



# **Standing Committee on Crown Corporations**

## **Hansard Verbatim Report**

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**STANDING COMMITTEE ON CROWN CORPORATIONS  
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**Channel Lake Petroleum Ltd.**

**The Chair:** — Good morning, everyone. We will begin our special hearings again. This morning first off I would like to table two items of correspondence that I've received, with the committee members. The first is a letter from Mr. Milani of the McDougall, Ready law firm, regarding questioning of the SaskPower officials. And the second item is a copy of the legal opinion by Ted Priel, sought by Mr. Rod Gantefer, for all committee members.

We will deal with those items as procedural items at the end of the hearing today. I think that the Milani letter will probably . . . we will be answering the question that he's raising as we're moving along with the questioning of witnesses.

What I propose to do now is to swear in all four witnesses from SaskPower, and I will then ask them to make their opening statement. I understand that one person will be making an opening statement on behalf of SaskPower. Then I will move into the rounds of questioning starting first off with the Saskatchewan Party then moving to the Liberal Party and then to the New Democratic Party; I don't see an independent member here.

**Mr. Hillson:** — May I just inquire what order will the SaskPower officials be questioned, Madam Chair?

**The Chair:** — They will be questioned in the order that each individual party caucus decides. I'm going to swear in all four witnesses and then you may choose, in your 30-minute block of questioning, which of those witnesses you wish to question.

**Mr. Hillson:** — You're saying that we will question all four at the same time?

**The Chair:** — I'm saying I am not predetermining which order the witnesses will be questioned in. That's up to the committee members.

**Mr. Hillson:** — All right, I see hands going up in the air. It seems a rather odd procedure.

**Hon. Mr. Shillington:** — I don't object to them all being sworn in. I think that's necessary if Mr. Kram is going to make a statement. However I don't see them sitting as a panel. I think in a discussion yesterday, in the informal discussion in the House, I think we'd agreed that we'd start with Mr. Christensen and then move to Mr. Kram. I don't see them sitting as a panel at the table.

**The Chair:** — I did not see them sitting as a panel, Mr. Shillington. As you'll see, they are sitting to, off to the side. And there will . . . Members will only be questioning one witness at a time. If it's the committee's wish to first of all question Mr. Christensen, then Mr. Kram, then Mr. Staudt, then Mr. Patrick, that's what we'll do. Is that the committee's wish? Okay, with . . . and again I did ask SaskPower officials who would be making the opening statement on their behalf, and it is Mr. Kram. Is that fully understood and agreed by committee members? Thank you.

**Mr. Hillson:** — Madam Chair, just before we start there are a couple of procedural matters I would like to raise and perhaps we could follow again the procedure we have adopted in the last while of reserving the last few minutes for that.

**The Chair:** — That was my intention, Mr. Hillson, and that's what I announced already at the start of the meeting.

**Mr. Hillson:** — I'm sorry, I must have missed it. Pardon me.

**The Chair:** — Quite all right. I don't expect you to hang on my every word. I will . . . If there are no other comments or questions right now I will then proceed to read a statement that I am reading to all the witnesses from SaskPower. And then I will begin with the swearing in of the witnesses. And the statement is as follows:

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put by the committee. You are advised that you may be recalled to appear again before this committee at a later date if the committee so decides. You are reminded to please address all comments through the Chair. Thank you.

Mr. Kram, do you swear that the evidence you shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help you God?

**Mr. Kram:** — I do.

**The Chair:** — Mr. Christensen, do you swear that the evidence you shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help you God?

**Mr. Christensen:** — I do.

**The Chair:** — Mr. Staudt, do you swear that the evidence you shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help you God?

**Mr. Staudt:** — I do.

**The Chair:** — Mr. Patrick, do you swear that the evidence you shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help you God?

**Mr. Patrick:** — I do.

**The Chair:** — We will then move to hearing an opening statement by Mr. Kram.

**Mr. Kram:** — Good morning, Madam Chair, members of the committee. My name is Larry Kram. I am general counsel of SaskPower.

I look forward to the opportunity to answer all questions that the committee members have regarding Channel Lake. I am also pleased to have an opportunity to finally make a public statement specifically addressing the matter of my involvement with respect to the signing of sale documents.

I personally regret that the reporting and characterization of this circumstance has left the impression with many in the public that documents were blindly and carelessly signed by myself and others. The representation is personally and professionally unpleasant to say the least. It is also, as I hope will be shown, an inaccurate and simplistic portrayal of the events.

