

**Saskatchewan Water Corporation**

**The Chair:** — Good morning, everyone. The hour being approximately 11 o'clock on June 11, as scheduled, we will meet from 11 to 2. We don't have to fill up the full time if people don't feel constrained. What we are here today to do is to review the 1996 annual report for the Saskatchewan Water Corporation.

I note that the minister and his officials are here. Mr. Minister, I would ask you to introduce your officials, make a brief overview statement about the annual report under consideration, and then I will call on the representative from your private auditing firm to make a statement about the annual report and then a representative from the Provincial Auditor's office.

After that I will, as we have established by custom in this committee, I will give the first 15 minutes of question time to the opposition. Then we'll move to the third party for 15 minutes, and then to the government for 15 minutes, and we'll continue rotating. That is assuming that any of the other parties do have questions.

So, Mr. Minister, will you take it away, please.

**Hon. Mr. Lautermilch:** — Thank you very much, Madam Chair, and good morning to all the members of the committee. We're enjoying a nice Saskatchewan day. The sun is shining but we of course, as diligent members of the legislature, are in doing the business of the people.

Anyway, I'd like to begin by introducing my officials. I have to my right, Brian Kaukinen, who is the president of Sask Water; Brian Dybvig, the vice-president of water resource management division. Where's Brian? Back there. Just identify yourselves if you would. Harvey Fjeld, the vice-president of irrigation and ag services in SPUDCO division; Wayne Phillips, the vice-president of finance and corporate services division; Dave Schiman, the manager of financial planning.

And as well I'd like to introduce a representative from Price Waterhouse who is the accounting firm that deals with Sask Water, Brian Drayton.

So with that I'd like to, if I could, just give sort of a brief overview of the highlights of the corporation's activities in the year under review, in 1996, with respect to water management and protection.

We have commenced, working with the Government of Manitoba and the federal government, a study of the upper Assiniboine River basin, cooperating and working with some of the local stakeholders in that area.

We have as well been involved in a rural water protection pilot program in partnership with the Saskatchewan Research Council and the PFRA (Prairie Farm Rehabilitation Administration) administration.

As well, the operation of major water control structures like the Gardiner dam and the Qu'Appelle dams at Lake Diefenbaker, along with rehabilitation work in other provincially owned water management structures.

In total Sask Water is responsible for the operation and the repair of facilities worth over \$2 billion in approximate replacement costs; so you can tell we have some large capital facilities that need management, need repairs, and need constant maintenance, which Sask Water does.

We have in this year under review completed the Wakaw-Humboldt regional water supply system, I think much to the benefit of so many communities and farms in that area — a very positive initiative that we were very pleased to have been part of developing.

We have completed the design work on the Gravelbourg water supply system, and construction is scheduled to be concluded in the fall of 1997. And I think that is . . . I don't know, Mr. Kaukinen, when that is beginning, but it should be completed by this fall.

We have as well adopted a new irrigation Act that allows for sustainable development of the irrigation in the province.

We have as well been involved in the formation of SPUDCO division of the corporation to encourage economic development and job creation through increased irrigation and potato production, which I think is a goal that we as people of Saskatchewan, in terms of developing value added products, is certainly a very positive initiative that the people of Saskatchewan are in fact being part of. We have in the neighbourhood of, as I understand it, \$300 million of irrigation infrastructure and certainly we need to maximize the output from that investment.

We continue to support water-based economic development projects under the federal-provincial PAWBED (Partnership Agreement on Water Based Economic Development) agreement. Examples of that are the South Saskatchewan irrigation district works rehabilitation. I've indicated the Wakaw-Humboldt regional water supply project, and other — potato storage, vegetable and berry processing, alfalfa research — projects.

So with that, Madam Chair, I think I have given a brief overview of what the corporation has been involved in, in this fiscal year under review, and I look forward to the questions and the dialogue with members of this committee.

**The Chair:** — Thank you very much. I would call now on the private auditor. I'm sorry I don't know your name.

**Mr. Drayton:** — Brian Drayton. Thank you, Madam Chairman. It's certainly a pleasure to be here today and comment on our audit of Saskatchewan Water Corporation. Comments would be brief.

Our audit was indeed conducted in accordance with generally

accepted auditing standards. We formulated our audit plan in early fall; shared that plan with the audit committee of the corporation; discussed any issues of their concern and ours; coordinated the audit plan and process with the Provincial Auditor's office; and then executed that audit plan over the course of the late fall and immediately after year end. And reported the results of our audit again to the audit committee, and shared those results with the Provincial Auditor's office.

Our audit report is provided in the annual report of the corporation on page 21. It is an unqualified audit report, and that is that in our opinion the financial statements are presented fairly. And that, Madam Chair, would be the extent of my comments at this time. I'd be happy to answer any questions relative to the audit, if indeed there are any from the members.

**The Chair:** — All right, we'll hear first of all from the Provincial Auditor and then we'll open the floor to questions of the auditors.

**Mr. Atkinson:** — Thank you, Madam Chair. My colleague, Rodd Jersak, who has responsibility for our work on the Saskatchewan Water Corporation, will make our comments.

**Mr. Jersak:** — Thank you, Brian. We have completed our work on Saskatchewan Water Corporation for the year ended December 31, 1996. We followed the recommendations of the task force on roles, responsibilities, and duties of auditors. That process worked well and we have a good working relationship with the firm of Price Waterhouse.

We agree with Price Waterhouse's opinions on the financial statements, the systems of internal control, compliance with authorities, and other matters, and as a result we have no significant matters that we need to bring forward here today. Thank you.

**The Chair:** — Great. All right, do any members of the committee have questions of either Price Waterhouse or the Provincial Auditor? If not, gentlemen, you are welcome to stay and observe these extremely interesting proceedings, or to leave as the case may be and as your own personal agenda and curiosity will . . . I will now entertain questions from the opposition.

**Ms. Draude:** — Good morning, Mr. Minister, and your officials. It is indeed a delight to be here today. I guess I don't have a lot of questions but I want to just start by asking, of the grants that were given from the General Revenue Fund to Sask Water in 1996, was a total of how much?

**Hon. Mr. Lautermilch:** — Yes, in 1996, \$6.77 million. It's on page 23, under the statement of operations and retained earnings.

**Ms. Draude:** — Has anything given back from Sask Water to the General Revenue Fund?

**Hon. Mr. Lautermilch:** — Not in the year under review, no.

**Ms. Draude:** — Has there ever been?

**Hon. Mr. Lautermilch:** — Why don't I just have you answer that. Just go ahead and answer it into the record.

**Mr. Phillips:** — The way the grants are provided to the corporation is on the basis of our work plan, so we wouldn't get into a situation where we give grants back. But in the past we have had situations where we haven't spent all of our budget, so we just didn't call those grants. So we would essentially be underexpended then in terms of the provincial budget.

But I believe the only time that we gave money back was with regard to the Rafferty-Alameda project, where the funding that we'd ended up with from the Americans and from SaskPower was somewhat greater than was required to build the project; so we paid some of that back to the General Revenue Fund.

**Ms. Draude:** — So the amount that you received last year was exactly what was estimated in the budget for 1996, was it? So then at that time, SPUDCO was being considered?

**Mr. Phillips:** — Yes.

**Ms. Draude:** — Okay.

**Mr. Phillips:** — There are . . . maybe you could just correct that. There is no grant funding involved with SPUDCO; it's a commercial transaction. So the grant funding is to pay for economic development and water control projects that we deliver on behalf of the province.

**Ms. Draude:** — But there would be some administration staff working through Sask Water on the SPUDCO project that would actually be paid for by Sask Water?

**Mr. Phillips:** — There's no administration that's paid by grant funding.

**Ms. Draude:** — Even personnel?

**Mr. Phillips:** — The only . . . no personnel. We do receive some grant funding for the space that we rent from Saskatchewan Property Management Corporation. I guess because essentially that space isn't necessarily rented on a commercial basis. So I think it was somewhere eight or ten years ago, it was a calculation as to what the fair market value of that space was. And the difference between that market value and the actual costs that we are billed by SPMC (Saskatchewan Property Management Corporation) was provided to us as a grant.

And I think the only other special grant funding we've received, other than the economic development and water control, was to provide some mapping services to the land entitlement claims under the treaties.

**Ms. Draude:** — I'll ask you about the treaty portion of it later on.

I'm just wondering, when you're determining the profit for the corporation in '96, is the money that was given as a grant from the General Revenue Fund discounted?

**Mr. Phillips:** — It's not included in profit at all. It's flowed through, essentially.

**Ms. Draude:** — So then it's taken out before the profit is considered?

**Mr. Phillips:** — That's right.

**Ms. Draude:** — From between 1986 and '95, there was about 195 million given from . . . to Sask Water from government or from General Revenue Fund. Is this type of thing . . . is there any thought in the future as to operating Sask Water without funds from General Revenue Fund?

**Hon. Mr. Lautermilch:** — I think certainly that's the goal, is to try and have the Water Corporation on a break-even basis. One of the difficulties is the management of infrastructure and the irrigation network, and historically it's been the case that government has put an awful lot of money into developing those kinds of infrastructure. We're working with irrigators to attempt to have them manage the facilities that they benefit from, which is sort of an ongoing situation. Some of the larger, major infrastructure, water-control dams, those kinds of things, are dealt with on a federal-provincial basis. And it's been historic that over a period of time government has invested large amounts of dollars in that kind of infrastructure.

Our goal is to attempt to be, as a corporation, I guess minimalist in terms of our requirements from the General Revenue Fund for operations. We have gone through, in the corporation internally, major downsizing over the last few years in an attempt to become more efficient in terms of how we do business internally. And it's something that we strive to achieve with the other Crown corporations within the CIC (Crown Investments Corporation of Saskatchewan) envelope and portfolio.

I think we have been somewhat successful, but I think it's fair to say that we will . . . even though we try and minimize the amount that comes from the General Revenue Fund, it will be a requirement that there be some money from that fund in the, you know, in future years because of commitments that we have made in past years. And some of those aren't going to go away quickly.

So what we're attempting to do is be the best managers that we can and that has meant some internal changes to the corporation that has resulted in some cost savings.

**Ms. Draude:** — The \$300 million that's been invested in irrigation, is that all government money . . . Sask Water money?

**Hon. Mr. Lautermilch:** — Well there's been a combination of dollars — federal, provincial. There's been a number of programs over the years that have been, you know, responsible for developing that infrastructure. Right now our goal is to attempt to have the operations and the management and the repairs come from the funds of those who benefit by the infrastructure.

