation, in terms of how alternate funding may in fact take place, we certainly have not closed discussions. We think that this project is one that has merits.

And as I've said, our difficulty is with funding. Some can make the argument that because the environmental studies haven't been completed through SERM (Saskatchewan Environment and Resource Management) that that is the hold-up. I would want to say that I think what we need to do before we would expend incremental dollars on environmental studies, we would want to know that there is a possibility for the project to proceed. Can we raise money through perhaps local levies? Can we raise adequate money to be able to finance the project?

I think that SERM would be . . . and I can't speak for them; that would have to be a discussion that would have to take place within that ministry, but I think if there was a positive feel in terms of this development proceeding, that they would fulfil their mandate — that being, ensuring that the project would be environmentally sound.

And I know it's a chicken and egg scenario, but I want to say that we have not closed off the option for the people in that area to discuss an alternate way of funding. And if they have some proposals, I'd be more than willing to sit down and discuss it with you as their MLA or with, you know, with local residents. I think the corporation has shown, you know, willingness to dialogue with them.

No one argues the merits of the program. I grew up in your corner of the world. I've seen dry summers and winters with no

snow and dirt blowing over fresh snow and hard-crusted snow banks, as you have. And the concerns with respect to water, and quantity and quality of water, in that area have been long-standing difficulties and I recognize them. And if there is a way to move a project ahead, if there's some innovative ideas, some new thoughts as to how we might be able to develop financing, we would certainly be willing to look at it.

Mr. Goohsen: — I appreciate that, Minister, and I also appreciate the fact that you're a much more busy man than I am in terms of our political roles.

So having said that, I can tell you that I've had the time to actually read the final reports of the environmental studies. They are completed. It's not a matter of having to spend the money to redo them or to finish them. They are finished. They are complete. They are very positive. I was really surprised at the fact that there are hardly any concerns at all with the project environmentally. There are a couple of small things, but they're easily explained in that report, how they can be corrected.

So having said that then, I guess the thing is that the only cost is the fact that the reports have to be accepted and passed, which means somebody has to have a meeting someplace and somebody else has to sign a document. I think that cost, you see, is very insignificant then.

And if that were done, I think that would be initiative enough for the people then to say we'll go ahead and start setting up the fund-raising project. They do have a board in place that's organized. They do have a chairman and all those things. Everything is there. It's just simply a fact that they don't want to raise money for something that will be held off for 40 more years.

Hon. Mr. Lautermilch: — Well I guess . . . well what I'm saying is I'm not suggesting that there needs to be a raising of dollars, a fiscal raising of the . . . If there is a plan as to how it might be raised and if there's a commitment — it may be commitments by people in the community who will benefit; I don't think the money has to be put in a pot — but if they can show where it can be financed, then I think that may put, you know . . .

Mr. Goohsen: — The chicken and egg thing you mention is really dominant in this area because the federal government, as I've alluded to, has suggested that they might still be able to channel some monies into this project through annual budgeting for these kind of projects that they do all the time. They've had cut-backs too and all that sort of thing, but they still said that there's still a good chance that they could.

However, they won't commit any money until the environmental studies have been authorized or signed or completed in that way. So we have to get somebody to start in order to get the federal money committed. Once the federal money is committed, I think the community would look very hard at going through some kind of a municipal project or water-user project or those kinds of approaches.

Hon. Mr. Lautermilch: — Well our difficulty as a corporation

is we don't have capital. What I'm saying is, is if the community is willing to fill in, put a proposal to us that might tweak some federal dollars, then I think that the project may in fact have a life.

I would like to see a proposal. I think the president of the corporation would certainly entertain looking at a proposal by the proponents as to how they would raise and how much they feel they could raise. And then if it looks like that kind of an initiative can hold water, then I think we might be able to pull all of this together.

But if they've got a proposal, they should bring it certainly to the corporation. And Mr. Kaukinen may want to comment on this because I know the corporation's had many, many meetings in the Battle Creek area with the proposed . . .

Mr. Kaukinen: — I think the biggest area of clarification that is required now is the understanding of what the process really is from now on for total environmental approval. The federal government was the proponent of this project, so they put together the funding and the consultants to do the initial environmental study, and that's the one that you're referring to, I believe.

Mr. Goohsen: — Yes, the one I've read.

Mr. Kaukinen: — And that study now had to be taken through the provincial environmental process, which includes going out to stakeholders and other affected parties to hear their concerns. And the entire process is one that would take a certain length of time. And that process is the one that they would be reluctant to start on until they saw that there was in fact a true possibility or a good possibility that this project would be financed and go ahead.

An example of the negative parts on this from the environmental view is, the Canadian wildlife association will not give their approval to this project. I think you've heard this one before.

Mr. Goohsen: — Yes. That's simply not true. I've been to these people and they absolutely deny that.

The Chair: — Mr. Goohsen, perhaps on that deny, deny note, I could move to Ms. Julé.

Mr. Goohsen: — You go right ahead.

The Chair: — Thank you.

Ms. Julé: — Thank you very much, and I'd like to welcome everyone here who helps us with these questions.

I have a couple of questions in mind that are imminent to some of my colleagues, although I'd like to put forward some questions on that Wakaw-Humboldt water project. I'm hoping I have time for that, but initially I would like to ask you how much money did Sask Water give to Temple Gardens Mineral Spa?

Hon. Mr. Lautermilch: — I think we answered that in the House the other day. Part of it . . . there was some PAWBED funding. Through PAWBED, 138,000; a loan from Sask Water for 125,000.