From my perspective, the events leading up to the signing of the documents on April 1, 1997, have never been fully set out in the reports and legal opinions that have been prepared. I would like to provide the committee with what I believe to be certain pertinent and relevant circumstances which will allow the committee to more fully understand this.

I first learned of the Direct Energy's initial offer in early March of 1997. It was contained in Direct Energy's February 28, 1997 letter which showed a share purchase offer of \$27.7 million with the reduction not to exceed \$7.1 million for trading losses, which would result in a net purchase price of approximately \$20.6 million.

Paragraph 59 of the Gerrand report refers to a March 10, 1997 meeting. There was a second meeting on that day which I attended along with Mr. Lawrie Portigal, Ken Christensen, Murray Black, John Kozole, and Rob Spelliscy. The purpose of that meeting was to discuss Direct Energy's initial offer, including in particular the proposed purchase price.

I also learned at the March 10, 1997 meeting that Mr. Portigal had already contacted Michael Hurst of Milner Fenerty to act on behalf of SaskPower as outside counsel in this matter. I had my first formal contact with Mr. Hurst on March 18, 1997. At or about this time I received draft no. 1 of the purchase agreement from or through Mr. Portigal. Mr. Christensen and I reviewed it in detail at that time. There were few if any legal issues of concern. I also understood that Mr. Hurst was reviewing this draft. This draft showed that the purchase price was to be \$27.7 million less trading losses of \$7.1 million. This was consistent with and reflected the Direct Energy letter, as well as the substance of the discussions and meeting of March 10, 1997 involving Mr. Portigal.

On March 23, 1997, Ken Christensen requested a meeting on a Sunday afternoon at SaskPower to review in detail, with Mr. Portigal, the determination of the purchase price that was being negotiated with Direct Energy and the treatment of the trading losses. This was an important meeting in that it was clearly conveyed to all in attendance that its main purpose was to ensure common understanding of the purchase price.

I attended this meeting, as did John Scobie of SaskPower's finance department. The Gerrand report, paragraph 80, is incorrect in its recital of attendees by failing to mention that I was there or that John Scobie was there. I took reasonably lengthy and detailed notes of that meeting. As specifically indicated in my notes, the upshot of the meeting was that the purchase price was to be \$26 million, less trading losses of \$5.2 million, for a net purchase price of \$20.8 million.

On March 24, 1997, Ken Christensen, to ensure that there was no misunderstanding as to what had been discussed and agreed to at the March 23, 1997 meeting, prepared and sent to Mr. Portigal a memo with a copy to both John Scobie and myself. This memo confirmed that the purchase price was to be a net \$20.8 million with insignificant adjustments. That same net cash price was reflected in a further memo of March 24, 1997, prepared by Rob Spelliscy, which was sent to Ken Christensen and Mr. Portigal, a copy of which was provided to me. These memoranda detailed how the net amount would be applied by SaskPower.

Mr. Portigal prepared a topic summary dated March 24, 1997 for submission to the Channel Lake board at a meeting scheduled that week to consider the Direct Energy proposal. That topic summary provided for a purchase price of \$26 million with the deduction for trading losses of \$5.2 million, for a net amount of \$20.8 million.

Ken Christensen and I jointly prepared another version of the topic summary which addressed the calculation of the purchase price somewhat differently, but clearly indicated that, I quote: "SaskPower in any case receives \$20.8 million." The topic summary we prepared spelled out how this net amount would be applied by SaskPower. This was the identical amount specified in the topic summary prepared by Mr. Portigal.

On March 26, 1997 I attended, as corporate secretary, a meeting of the board of Channel Lake. The primary purpose of this meeting was to deal with a recommendation to the SaskPower board, as shareholder of Channel Lake, as to the sale of shares of Channel Lake to Direct Energy. The topic summary prepared by Mr. Christensen and myself was submitted and approved.

Although the Gerrand report does not mention that Mr. Portigal was at that meeting, he was in fact in attendance. Further, he presented the topic summary to the board. This is noted in the minutes. The Channel Lake board approved the recommendation as presented.

The very next day, on March 27, 1997, the SaskPower board met. A virtually identical topic summary to the one submitted and approved by the Channel Lake board the day before was presented and discussed. I was not at this meeting; however, Mr. Portigal was in attendance at that meeting. This was not noted in the Gerrand report. The SaskPower board approved the recommendation as presented.