And part of what we're trying to do as well is to encourage

diversification in terms of the product that is produced on irrigated land. Saskatchewan farmers over the last number of years have I think, made some very tremendous advances in terms of diversification, some of the crops that they're growing, and I think they're to be commended for, you know, for that kind of expanded development.

Saskatchewan I think needs to and wants to move into certainly more value added benefits from our agricultural end, and I think that we have made some gains in the past years. And certainly Sask Water will continue to work to help to facilitate that, you know, that kind of change in rural Saskatchewan.

**Ms. Draude:** — Most of the work that I hear of going on through Sask Water now has got more to do with irrigation than drainage. I'm wondering what the priority is now when it comes to, especially the legalized drainage and some of the . . .

**Hon. Mr. Lautermilch:** — Well we have a responsibility, and when illegal drainage . . . And it's certainly not a focus on one as opposed . . . at the risk of not doing due diligence on the other side. When illegal drainage situation is brought to our attention, we will investigate and do what is appropriate in terms of requirements under the legislation that we operate under. And that work continues.

I indicated in my opening statements that the study that we're doing in the Assiniboine basin in conjunction with the Government of Manitoba and with the federal government is something that I . . . And it's certainly one area that I think you might be referring to, because it's an area that's had decades . . . a history of mismanagement, frankly, and sort of ad hoc water management in the area.

It's been really exacerbated in the last couple of years because of the high level of moisture, you know, precipitation and snow, that we've had in Saskatchewan. In 1985 and '86 in particular were difficult years . . . (inaudible interjection) . . . or '95 and '96 — I'm sorry, I've lost a decade here — were some particular difficult years.

And I think one of the things that, in my experience as the Chair of the Water Corporation board and the minister responsible for Sask Water, is that the management of water is a difficult piece of work. It seems that although we try and find compromises when there are disputes, someone has always got too much water and someone not enough, it seems. And so we attempt to work with the communities and the local associations to define areas where there are difficulties and to try and work out resolutions with the local folks.

But I think, speaking now to the east side of the province and the Assiniboine basin, once the study is complete, we will I think be in a much better position to work with Manitoba and to work with the local people to better manage that basin. It's something that's been long overdue and I'm really looking forward to the study and the implementation of some of the recommendations that will come from that.

**Ms. Draude:** — I understand that there was a meeting as late as last week or the week before on the Assiniboine basin. I don't

know if this is the time or place, but can I ask you what the status of that study is at right now?

**Hon. Mr. Lautermilch:** — I've had my officials jog my memory. I couldn't recall. When we first met with officials from the Government of Manitoba and we started talking about the concept of doing a study and asking the federal government to be involved with us in assisting with this study, we had a look at what kind of an analysis might have to take place in order to do an appropriate study of the area.

And one of the concerns that I had — and the inception of this thing began last November — was that the officials indicated that it would take three years to complete the study. And I certainly urged and encouraged a compressed time frame in as much as could be. But I think it's fair to say that they have . . . the officials have indicated that they couldn't do the appropriate kind of study required in a lesser time frame.

The other component that we felt was very important, that there be local involvement and that people in the area would have the ability in whatever forum was decided to ensure that the local people would have their say. So the meetings that you describe are the establishment of six watershed committees, local watershed committees. So there will be six of those established in the area, where local people will have hands-on input into this study.

**Ms. Draude:** — So out of a three-year time frame we've already used up just one . . . just about a year, and we're just establishing the six committees now?

**Hon. Mr. Lautermilch:** — No, I think there's been much more work done. There's been a lot of background work done by officials from the Manitoba government, from Sask Water, and some of that work has gone on. This is more the public forum and the local forum; their chance to have input. Certainly the professionals will be doing, you know, their due diligence — putting together and compiling all of the records that have been kept over the years.

So it's sort of a multi-faceted kind of a study that's going on, but a lot of the work is being done internal to the different jurisdictions — Sask Water, Government of Manitoba and, I would assume, PAWBED. So that's all being brought together and . . .

**Ms. Draude:** — Is the federal government contributing financially to this study?

**Hon. Mr. Lautermilch:** — Not enough. It's basically been goods-in-kind type of arrangement, where their professional people will supply GIS (geographic information systems) information, satellite studies, those kinds of things; so it's not a cash injection. But it's just services that their, you know, their bureaucracy, their infrastructure has, and information, and that has a value. And that's the whole that the federal government is inputting.

**Ms. Draude:** — One of the projects that I'm of course mostly concerned about is Fishing Lake. And I understand that one of

the problems with going further on Fishing Lake was waiting for the completion of this Assiniboia study. Do the landowners around that area know that there's at least another two years involved before they can see any real project . . .

**Hon. Mr. Lautermilch:** — We certainly never hid the fact that this is a very comprehensive study and will take some time to do. I mean part of the problem here is that we're looking at 30, 40 years of history of drainage; 30, 40 years of disputes between neighbours, and it's not something that can be resolved quickly unfortunately. And I think it's been an area that's been neglected for too long.

I think now, finally, we're able to pull together a process whereby we can develop a long-term solution and a long-term resolve to some of the outstanding issues. And there will be some changes, hopefully, that will come as a result of this study that can create better water management in that area.

I guess the one component of this is that because '95-96 have been exceptionally wet years, it always exacerbates an all, you know, an already difficult situation. And hopefully, if we have average and we have normal run-off and normal precipitation levels, that a lot of these problems won't be as immediate as they've been in the last couple of years.

**Ms. Draude:** — So the short answer is that nothing can be done for two years.

**Hon. Mr. Lautermilch:** — Well if we could, we would certainly like to compress, we would like to compress the time frame. I am told — with respect to Fishing Lake — by my officials, that there has been a drainage plan requested, and that is in the process of being put together? . . . (inaudible interjection) . . . Yes and we're . . . Yes, okay.

**Ms. Draude:** — That's what I was wondering . . . (inaudible) . . . an exemption for that. So when will you know if you can get an exemption?

**Hon. Mr. Lautermilch:** — Okay. I'm told that we should know in a couple or three weeks whether or not we can achieve an exemption for that area.

**Ms. Draude:** — I know there's a number of regulations and permits and environmental assessments that have to be done before a project can be undertaken. Is it feasible that this project can still be constructed this fall?

**Hon. Mr. Lautermilch:** — Yes, I'm told that the whole larger solution to this thing is about 30 kilometres of drainage, which 30 kilometres will certainly impact on a great number of people.

A project, any project of that size, would require environmental scrutiny and environmental study. So on one side you've got an engineering and development component and on the other side you have to go through the appropriate environmental assessment and there has to be consultation and discussion with affected landowners who will be downstream from that kind of a project. I am told that they are looking at a smaller, interim

solution which would require about 6 kilometres of drainage.

So not really so much the engineering difficulties — and that'll be worked through — but I would think the environmental process may in fact preclude the development for this fall.

**Ms. Draude:** — So the short answer is no?

**Hon. Mr. Lautermilch:** — Well no. The short answer is we're looking at how we can expedite an affordable, quicker solution to the long-term 30 kilometres solution. And that will take some environmental study. So whatever time that would take.

And I guess the other part of this is you're dealing with another government. You're dealing with the Government of Manitoba, so those things do take some time.

**The Chair:** — Thank you, Ms. Draude. I will now recognize Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Madam Chairperson. I'd like to thank Ms. Draude for giving up her place in the order and I'd like to welcome the minister and his officials here today.

I would like to deal with some of the items that come up in the annual report before I go on to some specific issues. We see on page no. 9 in the annual report that it talks about the high flows recorded in the upper Frenchman River basin caused by some flooding . . . caused some flooding in the community of Eastend. That was for 1996. We had similar problems again in 1997.

What is Sask Water doing about the problems of flooding in south-western Saskatchewan, and how are your projections doing in coming up with timely forecasts of those kind of flooding? I know that there was a problem in Swift Current this spring also. So what is Sask Water doing to prevent the flooding and how are your forecasts coming out in the springs when the flooding is occurring?

**Hon. Mr. Lautermilch:** — Well firstly I guess I would have to say that I believe the Water Corporation has been very responsive to local communities, working with local governments and local officials in terms of trying to predict potential flood problems as they may or may occur.

One of the difficulties faced is ice jams, those kinds of things for which it's impossible to predict — when a creek dams up, plugs up with ice, and you get a back flow of water. We do what we can to work with the local authorities to alleviate those conditions. But no one can certainly plan or project that kind of a difficulty.

The records that we keep over decades in terms of average, above average, below average water levels, I think are fairly good gauges to benchmark what we might expect each and every year. So we just attempt to work with local authorities to minimize the impact when there is . . . when there are flooding conditions.

**Mr. D'Autremont:** — When you have a forecast or have measured above normal snowfalls in the area, what do you do with the local dams that Sask Water operates in the area? And what kind of recommendations do you make to others that are operating dams, such as PFRA?

Two, when it comes to water releases, when it happens, does it happen before breakup? What kind of recommendations and what kind of work do you do with PFRA on those?

**Hon. Mr. Lautermilch:** — Well there's a very close working relationship, PFRA and Sask Water attempting to anticipate water flow, to try and, if you can, release early to, you know, to be able to capture some of the run-off, you know, so it doesn't spill over the lips of whatever storage facility is there.

And we do our best to anticipate, you know, future problems. And I would want to say the cooperation between PFRA and the Water Corporation as my officials describe it to me has been very positive, as well the working relationship with municipal governments in the area.

You know, I mean it's a cooperative approach that is taken in terms of managing water flows.

**Mr. D'Autremont:** — Well it seems that there is some problem though with when releases occur from facilities. I know locals are always feeling that either you're releasing it too early or you're releasing it too late as the case may be, depending on how it impacts on them.

What manner do you use to make the determination when a release will occur in the spring when the forecast is for a fairly high run-off? When is that determination made, who makes it, and when is the water released?

**Hon. Mr. Lautermilch:** — Well I think it's made certainly as early as possible, and mother nature is the one sort of intangible element. No one knows how warm it's going to be. So I mean there are some variables here. But certainly we do our best to anticipate, you know, what activity might occur. We can't certainly anticipate ice blockage, which happens — ice build-up. Those are things that of which you have no control.

A quick spring melt creates problems. And you're right, because someone's always got too much water and someone's always got not enough, and that is very accurate. And that's sort of the difficulty in terms of water management, which is why I think a cooperative approach working with local governments and local people to try to explain and describe what you're doing, why you're doing it . . .

And that's why we have regional offices in the area, so that people with concerns or difficulties can approach officials from the corporation at a local level, who can probably better understand that circumstance at a local level than from an office say in Moose Jaw where the Water Corporation's head office is.