Ms. Julé: — The question on many people's minds is, is it appropriate . . . they're not too sure that it's an appropriate move for Sask Water to be giving money to Temple Gardens when in fact they're in direct competition with Manitou Springs. So could you comment.

Hon. Mr. Lautermilch: — Well we didn't. We provided financing in the form of a loan. There was no grant.

Ms. Julé: — I'm sorry. Could you repeat that, please?

Hon. Mr. Lautermilch: — We provided \$125,000 in the form of a loan.

Ms. Julé: — Okay.

Hon. Mr. Lautermilch: — Similar to Humboldt-Wakaw, where we put together a loan package.

Ms. Julé: — Well I guess either way the money was there.

Okay, I will skip over to the Wakaw-Humboldt water project. First of all, Mr. Minister, in estimates the other day I had quite an extensive list of questions for you, and I will ask you here today if you will be able to get those questions answered for me. Because if you can, I can save some time today.

Hon. Mr. Lautermilch: — I'm told by the officials that they're partly complete, but I don't think it's all put together yet. Maybe you want to elaborate . . .

A Member: — I reviewed the first draft and . . .

Hon. Mr. Lautermilch: — Okay, the first draft is done and I'm told that we may be in a position to send them across perhaps as early as tomorrow.

Ms. Julé: — All right. Thank you. That's soon enough.

I was wondering if you had some documentation of how much the CCTA increase will increase the cost of the Wakaw-Humboldt water project.

Hon. Mr. Lautermilch: — Well we don't believe that the CCTA will increase the cost. You and I will differ on this. We let tenders to the lowest qualified bidder, which is the case in this particular initiative. I think it allows for quality workmanship, quality development of this particular utility. And so my answer to you is that we chose the lowest qualified bidders, which will save the proponents over the long haul big dollars, because they're going to have a quality pipeline at the lowest . . . and again, with the acceptance of the lowest bid, lowest qualified bid.

Ms. Julé: — Okay. Thank you, Mr. Minister. Mr. Minister, I understood that there were some bids that were put in quite a bit

lower than the contractors that were accepted for the project. And I think that Mr. Gantefer had alluded in the House, or mentioned in the House, that because of the Crown Construction Tendering Agreement that it would be a difference of \$1.6 million. Can you comment?

Hon. Mr. Lautermilch: — I guess I should clarify that if I can. Yes, I would like to comment on that. I think you referred to a corporation, a company out of Medicine Hat, Alberta, by the name of B Y Z. Their submission was indeed lower. It did not qualify under the call for tenders. It is the opinion of the Water Corporation that this company would not have been able to complete; wasn't in a position . . . could not handle what they tendered on. And I think if you will recall, and I can't recall the quote verbatim, but in the Regina *Leader-Post* someone, some representative from that corporation, said that the tender was submitted to make a point.

Now as I said, we will accept the lowest bid, but it has to be a qualified company and a qualified bidder to have acceptance. So I don't buy the premiss that the CCTA has cost more in terms of having this project put on stream. You and I will have to agree to disagree on that. I can only tell you that we have accepted the lowest qualified bidder, which will mean Saskatchewan jobs for Saskatchewan people. And I think that's the goal that all of us would want to achieve.

Ms. Julé: — Thank you. Mr. Minister, could you tell me who has . . . what companies have received the contracts for the whole line.

Hon. Mr. Lautermilch: — Okay, I'll just ask Mr. Kaukinen to read it in.

Mr. Kaukinen: — The entire project is split up into a multitude of contracts. Just from the top of my head, I can list off the major contracts. First of all the pipe supply itself, that contract was given to Canada Pipe out of Hamilton, and that was for ductile iron pipe that was suitable for these conditions and these types of pressures that we have to deliver water under. And they were the lowest bidder. It was again a low bid process.

For the installation, we have two Alberta contractors, one for part of the steel pipe and that's All-Ways Boring, it's called. And also another one by the name of Cox that are doing the northern plastic section — PVC section. Then there's also a Saskatoon contractor that's got the major portion of the steel, and that's the original Hamm Construction out of Saskatoon. We have Balzer construction out of Regina doing the lower portion, which is from Humboldt to Muenster — that plastic portion and the PVC portion.

Ms. Julé: — Thank you. I'm just wanting, Mr. Minister, to comment on . . . you had mentioned that there would be jobs for many people because of this. My question is whether or not the company coming from Calgary for the installation that you mentioned, will they be bringing their workers with them?

Mr. Kaukinen: — One of the stipulations and also the provincial advantages of the CCTA is that all of the outside

contractors have to use Saskatchewan labour that's available through the labour trades union process of halls. So regardless of where the outside contractors would come from, it would be Saskatchewan labour.

They are awarded the tender based on the lowest price, so that does also give us the financial advantage here in Saskatchewan. But they would be providing their supervision, their equipment, and they would come into Saskatchewan and use Saskatchewan labour.

The Chair: — Thank you, Mr. Kaukinen. I'm sorry, Mr. Minister, I would dearly love to hear your follow-up and I would dearly love to allow Ms. Julé to pursue her line of questioning, but Estimates take precedence over Crown Corporations Committee. They have the room booked for 11 o'clock so we do now have to vacate.

We will be calling you back to continue our reviews. The next meeting will be at the call of the Chair. Thank you all, committee members. We stand adjourned.

The committee adjourned at 11 a.m.