On or about this date, March 27, I had received from Mr. Portigal draft no. 2 of the purchase agreement. Mr. Christensen and I reviewed this draft just as we had reviewed draft no. 1, and again I did not note any legal issues of concern. I understand this draft was also reviewed by Mr. Hurst of Milner Fenerty.

This draft specified a purchase price of \$26 million and a deduction for trading losses of \$5,287,635 for a net price of \$20.712 million. This was the business deal substantially consistent with the original Direct Energy offer, all discussions to date, the previous draft purchase agreement, the draft topic summary prepared by Mr. Portigal, the draft topic summary prepared by Mr. Christensen and myself, and the resolutions of both boards — all of which Mr. Portigal participated in or was privy to.

There was never to this point in time, or subsequently, any discussion of any change to that business deal that would have the effect of reducing the net amount payable to SaskPower by \$5.2 million.

I had little if any subsequent contact with Mr. Portigal until I next saw him in Regina on the afternoon of April 1, 1997 at the meeting arranged and convened for the sole purpose of executing the relevant documentation.

In order to facilitate the negotiations that were taking place in Calgary with Direct Energy, I had instructed Milner Fenerty to take instructions from Mr. Portigal subject to Milner Fenerty providing me with specified documents, including all draft documents and all agreements.

I had two conversations with Mr. Hurst of Milner Fenerty on April 1, 1997. In one of them he advised me that he had signed off on the purchase agreement and the escrow agreement. In neither conversation did he mention to me that there was a draft no. 3 of the purchase agreement or that the purchase price had changed. I had those conversations before we met with Mr. Portigal later in the day.

Mr. Christensen, Mr. Patrick, and I met with Mr. Portigal about 3 p.m. on April 1, 1997. I do not recall the precise discussions that took place. Suffice it to say that I went into that meeting with no concern whatsoever that anything had transpired to effectively and significantly change the business deal from that which had been so extensively and painstakingly detailed within SaskPower.

When Mr. Portigal, who was our representative, placed before us the documents for signing, we understood that they contained terms which were consistent with the Direct Energy letter, all of the previous discussions, the memoranda, the topic summaries, the drafts no. 1 and no. 2 of the purchase agreement, and the board approvals that had occurred over the last several weeks.

We did not re-review the documents. If Mr. Portigal had said, by the way, the deal is now \$5.2 million or any other amount less than what we all expected, we would have been astonished. No one brought to our attention the fact that over the weekend in Calgary a \$5.2 million decrease in the purchase price had been negotiated.

Mr. Portigal was aware that all previous drafts of the purchase agreement were provided to SaskPower officials by him and that there was a draft no. 3 faxed to him the day before which reflected a fundamental change in the deal. He did not ask any of us if we had seen or received a copy of that draft. In fact none of us have ever received it from him. As well, Mr.

Portigal's April 1 memoranda purportedly explaining the fundamental changes was not shown to any of us at the signing nor did he inquire of any of us whether we had seen or received it.

In any event, Mr. Portigal did not bring any of these matters casually, formally, directly, or indirectly to our attention at the April 1 meeting even though he was the only SaskPower representative to have personally met with Direct Energy and he knew that a fundamental change had occurred over the last few days. I quite frankly did not imagine that any of us needed to ask Mr. Portigal whether the deal had changed by \$5.2 million or any other amount over the weekend.

The atmosphere of the April signing meeting was very positive. None of us had any indication whatsoever of anything other than the fact that negotiations had gone very well for SaskPower. Mr. Portigal left the meeting with the documents, advising us that he was returning to Calgary that night for the closing the next day. Prior to Mr. Portigal leaving, Ken Christensen had a copy of the purchase agreement, that we had signed, made.

Mr. Tavender of Milner Fenerty has noted in his draft opinions that a change was made from the version of the purchase agreement that we signed to the version in the closing book. There were in fact three changes made to the version we signed compared to the version that is in the closing book. These are as follows:

Clause 6.3, which deals with the adjustment to the purchase price, has been deleted and replaced with a new clause 6.3.

Clause 4.2(gg), which is a representation and a warranty by SaskPower, has been deleted and replaced with a new clause 4.2(gg); and

A new clause 7.1(c), which is an indemnification or obligation by SaskPower in favour of Direct Energy, Channel Lake, and others, has been added.

This was accomplished by removing and inserting pages to the purchase agreement after it had been signed by SaskPower. At no time were we notified that the signed and sealed purchase agreement had been changed and that pages were substituted to reflect those changes. No one requested of us the authority to do so.