So the regional management system is one of the very, I think, positive elements in terms of how Sask Water does business. And the other part is that we have found other entities involved

in water management to be very cooperative and approach these issues in a very positive manner.

**Mr. D'Autremont:** — Well when it comes time though for the release of water from existing facilities such as Duncairn dam let's say, would you do that prior to say May 1 or would you wait until after May 1 to make those releases, based on what the temperature had been in the preceding couple of weeks?

**Hon. Mr. Lautermilch:** — I am told Duncairn dam, as an example, the releases begin in February. So it's, you know, certainly much before there is any melting conditions. And the amount of release is based on what is, you know, what is assessed to be the level of flow, you know, based on snow cover. And then the variables there then become the weather — how snow . . . how quickly does the snow melt?

Do you have a . . . you know, if you have a slow melt, certainly it's much easier to manage than if you have some very warm days in the spring and it all comes at once. But what we attempt to do with release is to look after the interests of those who are downstream from the release and . . . (inaudible interjection) . . . Exactly. The water supply in Swift Current is another, certainly another issue. So all of these things have to be taken into account.

**Mr. D'Autremont:** — Okay, thank you. I know that it's a . . . Every time we get lots of snow it becomes a big question. Every time that we don't have any snow, nobody wants the water released.

On page no. 12 — again it's another situation of run-off — second column, middle of the page, talking about the Souris River.

Due to the above normal runoff in 1996, North Dakota received more than its entitlement.

Under those circumstances, will Saskatchewan be recouping its entitlement from future water supplies, such as in 1997, or have we simply lost that entitlement?

**Hon. Mr. Lautermilch:** — It's done on an annual basis, so it's not something that can be recovered in subsequent years.

**Mr. D'Autremont:** — So what would happen in the circumstance where we did not release our entitlement in any particular year or release the full entitlement that North Dakota was due? We wouldn't owe them in the future then for that entitlement?

**Hon. Mr. Lautermilch:** — Well we'd be in a breach of the agreement, and certainly that's not a situation that we want to see. And this is all done on an annual basis; so there is no way to recover, as I indicated earlier, in future years.

**Mr. D'Autremont:** — Well how often does it happen then that we are in breach of our agreement by not releasing enough water, not providing the entitlement, and how often does it happen that we release above our entitlement?

**Hon. Mr. Lautermilch:** — Well you know, certainly in low-flow years, the allocation in the agreement is based on a percentage or an amount of water. That is then, in low-flow years, it becomes an element where you can make a decision as to how much you release. If you determine you want to be in breach of your agreement you would hold water back.

But in high-flow years, when there's no physical ability to be able to hold back the amount of water, it's quite clear that, you know, that the water will flow. So there again it becomes a difficulty. And that's been particularly of interest in '95-6, where we have had one dickens of a lot of water around the province.

**Mr. D'Autremont:** — And we've had the ability to store some of it, and have perhaps not stored quite as much of it as we could have. And that's one of my concerns on this particular river system, with us releasing more than our entitlement when we have the capabilities of storing it and we're not doing so for those years . . . the dry years.

**Hon. Mr. Lautermilch:** — What the officials have indicated to me is that there is no physical capacity to be able to store more than what we have done because of the excessive amount of flow. If the design of that infrastructure were different, it may have been possible to hold . . . physically possible to hold back more. But I am told we have done as much as we can to — with the physical abilities of that infrastructure — to hold back what we can. It's an element of which we can have no control.

**Mr. D'Autremont:** — So you're saying then that the structure at Alameda in particular can't hold beyond the 552 level?

**Hon. Mr. Lautermilch:** — The water level in that area, as you will know — and I think we've had this discussion before — is covered by the agreement made with the Tetzlaffs to try and resolve some of the outstanding issues that were in place when we assumed government in 1991. That level was agreed to, as I've indicated I think in the legislature a few times. That agreement expires in the fall of this year.

And we will be in those communities discussing what an appropriate level for operational and recreational use will in fact be. So we have come through the agreement period. We're now into a new phase where we can determine what an appropriate level of operation and management will be, working with the people in that community, in those communities.

**Mr. D'Autremont:** — Okay, a statement you said earlier though — we didn't have the physical capabilities to store any more of our entitlement. Now then you talk about the restrictions on the Alameda dam because of legal considerations. Do we have the capability though at Alameda to store further of our entitlements without consideration of the legal agreements?

**Hon. Mr. Lautermilch:** — Yes. I mean once the agreement is expired, we'll certainly have more capacity.

**Mr. D'Autremont:** — Okay, well that's what I wanted to hear

was . . . not that we didn't have the capability of storing it, which is what you had said earlier.

**Hon. Mr. Lautermilch:** — Well by legal agreement, we didn't have the capability.

**Mr. D'Autremont:** — We have the physical capability to do it though.

**Hon. Mr. Lautermilch:** — Yes, sir.

**Mr. D'Autremont:** — What you had indicated that we didn't have.

I'm interested though now in your comments about the potentials this fall. I know that when the hearings were held in 1992, I believe it was, dealing with the Alameda dam and any legal arrangements with the Tetzlaff brothers, that there was a number of meetings held, but those meetings initially started out to be by invitation only to stakeholder groups. Will the meetings held in the area this time be community meetings with general invitation?

**Hon. Mr. Lautermilch:** — Absolutely.

**Mr. D'Autremont:** — Good, because that was not the case in the past.

**Hon. Mr. Lautermilch:** — That is the case in this instance.

**Mr. D'Autremont:** — Good. I look forward to being at the meetings.

**Hon. Mr. Lautermilch:** — And I invite you to attend.

**Mr. D'Autremont:** — And I know that many of my constituents look forward to being there also.

**Hon. Mr. Lautermilch:** — We welcome them all.

**Mr. D'Autremont:** — Again on page no. 15, dealing with again the Rafferty-Alameda projects, on the second last paragraph you deal with the Shand generating station, and it says:

. . . continued use of surface water for cooling the Shand Thermal Generating Station and no groundwater was used.

Now what was the cost — if you have any idea and I don't know if you do or not — to SaskPower for the groundwater? Were you supplying that groundwater or did you have any connections with that?

**Hon. Mr. Lautermilch:** — There were two wells. There are two wells that were developed by SaskPower that was not . . . it was not done by the Water Corporation. And they pay to Sask Water an industrial water charge which is in the amount of 9 cents per thousand cubic feet of water. So that really is the only involvement that the Water Corporation has had on that.

**Mr. D'Autremont:** — Does SaskPower pay Sask Water a

water usage charge for the water that comes from either Boundary or from Rafferty?

**Hon. Mr. Lautermilch:** — Yes, it's the same rate. It's 9 cents a thousand cubic feet.

**Mr. D'Autremont:** — So the additional costs then to SaskPower for using groundwater would be electricity to lift and for the equipment costs?

**Hon. Mr. Lautermilch:** — The cost of operation of the wells, maintenance of the wells.

**Mr. D'Autremont:** — Okay.

**The Chair:** — Mr. D'Autremont, can you wrap up that line of questioning so we can continue.

**Mr. D'Autremont:** — Well actually, it worked out fairly well because I'm at an end on that particular area.

**The Chair:** — I kind of thought you were. I would now ask the government members if any of them have any questions of the minister.

**Mr. Renaud:** — I have one. I guess the Wakaw-Humboldt pipeline, it is my understanding and my feeling that private concerns are not interested too much in that kind of development because the payback period is too long for the private sector to be interested. So there is a role for the public sector to become involved. And I guess it's about a \$32 million project. Do we know about how long the users will in fact pay, there will be a payback on that project?

**Hon. Mr. Lautermilch:** — 30 years.

**Mr. Renaud:** — Okay. That's my only question.

**The Chair:** — Thank you. Any other government members have any questions? If not, Ms. Draude, I will now recognize you.

**Ms. Draude:** — Thank you. Just again, another question on the Humboldt-Wakaw pipeline. I understand that the 30-year time frame . . . The member had indicated that private people aren't interested in it because the payback is too long. But I understand the real concern is because towns and villages can only debenture for 10 years. Is that correct?

**Hon. Mr. Lautermilch:** — Yes. I am told that the analysis that was done, and the investigation into the feasibility of the private sector involvement in that, would have resulted in water rates about double what the people of that area are now incurring to. We worked very closely with those communities to try and develop a water usage rate that would be affordable. It would be reasonable. It would be feasible.

You know certainly, you being familiar with that area, will understand the requirements for a good supply of water if we're going to see economic development opportunities arrive in those communities. It's certainly one of the requirements of

economic development in many different kinds of ventures. But in order for that to take place you've got to have a rate that is affordable.

Private sector entities, I am told, were not in a position to be able to supply, at a competitive rate, to what we were able to develop working with the federal government, with the Canada-Saskatchewan infrastructure program, the in-house resources that Sask Water has available, and made available to the project. So we were able to put the financing together, a payback period of 30 years, and a water rate, water consumption rate, that was affordable.

And I think the comments certainly that I have received from people in those communities and in the rural areas who have been able to access this supply of water have been very favourable and very positive.

**Ms. Draude:** — I think that the operation of the pipeline itself is something that the people are very happy with. But I guess some of the people that I've talked to had indicated that one of the concerns was the length of time that they actually would have had to borrow the money or have the money out wasn't as long for towns as the government was able to use; so that was one of the concerns.

**Hon. Mr. Lautermilch:** — And that's why we were instrumental in helping to facilitate the financing for it. It's certainly not that the corporation . . . I mean what we're trying to . . . we're trying to deliver a service. You know and it may be that the 10-year debenture would be something that those municipal governments might want to raise with the Department of Municipal Government. It may . . . (inaudible interjection) . . . pardon?

**Ms. Draude:** — To lengthen that time?

**Hon. Mr. Lautermilch:** — It may be something that that department would entertain doing. I'm not really aware with some of the requirements of local government with respect to debentures and local government borrowing. But certainly if there is some concern in that area it would be appropriately addressed during . . . to the minister and I'm sure she would be more than willing to respond to an enquiry.

**Ms. Draude:** — Who did the analysis to determine the cost of the water? Is that something that's done by Sask Water or is it done by a private firm?

**Hon. Mr. Lautermilch:** — I think what I'll do is just have Mr. Kaukinen respond to that. As the minister, I'm not aware of all of the details of putting these proposals together. We're more taking the role the board does of developing policy. So I'll allow the president to describe that circumstance for you.

**Mr. Kaukinen:** — The Wakaw-Humboldt project itself was about a year, a year and a half in its kind of a period of being put together. Part of the process was to go out to the private sector and get a proposal for them to see if they could put this kind of a project together and have 10,000 more clients on their list. This was resulting in very high water rates to the users. So

subsequent to that, we put in our own proposal to a steering committee that consisted of about 13 urban centres and I believe 6 more municipalities. And with this amount of synergy that these people were able to put together, we were able to strike up a viable business proposition where we were able to put in a \$32 million project, and they were able to have water within about a year and a half from the time they agreed.

**Ms. Draude:** — The determination was made by private firms, would they have been able to use the funds from the Canada-Saskatchewan infrastructure program that Sask Water used?

**Mr. Kaukinen:** — Yes, they would have been to the extent that they were available. And they would have counted on that for even the rate that they were able to supply it at in their modelling. And also they required Sask Water or the Government of Saskatchewan to guarantee the amount of consumption. The private sector people were very concerned that they have a guaranteed consumption rate for the 30-year period that they would have been modelling their particular financial return on.

**Ms. Draude:** — Was PAWBED money used or PFRA money used in that project?

**Mr. Kaukinen:** — Yes, there was PAWBED funding, there was also infrastructure funding, and there was Sask Water funding, and the rest of course with Sask Water was leveraged, borrowed funds.

**Ms. Draude:** — Would Sask Water have backed a private firm?

**Mr. Kaukinen:** — Pardon me?

**Ms. Draude:** — Would Sask Water have backed a private firm?

**Mr. Kaukinen:** — Pardon me?

**Ms. Draude:** — Would Sask Water have backed a private firm?

**Mr. Kaukinen:** — We do not believe that it would have been in our best interests to back a private firm at the rates that they were wanting to charge for their water.

**Hon. Mr. Lautermilch:** — I think, just if I could add to that, I mean the role of this agency and the role of the federal agency is to try to ensure that people have quality water at an affordable price. It's not . . . Sask Water is not arranged or developed to reap large profits. As you've indicated earlier, there's money that on an annual basis comes from the Consolidated Fund. Nor is it the position of the Water Corporation to chase private sector people who want to develop infrastructure out of the business. We look at the resources available to the corporation, the resources that we can supply to local communities to try and develop an affordable system of water for them.



So it's not a matter of public versus private competition. I don't think that's the issue here. I think the issue here is, what is the cheapest way, what is the most reasonable way, and what is responsible water management. What is the most reasonable way to allow communities that have an inadequate or a poor supply of water to gain that.

So how have we done that? We've put together a proposal, working with the federal government, federal government funds that would have been available, as the president indicated, to private sector entrepreneurs. We've looked and worked very closely with the local communities. They ultimately made the decision as to how they would want to bring the supply of water to them. And their bottom line, I believe, was how can we get affordable water to our communities? What's the cheapest rate we can get and who will deliver that cheapest rate for us?

There's a payback period on this project of 30 years. So it is self-sustaining in that regard. It pays for the expenses over a 30-year period, and local choice basically.

**Ms. Draude:** — I'm going to go back to Fishing Lake project. We've just have added a couple more questions on it. I understand that the president has said that within two to three weeks there will be a decision made on whether there can be an exemption under the moratorium. I also understand there is a meeting tonight where projected costs will be given to the affected, probably cabin owners and maybe even some of the landowners and you weren't sure if the time frame would work for this fall. Is that what I can report, or the information I can give to the group?

**Hon. Mr. Lautermilch:** — Oh certainly. We can . . . and I'll undertake to provide you with an update in terms of the discussions with the Government of Manitoba, sort of I guess an overview of what we might expect in terms of environmental assessment, and give you maybe a, you know, a possible time frame for development based on whatever assumptions we're going to make.

**Ms. Draude:** — Okay. There has been over a hundred cabin owners that can't use their cabins on Saskin Beach and some on the other side. Is there any way that they can expect any kind of compensation?

**Hon. Mr. Lautermilch:** — Well no. The Water Corporation certainly has no programs in terms of compensation.

As I recall the history, and I think I want to take you back to a number of years in the involvement with the cottage owners in that area and the people who have managed water in Saskatchewan. And there are, as I understand it and as I recall, there are letters on file where many of the cottage owners were warned of the potential risk of developing their cottages in an area where they would be susceptible to a high level of water and thereby floods.

So it was really a risk that many of those cottage owners took. They wanted to be close to the water, a nice beach. And we all understand that, but you've got an area where there is no natural drainage, and when you've got a high inflow of water, if

the cabins are built too close to the water's edge, it's inevitable that there is going to be some flooding. But Sask Water doesn't have any compensation programs of that nature at all.

**Ms. Draude:** — Would the commercial business — there's two of them around Fishing Lake that won't be able to operate this year — will they be eligible under the municipal government's compensation package?

**Hon. Mr. Lautermilch:** — There's no program I know of within the provincial realm in terms of compensation at all.

**Ms. Draude:** — Okay. When you're working on projects, either drainage or irrigation projects, is there any direct relationship with DU, with Ducks Unlimited?

**Hon. Mr. Lautermilch:** — Well we work with, you know, with wildlife groups. You know, Saskatchewan Wildlife Federation certainly have a very visible voice and have involvement in projects. And part of the environmental review takes into account the impact on, you know, on other entities, and certainly wildlife is one of the elements that we have spent a lot of time working with.

The minister responsible for SERM (Saskatchewan Environment and Resource Management) is actively involved in some of these initiatives. SaskPower has been working with Ducks Unlimited and other groups to mitigate, you know, the impact on developments in that area and certainly Sask Water does this as well. As well, I'm told by my officials that some of these projects become joint ventures with Ducks Unlimited.

**Ms. Draude:** — How often do they actually contribute financially?

**Hon. Mr. Lautermilch:** — I'm told that they budget annually, and what they will do is assessment on individual projects to determine whether they will receive, based on whatever their mandate is, whether they'll receive a benefit, and in the projects that they can see a tangible benefit to the kinds of things that they want to see happen, they will put funding towards. So it's project by project.

**Ms. Draude:** — Do you ever approach them?

**Mr. Kaukinen:** — The last major project that we would — that'd be you and Sask Water — was the Thunder Creek project just by Riverhurst. And that involved sharing of some of the capital cost to be able to establish the Thunder Creek wetlands. And also it involves the annual operating cost to Ducks Unlimited for the water that would be pumped from the pump station that has been built at Riverhurst for irrigation.

**Ms. Draude:** — When C&Ds — conservation and development areas — have an agreement with Ducks Unlimited to participate in maintenance, does the government or does Sask Water always take that funding off first before they cost share the 50/50?

**Mr. Kaukinen:** — I don't believe so; it would not be necessary for us to do that.

**Ms. Draude:** — So then any funding they would get from Ducks Unlimited could be . . . would be just over and above any other assessment?

**Mr. Kaukinen:** — Yes, and in most cases Ducks Unlimited become involved because they have particular goals and are looking to meeting certain mandates that are put forward in front of them, and balancing that with the funds that they have available from their sources, which is largely U.S. (United States) funding. So it varies from year to year. But if any group or community works with Ducks Unlimited, the benefit that that would go and flow toward the project would not be interfered with or impeded by anything that we would also do for them.

**Ms. Draude:** — Thank you.

**The Chair:** — Ms. Draude, are you almost finished that line of questioning?

**Ms. Draude:** — Yes, I am exactly finished.

**The Chair:** — All right, good. See, I'm getting better antenna here for recognizing when people have finished one line of questioning. We will now move to the third party. Mr. D'Autremont, and if you could keep an eye on the clock yourself — 15 minutes.

**Mr. D'Autremont:** — Okay, thank you, Madam Chairperson. Again from the annual report, page no. 15 talks about the wetlands project at Estevan. What is Sask Water's involvement in that, and what kind of funds are we looking at here, and how is it working? I know that it's always a bone of contention every spring when Estevan releases some effluent from their lagoons and all those people downstream in my constituency get up in arms.

**Hon. Mr. Lautermilch:** — I am told that the duck pond below the dam takes the excess effluent from Estevan that's not being . . . you know, that's not able to be dealt with in SaskPower's facility. Right now they are negotiating on a cost-sharing arrangement and I don't believe those negotiations have been completed.

**Mr. D'Autremont:** — How is the wetland project coming? Has the cat-tails, etc. taken hold well or what's happening there?

**Hon. Mr. Lautermilch:** — I'm told by my officials who consult with SaskPower that it is working very, very well.

**Mr. D'Autremont:** — Hopefully there won't need to be any releases and I won't get any more phone calls because they are unhappy with it.

**Hon. Mr. Lautermilch:** — And that would be a good thing.

**Mr. D'Autremont:** — Because when I get the phone calls, I pass them on.

**Hon. Mr. Lautermilch:** — I realize that.

**Mr. D'Autremont:** — Mr. Minister, I have a number of questions dealing with some administration items dealing with Sask Water such as vehicle usage, contracting, etc., etc., with SaskPower — excuse me, not SaskPower, Sask Water — such as the president's and vice-president's perks and per diems, etc. Rather than going through them individually, I wonder if I could simply pass the list on to you, and you would agree to supply the answers to them.

**Hon. Mr. Lautermilch:** — If you'll pass on your list, certainly we'll look at that and pass on information pertinent. That is standard practice, as you will know.

**Mr. D'Autremont:** — Okay, thank you. One area though on this list I do want to deal with is the Crown Construction Tendering Agreement. What projects did Sask Water carry out in 1996 and which ones are being done in 1997? And which of those would qualify under the CCTA (Crown Construction Tendering Agreement)?

**Hon. Mr. Lautermilch:** — The 1996 capital projects that were and will be under CCTA are the Gravelbourg water supply, the Moose Jaw geothermal spa pipeline, the Cargill pipeline, the Wakaw-Humboldt regional water supply, and miscellaneous, some other miscellaneous, much smaller projects.

**Mr. D'Autremont:** — Are there any that are not under the CCTA?

**A Member:** — Yes.

**Mr. D'Autremont:** — Which ones would those be?

**Hon. Mr. Lautermilch:** — Okay, I'll give you, I guess, just an aggregate amount here. We did a total of \$31.823 million in capital. There were under CCTA 18.32172001 — that amount was done under CCTA.