The Gerrand report makes much of the fact that Mr. Portigal's memoranda of April 1 to 4 inclusive to the president, with a copy to each of myself, Ken Christensen, and Rick Patrick, should have alerted us to the fact that many significant events were occurring. For example, Mr. Gerrand suggested the April 1 memo was purportedly Mr. Portigal's message to all of us that the deal was now reduced by \$5.2 million.

I have read and re-read that memorandum and the others, and even with the benefit of hindsight, still find it impossible to understand that to be the case. Those memoranda were in the nature of reports to the president, to whom Mr. Portigal reported, with a copy to myself and the other directors of Channel Lake, and neither sought instructions or authorizations nor advised any of us that there had been a fundamental and

significant shift in the deal or that the signed document was being changed.

Thank you.

**The Chair:** — Thank you very much, Mr. Kram.

We will now move to the questioning of witnesses by the caucuses.

**Mr. Milani:** — Madam Chair, if I may, I have . . .

**The Chair:** — Excuse me, Mr. Milani, the committee has asked that legal counsel not speak directly but that you speak through your witnesses, unless it's something specifically procedural that you're raising.

**Mr. Milani:** — It's procedural, Madam Chair.

**The Chair:** — All right, would you move the mike closer to you so that it can be captured by *Hansard*.

**Mr. Milani:** — I have copies of Mr. Kram's statement with references to the document numbers if it would be of assistance to the committee.

**The Chair:** — It certainly would. And will you please give them to the Clerk and she will distribute them.

While the documents are being distributed I would ask the members of the caucuses if you . . . in light of what you've heard from Mr. Kram, did you still wish to proceed with Mr. Christensen?

Mr. Gantefer, I'm asking all members. This seems to be an informal agreement that we would question Mr. Christensen first. In light of what you've heard from Mr. Kram, did you still wish to proceed with questioning Mr. Christensen first, and then moving to Mr. Kram?

**Mr. Gantefer:** — Yes.

**The Chair:** — Yes. Fine, thank you. Mr. Kram, you are excused. Mr. Christensen, would you please take the witness stand. And again I would remind committee members we have four SaskPower officials to question, with 90-minute rounds each, so we're going to have to use a lot of discipline to get through the questioning within two days, which is what I have scheduled right now.

Mr. Gantefer, will you start your questioning please, and continue until 10 o'clock.

**Mr. Gantefer:** — Thank you, Madam Chair . . .

**Mr. Christensen:** — Excuse me, Madam Chair. I have an opening statement.

**The Chair:** — Yes. I thank you for reminding me of that and again please read into the record your opening statement.

**Mr. Christensen:** — Good morning, Madam Chair, and members of the Crown Corporations Committee. My name is

Ken Christensen and I am vice-president in finance and information systems at SaskPower. I am pleased to be here to assist the committee in its deliberations and to help you and others understand the events surrounding Channel Lake.

Much has been made in the press and by other commentators about alleged illegal and unauthorized gas buy/sell market transactions. Such transactions were legal and were authorized. The trading activity that Channel Lake undertook was appropriate, was authorized, and was disclosed. Buying, selling, and trading gas is a natural incident of the business of a natural gas company. Such activity is sometimes called arbitrage.

Channel Lake was a separate legal entity from SaskPower. It was a limited liability subsidiary of SaskPower incorporated under the Alberta Business Corporations Act. It had all the powers of a natural person. There was nothing in its articles of incorporation or its bylaws that prohibited it, as a natural gas company, from buying and selling natural gas.

Channel Lake's trading activity evolved over time. Channel Lake's experience in gas trading was, for the most part, profitable. The transactions that it entered into were historically risk free. It was the unforeseen bankruptcies of a small number of companies which led to losses which befell most gas traders, including Channel Lake, and which resulted in the industry being changed.

The trading activities of Channel Lake, as well as being authorized, were fully disclosed throughout its operation. They were evidenced in financial statements of Channel Lake which were externally audited and were disclosed in the monthly financial information which was provided to the audit finance committee of the SaskPower board of directors, who reviewed this information. There was no attempt made to hide or disguise the ongoing business of Channel Lake.

Additionally an issue has arisen with respect to the alleged failure of Channel Lake to table its financial statements for 1996 in the spring of 1997. These financial statements were finalized and had already been provided to the Provincial Auditor. SaskPower hoped to be able to table the financial statements by March 31, 1997. However SaskPower and Direct Energy had entered into a confidentiality agreement relative to the negotiations surrounding the sale of Channel Lake which Direct Energy required, being a public company with a pending prospectus.