**Mr. D'Autremont:** — Okay, how do you make the determination between which are CCTA qualified and which ones are not?

**Hon. Mr. Lautermilch:** — Yes, according to the CCTA agreement.

**Mr. D'Autremont:** — Okay, but within Sask Water, which ones would qualify and which ones wouldn't?

**Hon. Mr. Lautermilch:** — Well I've indicated the ones that qualified under CCTA: Gravelbourg, Moose Jaw, Cargill, Humboldt, Wakaw, and miscellaneous in the neighbourhood of 400,000, and the other ones didn't qualify and they would be done through just the normal tendering process.

**Mr. D'Autremont:** — So you're looking at roughly twelve and a half million dollars worth of construction projects that were not under CCTA.

**Hon. Mr. Lautermilch:** — It's roughly 50/50. You know, out of 32 million, about, you know, 18 million was CCTA and the balance was not. So I mean . . .

**Mr. D'Autremont:** — But I'm wondering what's the difference between the ones that were not CCTA compared to the ones that were.

**Hon. Mr. Lautermilch:** — The smaller ones would be examples — just basically the smaller ones.

**Mr. D'Autremont:** — That would be less than . . . roughly less than 200,000?

**Hon. Mr. Lautermilch:** — Yes, under 150.

**Mr. D'Autremont:** — On those agreements where the CCTA did apply, such as Gravelbourg, Moose Jaw, Humboldt, how many tendered on those contracts? Were any of the tenders non-unionized companies?

**Mr. Kaukinen:** — Sask Water's tendering policy would be the public tendering methods that one sees in the paper. And the responses to those under the CCTA would require the tenderer to agree that he was putting his proposal in under that basis. So if there was any request for any proposals that came in unsolicited from a non-CCTA participant, then those would be rejected.

**Mr. D'Autremont:** — Were there any tenders rejected for that reason?

**Mr. Kaukinen:** — Yes, there would have been. Yes.

**Mr. D'Autremont:** — How did those tenders compare costwise for the construction compared to the winning bid on the construction?

**Hon. Mr. Lautermilch:** — Well if I could just answer that. I think, you know I mean, look, when someone submits a bid knowing that it won't qualify, it really is irrelevant what the amount of the bid is. Because it just quite clearly doesn't qualify.

Now there are a number of criteria for qualifications. One of them is the ability to do the job. And there are a number of reasons that bids will be disqualified. So I mean anyone can submit, based on a newspaper ad, an amount, but I think knowing that you're not going to qualify and you would be exempt from the process really makes the submission irrelevant.

**Mr. D'Autremont:** — Well how many were disqualified because they did not meet the CCTA requirements as compared to other requirements, such as the inability to perform the duties, not having the financial backing to perform the proper . . .

**Hon. Mr. Lautermilch:** — We can put that together for you in terms of all of the different projects that were awarded under CCTA, and we'll submit that to you. Certainly no problem.

**Mr. D'Autremont:** — Okay. And within that submission, will that include also the tender value and the number of the tender value for the winning bidder?

**Hon. Mr. Lautermilch:** — Well as I've indicated, really it's . . . in my estimation they're all public tenders. So you know, what is public information, is public information.

**Mr. D'Autremont:** — Okay. Thank you. I will . . .

**A Member:** — That's it?

**Mr. D'Autremont:** — Oh no. No.

**Hon. Mr. Lautermilch:** — Oh, he's moving . . .

**Mr. D'Autremont:** — Just moving to another set of questions.

**Hon. Mr. Lautermilch:** — Another page; another facet — intrigue.

**Mr. D'Autremont:** — The flooding that occurred in 1996, and again in 1997, cost a considerable amount of damage to municipalities, to farm land. One of the concerns that was raised was with the changes with the assessments to municipal lands. Now the disaster relief previously had been approximately 3 mills — would range between 25 and \$50,000 per municipality — that amount has now increased significantly because each mill under the new assessment raises considerably more funds.

What is Sask Water doing to make any changes to that area? What are you working with the municipalities in doing? Because now with the mill rate changes you're looking in the neighbourhood of 100 to \$150,000 for 3 mills. Are you going to be making . . . talking with the Municipal Government minister to make changes to that formula to bring that back into the 25 to \$50,000 range? Or are you making any moves in that area at all?

**The Chair:** — Well, Mr. Minister, before you respond to that I would just like to remind you, as I'm sure you're aware, Mr. D'Autremont asked for certain information to be tabled. Would you have your officials table it with the Clerk, and provide 15 copies so it can be distributed to all members of the committee.

**Hon. Mr. Lautermilch:** — Most certainly.

**The Chair:** — Thank you.

**Hon. Mr. Lautermilch:** — With respect to that program, it is administered by Municipal Government, as you've indicated. And certainly we have had — I have had — some discussions with the minister with respect to the reassessment and the impact on the program. It is ultimately her department, and her decision in terms of any changes that would be made as a result of reassessment. And I'm assuming that she would, at the appropriate time, if she hasn't already, make announcements to any changes that might be required.

But I think she has stated publicly, is that her intent was to ensure that the amount before and after would be the same. Now what has been done in the interim since my discussion with her, I'm not aware. I just can't tell you today.

**Mr. D'Autremont:** — Is it . . . is a considerable imposition on those municipalities — \$125,000 in a number of cases is approximately one-third of their revenues in a year, and that makes a serious imposition when that is the disaster relief level that they would have to carry themselves. Whereas previous to that was considerably less.

**Hon. Mr. Lautermilch:** — As I recall, her indication to me was that she intended to have the amount remain the same whatever the impact of the reassessment, and mill . . . that the value of the mill would be taken into account.

**Mr. D'Autremont:** — Does your department have any estimates on the damage that was caused to the farm land and to property as a result of the flooding in '96 and '97?

**Hon. Mr. Lautermilch:** — No, we don't have any estimates on that.

**Mr. D'Autremont:** — Do you make estimates on that or would that be done through Municipal Government?

**Hon. Mr. Lautermilch:** — I think it might be done through Municipal Government or the Department of Agriculture, but it's not something that Sask Water does.

**Mr. D'Autremont:** — You have emergency relief funding I believe, available though through Sask Water. Is that money being . . . or at least through other agencies I know that there is an emergency fund of \$300,000 available for flooding outside of Saskatchewan. What kind of funds do you have available for in Saskatchewan?

**Hon. Mr. Lautermilch:** — We have no funds available either in the province or out of the province for disaster funding.

**Mr. D'Autremont:** — So Sask Water doesn't have any funds available say for roads that are cut by streams that are overflowing, etc.?

**Hon. Mr. Lautermilch:** — No.

**Mr. D'Autremont:** — That's one of the areas that's a great cost to municipalities. What about the damage to farm land where you get serious water erosion as streams overflow their banks and cut new channels?

**Hon. Mr. Lautermilch:** — Again that's not the mandate . . . (inaudible interjection) . . . We have a cost-sharing arrangement on that, on erosion, but not on flood damage. I mean there are other elements of this — Crop Insurance has a program that you will know that will mitigate the impact when people can't get in to seed which is new . . . in a new addition, by the way, to crop insurance.

**Mr. D'Autremont:** — The monies that you have available for erosion, who do you share those costs with? Is that with the farmer, with the municipality? Who would be the other person paying?

**Hon. Mr. Lautermilch:** — The farmer. It would be done in

conjunction with the farmer. Landowner.

**Mr. D'Autremont:** — Landowner. What percentages do you cover — 25 per cent, 50 per cent?

**Hon. Mr. Lautermilch:** — It's 50/50 cost share.

**Mr. D'Autremont:** — Okay, I'm done that area of questioning. So I see I'm getting the axe or the hook, so I'll pass my time on.

**Hon. Mr. Lautermilch:** — This is a tough chairperson.

**The Chair:** — I'm trying to be fair. I would now ask if any members of the government side have questions.

**Mr. Johnson:** — Basically a couple of comments and then a question regarding Cowen dam. It's been sort of brought into perspective, the rationale of several hundreds of years and perhaps thousands of years to having water supplied to a society as a public item.

In Great Britain the last previous government to the one that's there now moved to privatize the supply of water. And in actually of, I think, in according to the reports and stuff in the paper, indicate that it's one of the things that creates some very major problems for people because it's one of the requirements that you have to have to tie that onto a cost. You find people in a situation where they're not able to maintain their health and the cost then transferred to other things.

So I find it highly or very interesting that there would be anybody in the province of Saskatchewan suggesting that we go to a . . . move to a highly privatized system of supplying water at least in the major centres. Where one is out on a camping trip or something of that particular nature, the private supply of water is probably as good as any, but in general terms, water should not be an item that is provided any other way except through the public ownership.

The other comment that I have is related to flood plains. It seems to me that you go back into the '50s, '60s, and '70s, then the insurance companies and that eventually came to a conclusion that they wouldn't insure buildings and that that were built in the flood plain. That if you were foolish enough to build something in an area where it was going to be inundated with water, you calculated the cost of replacing that facility when it went under water as part of the reason for having it there.

I think the Minister of Municipal Affairs can attest to that as she will talk about having to pull a pump house in and out of the Saskatchewan River. So for someone that's built a cabin on the flood plain, you build it where it can be flooded, you put into the benefit of having that the cost of picking up the damage that a flood will cause, is something where I think everybody should understand and follow.

Now the question I have is related to the Cowen dam. I know it's been rebuilt about three or four times, and I'm just wondering what the situation is now. I've looked at it and I'm

wondering . . . it was initially built for a commercial enterprise but is now basically switched to just maintaining Cowen Lake for recreational purposes. And I'm wondering just what the situation is related to Cowen dam.

**Hon. Mr. Lautermilch:** — Just if I could, I guess I'd like to sort of respond to your comments and the worth of water, I guess.

I guess one of the concepts that I would have a difficulty buying into, given the amount of the resource that we do have in Saskatchewan, is water for profit. I think that we have a responsibility, certainly, to understand that there is a value to water. It is not a resource that is without value. And I think it can be, and probably should be, viewed very similar to other commodities — natural gas or electricity. And I think sometimes, we in Saskatchewan, because of the amount of resource we have, take for granted that there is really, and should be, a value recognized in terms of that resource. But I certainly am one who couldn't buy in or who wouldn't buy into water for profit, because I think that that is an area that we would not want to move into.

Economic development is . . . certainly one of the requirements is a good supply of water, a good supply of electricity, a good supply of labour. And these are all components that create job opportunities for Saskatchewan people. And I think we do, though, need to recognize that there is a value to that resource.

With respect to the Cowen dam, and I'm told by our officials that it is one of our infrastructures — one of the infrastructures that we manage — and we try, certainly, to match the costs of operations with the revenues. I am told that the operation and management of that dam is about 10, \$11,000 on an annual basis.

**Mr. Johnson:** — Where is it situated, like in the sense of needing to be rebuilt or replaced or that? It's a concrete structure.

**Hon. Mr. Lautermilch:** — I'll ask one of my officials to answer that. It would probably be of a more technical nature.

**Mr. Kaukinen:** — The structure on Cowan Lake is in need of repair. It's about a 30-year-old structure; it needs concrete work done on it. There was some done last year; there was the \$10,000 that was mentioned by the minister that was spent on the lake itself and another 2,000 directly on that structure.

The major repairs will have to take place in the next couple of years but Cowen structure is similar to many other structures that we have out there, and this is all part of the infrastructure that we are concerned about in Saskatchewan.

And we can count up these kind of structures up in the hundreds that need to be addressed. Some of the ownership of these structures are private but we're still responsible for their safety. Some of the ownership is with PFRA, some of the ownership is with SPMC, and then the balance is with Sask Water.

**Mr. Johnson:** — Okay. The structure there was designed I believe, to allow boats to go through and a whole pile of strange things in the past for its, as I said, for industrial reasons. It wasn't built for just a lake, to maintain a lake for recreation but rather to . . . for industrial purposes. Would there be a change in its design or what, if it went that direction; would it go to an earth-filled one or something with a flow or whether it's . . . because it's strange.

**Mr. Kaukinen:** — I don't believe that there would be an intent on our part to see the structure itself replaced at this stage. With the funding that we can make available, we would have to be very careful that we just maintain its safety and its useful life. And this is the approach I'm sure we'd have to take with this structure as well.

**The Chair:** — Have you finished your questions, Mr. Johnson?

**Mr. Johnson:** — Yes.

**The Chair:** — Thank you very much. I will now recognize Ms. Draude again.

**Ms. Draude:** — Thank you. I understand that some time during this year SaskPower gave a grant to Ducks Unlimited as Sask Water.

**Hon. Mr. Lautermilch:** — No.

**Ms. Draude:** — Okay. Waldsea Lake — I brought the subject up to you before. I'm just wondering, you . . . I know you're aware that it's a mineral lake and I'm wondering if the concerns for drainage that's going into that water from farm run-off, is it going to be . . . is it a concern for you environmentally?

**Hon. Mr. Lautermilch:** — Yes, we . . . you have raised this before and I've had the officials look at this and brief me. They are meeting at this point with the local people. There is a drainage problem, and they're working with the local community to try and resolve that.

Sort of as I recall the history — thank you — as I recall the history when in years back, and I guess it's the sort of perennial situation that we fail. In years when there's not enough water, people attempt to ensure that there is water. And some drainage was done into the lake in years when there is an excess of water, which is what we have right now. It requires I guess, a different form of management, and we're attempting to work with the local group to see if we can finally resolve the problem there.

**Ms. Draude:** — My concern is the environment part of it though because that lake used to be a very beautiful mineral lake. You could see to the bottom of it in the middle of the lake, and now there's a lot of algae growth in there, and a lot of the local people feel it's because of the run-off. And I'm scared of the environmental problems, you know, chemicals and so on that are coming in. Is it something that Sask Water's looking at? Is there some kind of a study that could or would be done?

**Hon. Mr. Lautermilch:** — Okay. The parameters of the study,

I guess have not yet been established. The meeting is to take place on June 17. And I think some of the input and some of the comments, concerns from the local people, will be taken into account in terms of the study.

I guess it's one of the problems that we have in terms of the technological changes and the advancement in agriculture, the use of chemicals, which as you know becoming more and more the way agriculture is being conducted. Certainly over the long haul and over the short haul we'll have . . . and does have the potential to impact on some of our water bodies.

The other I guess, the other element to that is recreational use. I mean we're all aware of the changes that have taken place in some of the water bodies in our province. I can recall my area of the world when I first moved to Prince Albert some 20-some years ago. I think there's been some change in terms of water quality, and part of it is the amount of recreational use that takes place on some of the different lakes in that area.

And as tourism grows, and as local people become more and more active on a recreational basis, it does put pressure, not only on the water quality but on the fishery. You know it is an environmental concern and something that I think we as people of Saskatchewan have to be very cognisant of, our lakes — just an incredibly wondrous resource — and we need to all be good stewards of them.

So certainly the discussions that are going to take place in June, I think, should encompass and will encompass water quality as part of what they look at.

**Ms. Draude:** — Thank you. Mr. Minister, can you tell me how much money the government has invested in SPUDCO as of today?

**Hon. Mr. Lautermilch:** — What we do have is operational costs which is part of Water Corporation and part of the administration. I would want to say that these are business arrangements whereby the risk is shared, and certainly the profits will be shared; thereby, you know, we've developed a reasonable rate of return. We're looking at three storage facilities, and that process is ongoing.

I think the potential . . . and I would want to say to members of the committee that this . . . we don't view this as a long-term involvement. Rather than, we believe that there's an opportunity here to develop, and to help to develop, a critical mass. People learning how to grow potatoes, because there is a great potential here, we believe, in Saskatchewan for some economic development opportunities, for some jobs in the Lucky Lake-Riverhurst area. And we are working with local businesses and local farmers to help to develop that critical mass that will hopefully attract, ultimately we hope, a French fry plant which certainly can create, and will create, job opportunities for Saskatchewan people.

So basically what we do is we see this as a short-term involvement to help to facilitate the expansion of the potato industry in Saskatchewan, and ultimately we see the role of Sask Water in the short term as opposed to the long term.

**Ms. Draude:** — Okay. How much money is invested in SPUDCO?

**Hon. Mr. Lautermilch:** — Basically how it works is Sask Water has arranged the financing, and that is for the three storage facilities. It's an amount of \$7.5 million.

These buildings will in turn be leased to growers, and the leases will cover the borrowing from the local banks in that area and the leases will cover the costs of the capital to build these. I can say to you that the rate of return that SPUDCO will be receiving will be in the neighbourhood of 10 per cent, but the aggregate amount that will come from local banks is \$7.5 million.

**Ms. Draude:** — Okay. Has this . . . the tendering for this, the storage facilities, are they under the terms of the CCTA?

**Hon. Mr. Lautermilch:** — In terms of the leases?

**Ms. Draude:** — The building of the storage facilities.

**Hon. Mr. Lautermilch:** — The building is a partnership. We have entered into a partnership with a private company to build and develop. Was there a search done in terms of who? The answer is no. It was a business arrangement that was arranged with the company that is now our partner.

**Ms. Draude:** — So the construction of the facility was not under the terms of the CCTA?

**Hon. Mr. Lautermilch:** — The construction managers are our partners, so again it wasn't CCTA.

**Ms. Draude:** — Okay, I'm just wondering what steps you've taken to secure a French fry plant and how far are we away from that goal?

**Hon. Mr. Lautermilch:** — Well I think the first thing we need to do is develop the ability and the number of acres to be able to supply that, and that's what we're doing. There are a number of people who are involved in growing potatoes now who have been looking at this for a long, long time, but because the storage hasn't been there they were hesitant to get into the business. But now that there's a guarantee that storage will be there, they're willing to commit what is one awful amount of money per acre. I think it's something in the neighbourhood of \$1,500 an acre. So you can see why some people are sort of hesitant to get involved in it. It's a very capital intensive piece of agriculture.

In order to attract the French fry plant, what we need to do is first of all ensure that we have quality potatoes that can supply a plant. We need to also ensure that there are enough acres to be able to supply the product to the plant. This is what we are trying to help to facilitate, is the development of that critical mass, enough acres in Saskatchewan so that we can attract a French fry plant. If we can develop the acreage and have enough farmers involved in producing potatoes, the analysis that we have done would indicate that we can be very, very competitive in terms of attracting a fairly major development

here.

But the first, initial step has to be ensuring that there is enough product there to be able to supply the plant. How long that might take, I don't know. But we feel very strongly and I think the people in the Riverhurst-Lucky Lake area, the interest that they have shown in expanding their horizons and developing a potato industry, would suggest to me that we have a very good opportunity of attracting a plant here.

**Ms. Draude:** — Your annual report talks about your wish to increase production in dry beans as well. Should we expect that your government is going to get directly involved in this venture?

**Hon. Mr. Lautermilch:** — Well I think we are directly involved in that we have an awful lot of investment in that particular area. We've got, as I indicated, across the province, something in the neighbourhood of \$300 million invested in irrigation infrastructure, and I think for us to not work to expand what is grown from that kind of investment would be irresponsible. I think it makes little sense to be growing wheat on irrigated land when there is some other opportunities that can generate more economic development in our province and help build a stronger economy.

Our focus at this point is to work with investors, with people in the Riverhurst-Lucky Lake area, to develop a potato industry. And that certainly is the focus of our initiatives at this point.

Do we assist other growers of other products? Certainly with technical expertise wherever we can and whenever we can, we help to facilitate development in those areas as well. But our focus right now is on developing the potato industry.

**Ms. Draude:** — So do you intend to get directly involved with dry beans?

**Hon. Mr. Lautermilch:** — No.

**Ms. Draude:** — Okay.

**Hon. Mr. Lautermilch:** — Like it's a rotated crop, you know. And they will come as a result of the potato development. They're very much complementary. What is it, once every four years the rotation?

Ms. Draude, that's part of the difficulty is the rotation period. You can only grow potatoes once every four years. So you know, there's a fair amount of land that's required in order to build that mass.

**Ms. Draude:** — So then there's special agreements for potato growers. Would there be a special for this crop as well then?

**Hon. Mr. Lautermilch:** — Oh really there's no special agreement for potato growers. We are partnering with them. They will get a return based on their investment and it's as simple as that. This is not a subsidy. This is a straight investment. We are investing some, yes. The return that we will get will be based on our investment, and the same goes for any

of the people who farm in that area. Their return will be based on the success of their crops, and based on their investment and percentage of number of acres that they invest their money in.

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

**Mr. D'Autremont:** — Thank you, Madam Chair. Mr. Minister, I'd like to give you that list of questions that we had talked about earlier so you can provide your answers at the appropriate time.

I would also like to deal with SPUDCO, but I want to clean up a couple of other smaller questions first. You were talking earlier about the Wakaw pipeline and how it would pay expenses over the next 30 years. Within the charges for water on the Wakaw pipeline, what reconstruction charges may be involved in that, or what replacement costs may be involved in those charges? Are any of that built into the cost recovery over the next 30 years?