As the sale of Channel Lake did not close until June 1997, SaskPower was unable to table the financial statements pursuant to the terms of the confidentiality agreement. These statements were tabled however, following the completion of the sale. Mr. Kram has fully described all the circumstances leading up to the execution of the sale documents and I adopt the comments contained in his opening statement.

I would now be most pleased to answer the committee's questions, Madam Chair.

**The Chair:** — Thank you, Mr. Christensen. Mr. Gantefer, again will you pursue a line of questioning until approximately 10 o'clock.

**Mr. Gantefer:** — Thank you very much, Madam Chair. Good morning, Mr. Christensen. I'd like, if you wouldn't mind, for the record to state your current position with SaskPower.

**Mr. Christensen:** — I'm vice-president of finance and information systems.

**Mr. Gantefer:** — And how long have you been with the corporation?

**Mr. Christensen:** — I started on September 1, 1993.

**Mr. Gantefer:** — Prior to coming to SaskPower, where were you employed and what was your position, for how long? If you give us a little bit of your background.

**Mr. Christensen:** — Maybe I'll start at the beginning. I started with Canadian Utilities in 1979 when I came out of university. I was employed in the treasury department for two and a half years. I then went to a wholly owned subsidiary of Canadian Utilities, Alberta Power Limited, and I was senior engineer and supervising engineer, economic planning, in the system operations department. Sometime in early 1986 I became supervising engineer, rates and cost of service, and some time after that I became manager, rates and cost of service, with Alberta Power. I believe it was in 1989, I then moved to another wholly owned subsidiary of Canadian Utilities, CU Power International, which was the independent power subsidiary of Canadian Utilities, and my position there was manager, financial analysis.

**Mr. Gantefer:** — So your background has been very strongly in the financial advisory roles with power utilities.

**Mr. Christensen:** — It's been . . . It leans toward the financial side, but I also have some operating experience in electric utilities and independent power.

**Mr. Gantefer:** — And do you have a professional degree?

**Mr. Christensen:** — Yes.

**Mr. Gantefer:** — In?

**Mr. Christensen:** — I have an undergraduate degree in engineering, a master's degree in business administration; I'm a registered professional engineer in the province of Saskatchewan and I'm a certified management accountant.

**Mr. Gantefer:** — Thank you very much.

In the normal course of events on your . . . in your responsibilities with SaskPower, you know, do you sign \$20 million contracts as a matter of course, or how often does something of the magnitude of the Channel Lake potential sale cross your desk.

**Mr. Christensen:** — I would have to go look at the specific transactions but I wouldn't sign contracts of \$20 million every day. But I do sign a fair number of contracts.

**Mr. Gantefer:** — Of that magnitude?

**Mr. Christensen:** — Some might be larger. Most would be smaller, to be fair.

**Mr. Gantefer:** — Now when you go through this exercise . . . and I understand from Mr. Kram's opening statement this morning that he felt that there was no reason to believe that anything had changed in these contracts. On the very first draft he indicated that you and he, I believe, went through them with a great deal of detail, or through the first draft.

**Mr. Christensen:** — Went through them in fair detail. That's correct.

**Mr. Gantefer:** — I understood him to say that he focused primarily on the legal issues or on the legal perceptions of what might be in the contract. Would it be fair to say that you focused on the financial areas?

**Mr. Christensen:** — That would be fair. Although I did look at some of the covenants and the like, and they seemed reasonable.

**Mr. Gantefer:** — I guess I can understand the sensitivity that everyone seemed to be very happy. What seems to me is strange is that when you came to the time when you'd actually put your name on the piece of paper, is that everybody was . . . seemed to be having such a good time that nobody read any documents. Would it not be a natural expectation for a person responsible for the numbers to at least flip through to the pages where the numbers are on the paper and to just have a look?

**Mr. Christensen:** — No, sir, it's not a normal commercial practice at closings to reread the documents.

**Mr. Gantefer:** — Even when you're putting your signature on it? Is there any document that you sign that says that the people that prepared the final documents warrant for them to be the same as what was expected or as you last understood?

**Mr. Christensen:** — No, sir, there was no document that made that statement. However I want to emphasize again it's not a normal commercial practice to reread all the documents at a closing. And that was pointed out in Mr. Kuski's legal opinion.