**Hon. Mr. Lautermilch:** — Yes. I am told that the debt will be over a 30-year period. I mean there's an awful lot of borrowed money that goes into it. And the lifeline . . . the lifetime of that pipeline would hopefully be in the neighbourhood of 50 years. So if the debt is retired in 20 years, I guess whatever rate subsequent to the debt retirement could be put into a rebuilding fund, a refurbishing fund, or it could be put to lower water rates, depending on what the local communities would see, you know, for the future.

Once the debt is retired, really the Water Corporation has no responsibility and it would be more a local initiative, a local issue.

**Mr. D'Autremont:** — Well the reason I was asking, because a number of infrastructure programs are coming forward and yet if the funding had been built in initially there would be no need for all of a sudden to panic today.

And I'm thinking of what's happening in England at the present time as they are having major water problems there, partially due to the drought situation, but impacted very heavily because of the deterioration of their infrastructure, and there was no replacement costs built into their funding for the lifetime of the projects. And they're losing up to 50 per cent of the water going through the lines at the present time because no one's put any money aside to do any replacement. And in these kind of projects I think you have to build replacement in as part of the operating costs.

**Hon. Mr. Lautermilch:** — Well I think if you're retiring debt after 30 years of a 50-year life expectancy, certainly the last 20 years should give you the opportunity to generate revenue to be able to replace it. I mean you know, I look at some of the natural gas pipelines that were built in Saskatchewan in the 1950s. This is 1997. Quite clearly the debt load will have been retired. And the revenue over and above that debt load and the return on the investment is either put into shareholders' profits or it's put into building a capital pool for replacing the infrastructure. This project as an example, as I've indicated, will retire the debt in 30 years. If the life expectancy is 50

years, there's 20 years. So that that kind of a circumstance wouldn't be — that you raise in Great Britain — would not be in place on the Humboldt-Wakaw line.

**Mr. D'Autremont:** — Well it's not just the Humboldt-Wakaw line, but any of our water infrastructure I think needs to have some long-term planning put in place to look at reconstruction, at when the life expectancy is reached and when the system starts to fail. Because obviously it's built by man, and at some point in time it will fail.

**Hon. Mr. Lautermilch:** — And there are ways to do that. As an example, if the water rate is say a dollar a unit, just to put a figure, what the people of that area may want to do and may choose to do is put on a reconstruction fund of perhaps 5 cents a unit to build a pool of capital. It could be put towards replacement or expanding the line. Those are all options, but that would be a choice made by the local folks.

What we attempt to do is help them in terms of engineering and designing a system that will pay for itself and that will not, when its usefulness is complete and expired, will not be sitting with a debt. And I think that's what has been designed into the cost structure of certainly any infrastructure that I have seen.

**Mr. D'Autremont:** — Well part of that cost structure though should perhaps include some replacement costs at the end of the day. It's much easier to raise the capital over a 30-year period than it is to raise it over a 5-year period. And those long-range plans should be at least discussed at the initialization of a project rather than at the end of the project when all of a sudden you hit the 20-year period, the debt is paid off, and your clients are asking for a reduction in the rate. Then you come up with saying, well then we have to look at replacement costs so we can't reduce the rates.

**Hon. Mr. Lautermilch:** — Well I think that would be a local decision. It certainly wouldn't be our decision. What we did was we put a rate structure in place that will retire the debt before the pipeline is worn out. That's our involvement. That is not owned . . . it's locally owned . . . then it's a locally owned water system.

**Mr. D'Autremont:** — What impact do you have in the setting of the rates for a water system such as the Wakaw pipeline?

**Hon. Mr. Lautermilch:** — We engineered and designed a system, put in place a rate that would . . .

**Mr. D'Autremont:** — Who put in place the rate? You or some other entity?

**Hon. Mr. Lautermilch:** — No, we offered an engineered system, indicated what the capital cost of that system would be. Based on that capital cost, to retire the debt this is how much water would cost. It would be X numbers per unit.

Then the communities would look at our proposal and determine whether or not it suited their needs. If they thought that it was a reasonable cost per unit, if they thought that the kind of service the system would design . . . was designed to

bring was adequate to their needs, they would then make the decision whether to proceed or whether not to proceed. We offered a product, they assumed that it was in their best interest to proceed with the product, with the development of the product. So they did. Certainly their decision.

It's not . . . it wasn't a project that was imposed on those communities, believe me. I think they were very happy to have the work that was involved done and to be able to have that supply of water; much better quality than they had ever had before. It's a secure system and I think they are very, very comfortable with it. But ultimately, it's their decision.

**Mr. D'Autremont:** — Well perhaps though within your recommendations when it came to the fee structures, did you give any consideration to replacement costs at the end of the life expectancy?

**Hon. Mr. Lautermilch:** — Well I think it's all been involved in . . . What we're doing is paying off the system by the rates. It's paying for itself over a period of 30 years.

**Mr. D'Autremont:** — But you didn't include any replacement in that initial fee of . . .

**Hon. Mr. Lautermilch:** — If you're asking if there's going to be a major pool of capital with the existing water rate, the answer is no. But if the local communities determine that they want to have a pool of money at the end of the 30-year term of the financing, that would be their decision. If they want to put an extra . . .

**Mr. D'Autremont:** — A big penny, let's say.

**Hon. Mr. Lautermilch:** — . . . a penny per unit, that would be their decision. And local communities and the people who own that water system can do that. But that's not the role of Sask Water to do. That's their decision.

**Mr. D'Autremont:** — But you said that when initially, when you put forward your engineering proposal, you also put forward the fee structure.

**Hon. Mr. Lautermilch:** — We presented a fee structure that would pay for the capital cost. That's what we did.

Let me put this another way. You and I decide we are going to buy a car.

**Mr. D'Autremont:** — And I pay for it.

**Hon. Mr. Lautermilch:** — We decide that, based on what the manufacturer suggests, that if you have that car paid for in five years you will still get another three years out of that car if you do 20,000 kilometres a year. So then you and I go to our bank and we decide that we've got five years to pay for this car. The banker tells us how much it's going to be every month for us to buy this car.

We sit down and decide whether we want to buy that car, based on those payments. And then it's you and I who make that



decision, not the car dealer, nor the banker. It's you and I that make the decision to either involve ourselves in this business arrangement or not. Same thing's happened with this pipeline. So this is not a complex thing.

**Mr. D'Autremont:** — I have actually been involved in those kinds of arrangements. And we actually did put in money for replacement at the end of the day. Because you're a major player though and not recommending that within the initial operation, it's unlikely to happen. And why has it not been included in at least discussions?

**Hon. Mr. Lautermilch:** — Was there a question that I missed? I don't know where we're going with this.

**Ms. Draude:** — You're buying cars.

**Mr. D'Autremont:** — Yes. And I'm not sure I want to get involved with a socialist when it comes to buying cars.

**Hon. Mr. Lautermilch:** — You'd probably end up with a very good deal.

**A Member:** — But you wouldn't own the car.

**Mr. D'Autremont:** — Yes, but I wouldn't own the car at the end.

Well we'll move on to something else, but I still think that reconstruction needs to be considered in these projects.

**Hon. Mr. Lautermilch:** — We'll consider that.

**Mr. D'Autremont:** — The other area I want to deal with was, right now Sask Water I believe pays grants in lieu to municipalities for properties such as the land held around the Rafferty-Alameda projects. Perhaps . . . I'm not sure if you have land held around the Nipawin dam still or Gardiner dam, but you pay grants in lieu. What impact has the assessments had, the new assessments, municipal assessments . . . going to have on those grants in lieu?

**Mr. Phillips:** — The properties that we pay grants in lieu of taxes are properties that are used for a commercial basis. Properties that are used for water supply infrastructure or water management infrastructure, there are no grants in lieu paid. And in most cases, these properties are leased out so the taxes are built into the lease. So essentially that gets passed on to the leaser.

**Mr. D'Autremont:** — So with the new assessments though, some of those values may change — increase, decrease, as the case may be. Those will still be passed on to whoever's leasing, say the pasture land around one of the dams, and that new tax structure will be built into those leases and they will continue to be passed on to both the municipalities and the school boards.

**Mr. Phillips:** — Right. All the leases aren't the same. Some are, for example, a crop share lease. So I guess Sask Water would absorb any increases in municipal taxes as far as their share of the crop share would be. Where it's a straight cash

lease where the person leasing the property is responsible for the taxes, they just pay those in a normal course. You know essentially the same as if the taxes went up because the mill rate went up.

**Mr. D'Autremont:** — Okay, irrigation we have been talking about considerably; a lot of the Sask Water properties involve irrigation use. During last spring at the Alameda dam, there was some discussion of possible irrigation being carried out there. Has Sask Water given any consideration to irrigation from the Alameda dam and who would be allowed to participate in that?

**Hon. Mr. Lautermilch:** — I'm told there's potential in that area for up to 4,000 acres and they're in the process of evaluating the land; evaluating the feasibility of a project in that area.

**Mr. D'Autremont:** — Is there a water usage charge for any waters coming out of any of the Sask Water operated facilities for irrigation?

**Hon. Mr. Lautermilch:** — Yes.

**Mr. D'Autremont:** — So anyone accessing water from those facilities would have to pay the water usage charges?

**Hon. Mr. Lautermilch:** — Right.

**Mr. D'Autremont:** — Even if they had property on the water that was still privately held?

**Hon. Mr. Lautermilch:** — Only if . . . if they develop an infrastructure presently and put their own piece together, there is no charge. But if it's an infrastructure that's been financed or put together by Sask Water there's a unit charge.

**Mr. D'Autremont:** — Okay, let me understand this. If I run my own pipe into the water on my own land and provide my own pump . . .

**Hon. Mr. Lautermilch:** — No charge.

**Mr. D'Autremont:** — There's no charge for the water?

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

**Mr. D'Autremont:** — See that creates a problem, particularly at the Alameda site where only one landowner is left having access to water on their private land. All others have to access it through Sask Water's facilities. Now will that be allowed to happen?

**Hon. Mr. Lautermilch:** — No, it's . . . the concept here is it's . . . If you have your own infrastructure, if you put a pump into Alameda and if you draw water from Alameda and you pump it onto your land and irrigate with it, there's no charge for the water.

**Mr. D'Autremont:** — Would Sask Water then charge for access across their property for someone who wanted to do that? Buy their own pipe and their own power units, etc., to . . .

(inaudible) . . . water?

**The Chair:** — Is this the Conservative capitalist's point of view giving some advice to the socialists on how to improve the bottom line for Sask Water?

**Mr. D'Autremont:** — Just asking the question. Trying to make sure some don't take advantage of the system.

**The Chair:** — Just in the interest of fairness, Ms. Draude, did you have any more questions that you want to address at this time?

**Ms. Draude:** — No I don't.

**The Chair:** — Okay, and I'm assuming no government members do. So, Mr. D'Autremont, you can either talk out the clock or . . .

**Mr. D'Autremont:** — I'm on my own.

**The Chair:** — That's right.

**Hon. Mr. Lautermilch:** — Mr. D'Autremont, just to answer your question. If there was an imposition on land, and even if it's not an imposition on land owned by the Water Corporation, there would be no cost. But I mean if there's . . . if it would require 20 or 30 acres of land owned by the Water Corp, I'm assuming then they'd want some compensation the same as developing a power line or a natural gas transmission line. If there's an imposition on someone's land, I'm assuming they would want some compensation. Whether it's publicly or privately owned land, I think that rule would hold.

**Mr. D'Autremont:** — Well let's say a leaseholder was leasing some land from Sask Water, had private land adjacent to it, was to apply to run a pipe along a fence line or on Sask Water's land to connect up to the dam and to pump water to the private land. What kind of a cost structure would that individual be looking at?

**Hon. Mr. Lautermilch:** — I mean we'd want to look at the project and determine on an individual basis, if there was a cost to the Water Corporation, certainly the corporation would require compensation. If there is no cost, they wouldn't require compensation. But I think what we would do, you know, we have . . . First of all, we've got a responsibility to manage public assets. It's not that the corporation is an entity without some responsibility. The corporation would be a steward of land owned by the people of Saskatchewan who would want that asset to be treated appropriately.

Now if there is an imposition on that land then the people of Saskatchewan would, I think, assume that the corporation would be adequately compensated for that imposition. If there's no imposition, no cost, so it wouldn't be difficult. But I think it's fair to say that we would work in a very cooperative fashion with people who are landowners in that area and who would want to value add their land and develop value added crops or diversified crops. We would work with them and be as cooperative, I think, as possible in helping them, to assist in

doing what they want to do.

**Mr. D'Autremont:** — If an entity such as the members of SPUDCO or any other irrigators wanted to access Sask Water's facilities and the water that has been stored through a Sask Water dam, is there a charge on them as an industrial user?

**Hon. Mr. Lautermilch:** — If it's our infrastructure. If it's owned by the corporation.

**Mr. D'Autremont:** — Okay, you didn't provide the pipe. You didn't provide the power units to pump it, but you supplied the water. Is there a charge on the water at all?

**Hon. Mr. Lautermilch:** — No. No.

**Mr. D'Autremont:** — Okay. That covers that area. With the SPUDCO operation, you're talking about three facilities for storage. Where are those facilities located? Are they all as one unit but three separate structures or . . .

**Hon. Mr. Lautermilch:** — Three separate structures?

**Mr. D'Autremont:** — All in the same location or are they in different locations?

**Hon. Mr. Lautermilch:** — They're in the same approximate . . . Yes, they're within 10 miles of each other.

**Mr. D'Autremont:** — What I would think of as the same site?

**Hon. Mr. Lautermilch:** — No, no. They're three different sites, three different companies.

**Mr. D'Autremont:** — Okay. What kind of studies were done or what determinations were made that the Lucky Lake area would receive the benefits of Sask Water's support through a commercial operation as compared to other locations within the province such as those along the Qu'Appelle or any other areas that are doing irrigation and growing potatoes?

**Hon. Mr. Lautermilch:** — I think local interest was certainly . . . was one area. In that particular area, local interest, people who had been involved in irrigation, had some understanding of that business. And their interest in expanding that industry in the area is probably what attracted us there, and the fact that there's a packaging plant. Those are some of the things that would have attracted interest of the Water Corporation.

**Mr. D'Autremont:** — Would the same opportunities then be given to others who may wish to become involved in similar sort of ventures?

**Hon. Mr. Lautermilch:** — We would be willing to look at proposals from other irrigation districts and other producers.

**Mr. D'Autremont:** — What involvement has your department had with Economic Development on the development of these projects?

**Hon. Mr. Lautermilch:** — Well we've worked very closely

with Crown Investments Corporation, with the Department of Economic Development. This proposal has come to the economic development committee of cabinet. We've had due diligence done with respect to the economic viability of the investment and are satisfied by the different arms of government who scrutinized this investment, and are comfortable that the return will be positive.

**Mr. D'Autremont:** — Were there any other organizations that approached you in a similar nature for consideration for this type of an agreement?

**Hon. Mr. Lautermilch:** — Not at this point. This has been done — I must tell you — that this has been done over a long period of time, many, many months. As I indicated earlier, we have offices in different regions of Saskatchewan and this relationship has been developed over a long period of time. It's had a lot of thought gone into it before the decision was made to proceed with it.

And it's basically been spurred by local people who have shown an interest in this kind of a development. Certainly it wouldn't have happened without the interest of the people in that area. I was out in that area last summer — I think it was last summer — and toured a number of the farming operations and met with a lot of people who have been irrigating in that area for a long, long time. And they're very pleased with the cooperative approach that the Water Corporation has taken in working and partnering with them in order to get this development going.

**Mr. D'Autremont:** — Okay, thank you. I know that there are a number of other producers though in the province who are interested in this particular project and are concerned that it may put them at a disadvantage over those producers that are involved in this project.

**Hon. Mr. Lautermilch:** — I don't think that's the case. I think it's important to note that we're a net importer of potatoes in Saskatchewan. We don't even supply enough to serve our own market.

**A Member:** — That's because we all quit growing them at home.

**Hon. Mr. Lautermilch:** — We may be able to offer you a deal that you can't refuse.

**Mr. D'Autremont:** — I'd like to go to another issue that came up during the last session of the legislature, dealing with Sask Water, and that was some changes that were made to Sask Water's powers and the expropriations of easements.

I wonder if you'd mind explaining to us why you felt it was necessary to move away from having the easements go through order in council and simply be an order issued by Sask Water?

**Hon. Mr. Lautermilch:** — I think part of it is consistency with other utilities across Saskatchewan. Basically what this does is gives Sask Water the same rights of expropriation that are in effect in SaskEnergy, SaskPower. And I don't think it's

unreasonable.

What we're trying to do is avoid paperwork, paper flow. I would want to say that expropriation with Sask Water, as it is with any of the other utilities, is an initiative of last resort. And certainly the best way to facilitate any development is consulting and working cooperatively with landowners and people who are going to be impacted by development.

I would think it's fair to say that in all cases it is not possible to achieve a negotiated settlement, and in the public interest expropriation is a requirement. All this does is creates consistency with other utilities in the province.

**Mr. D'Autremont:** — When an order in council though is issued, notification is given to the public that something has happened. In the case of expropriation, notice is given that an order in council has been signed to do an expropriation of property X. Will Sask Water issue notifications when expropriations are made?

**Hon. Mr. Lautermilch:** — It's all registered in Land Titles. It's public. It's certainly not that its hidden under a bush.

**Mr. D'Autremont:** — Yes, but when you go to make a request at Land Titles you have to pay to access that request, whereas with orders in council they're simply issued to the public and are available.

**Hon. Mr. Lautermilch:** — Well I think expropriation is an arrangement between the corporation and the landowner. If the landowner chooses to publicize an expropriation initiative, I guess that would be his responsibility.

You certainly have the right to ask in the legislature the number of expropriations on a project. That's a public forum. If a landowner wishes to make public the fact that an expropriation took place, that would be the landowner's initiative. It may be that a landowner does not want that made public. And I think that right has to be respected as well.

If anybody is concerned enough or interested enough to pursue whether or not an expropriation has taken place their option certainly would be pursue it through the Land Titles Office where it's registered, and those are documents that are public.

**Mr. D'Autremont:** — There're public if you know that there is a particular landowner involved in a particular water project say, and you can go and request his particular name and identify a particular piece of property. If you don't have all those particulars, it's extremely difficult to find the expropriation.

**Hon. Mr. Lautermilch:** — What would you gain? Because I'm having a difficult time in terms of how you would be able to protect a landowner's interest if a landowner had not made public that expropriation took place. A landowner may wish to have that a non-public initiative.

**Mr. D'Autremont:** — Under the present system though the landowner has the right to have that as a non-public issue by

simply making an arrangement with Sask Water and not having it necessary to go to an expropriation. Under the present system, prior to the changes to the legislation, notification was given outlining that expropriation was taking place on property X. And today that's no longer available.

My question is, will Sask Water make those expropriations available to the public without going through Land Titles Office?

**Hon. Mr. Lautermilch:** — No.

**Mr. D'Autremont:** — Well I believe that, Mr. Minister, that you should be making those available as that is a change from the past. That while you . . . I have no problem minimizing the paperwork, those notifications I believe should still be available.

I think that covers my questions. I've already covered some of those before so, Mr. Deputy Chairman, I'm completed and I would like to thank the minister and his officials for coming in. And I realize that the minister is getting a little testy because he hasn't had his smokes lately.

**Hon. Mr. Lautermilch:** — I didn't think it showed. I apologize to the members of the committee.

**The Vice-Chair:** — Order, we'll leave personal problems out of this. Thank you very much, Mr. D'Autremont. Are there further questions?

**Mr. Johnson:** — I was simply going to move:

That the Standing Committee on Crown Corporations conclude its review of the annual report, financial statements of Saskatchewan Water Corporation for the year ending December 31, 1996.

**The Vice-Chair:** — Mr. Johnson has moved concurrence with the Sask Water 1996 report. Will committee members indicate those in favour? Opposed? Carried.

**Hon. Mr. Lautermilch:** — Mr. Deputy Chair, before the committee adjourns I would like to thank my officials for their work throughout the year and for their attendance at this hearing today. And I'd also like to thank members of the Crown Corporations board for their thoughtful questions, and if there are any concerns or questions throughout the course of the year I would certainly encourage them to approach my office and we will attempt to facilitate some answers to questions you might have. And again I thank the auditors, the Office of the Provincial Auditor, for their attendance today. So with that, thank you very much.

**The Vice-Chair:** — I thank you very much, Minister, on behalf of the committee. I saw a bunch of heads nodding as you made those comments so they were clearly quite appropriate. Before I entertain a motion for adjournment for the day I want to remind committee members that we meet again Monday, June 16 at 9 a.m. to discuss Saskatchewan Transportation Corporation, and in the afternoon we have scheduled Liquor and Gaming.

Chairperson Lorje asked me to mention that she's attempting to line up SaskPower for the week of July 21 just so committee members know that that's in the works but not finalized yet. And looking for a motion to adjourn. Mr. Renaud moves adjournment; we are therefore adjourned.

The committee adjourned at 1:20 p.m.