**Mr. Gantefer:** — So it becomes more of a staged event then, the actual final signing — sort of like you see on the trade missions where all the dignitaries sign contracts. Is that . . . in a way, it just becomes a formality?

**Mr. Christensen:** — Sir, I can't talk about . . . I have no experience with trade missions. However I can tell you it's not a normal commercial practice to read all of the closing documents at the closing.

**Mr. Gantefer:** — I wasn't asking particularly all the documents. I just find it strange that you might not want to page to the number section or whatever, just to say, yes here's our \$20.8 million. So you didn't have any compulsion to take a look at the final numbers that you were signing?

**Mr. Christensen:** — No, sir. Usually the signing officers rely on the people who have negotiated the contracts and present them to you that they are in accordance with the previous drafts

and in accordance with the board approvals.

**Mr. Gantefer:** — I would like to go through some of the board meetings with you, Mr. Christensen. Did you attend SaskPower's board meetings on a regular basis?

**Mr. Christensen:** — Usually at that time, officers usually only attended board meetings when there was a specific topic that was relevant to their particular area.

**Mr. Gantefer:** — You being the vice-president of finance, would that not include almost virtually every board meeting?

**Mr. Christensen:** — I would have to go back to see exactly which board meetings I attended, but the board meetings I would have attended would have been matters very specific to the finance area. And also I would have only attended during the presentation of those topics.

**Mr. Gantefer:** — I note that you attended a January 13 meeting of the SaskPower board to speak to the decision item regarding the sale of Channel Lake Petroleum. According to the topic summary, you recommended the sale of Channel Lake by way of a royalty trust as opposed to a straight asset sale. Could you explain why that recommendation?

**Mr. Christensen:** — I think it was explained in the topic summary. It says:

Currently the royalty trust market is very hot. Gas assets placed in royalty trusts are getting in the range of 15 per cent to 30 per cent above the underlying net asset value.

We felt at that time that the sale through a royalty trust would probably provide better economic benefits to SaskPower than any other sale.

**Mr. Gantefer:** — Was the . . . From the document, it seems that the SaskPower board was asked to approve the sale of Channel Lake Petroleum without really being informed about the unauthorized trading losses or the . . . the unauthorized trading or the trading losses. Why was that?

**Mr. Christensen:** — First of all, sir, there were no unauthorized trading. The trading losses — nobody authorizes trading losses. Those losses resulted from a bankruptcy in the industry. And the board, I believe was aware of the . . . that there were losses that had occurred.

**Mr. Gantefer:** — I think we get stuck when we say the board. I mean who authorized the trading, the Channel Lake board or the SaskPower board?

**Mr. Christensen:** — The Channel Lake board authorized trading; although the SaskPower board had in the past authorized trading, and that's in the board of directors minutes, sir.

**Mr. Gantefer:** — The SaskPower . . . or the Channel Lake board consisted of whom again?

**Mr. Christensen:** — The chairman was Mr. Messer, and there was Rick Patrick and myself. We constituted the board of

Channel Lake.

**Mr. Gantefer:** — So three employees of SaskPower virtually were the total decision-making people for Channel Lake board.

**Mr. Christensen:** — There were three employees on the Channel Lake board.

**Mr. Gantefer:** — So it would be a matter of great convenience for the Channel Lake board to authorize trading that not necessarily was authorized within the mandate given to it by SaskPower.

**Mr. Christensen:** — I wouldn't characterize it that way, sir. The Channel Lake board was given fairly wide-ranging powers and it authorized trading.

**Mr. Gantefer:** — The Channel Lake board, as I recall, was given a mandate to provide reliable supply and a reliable price. How does getting into all the trading activities relate to that mandate?

**Mr. Christensen:** — I'm sorry, sir, that mandate was never . . . the mandate you're describing was never given to the Channel Lake board. I think you're referring to the . . . if you'll excuse me for a moment.

I'm looking at document no. 2 which was the SaskPower board of directors meeting of Thursday, April 22, 1993. Is that what you were referring to, sir?

**Mr. Gantefer:** — I believe in that document the mandate given to the subsidiary by the SaskPower board of directors was to provide security of supply and predictability of price.

**Mr. Christensen:** — First of all, sir, I don't even . . . I don't know if there was a Channel Lake board at that time so I don't . . . and there's nothing in here that specifies, sir, that this directive is being given to any board. And if I could specifically read what it says here, to clarify. It says:

It was stressed by management that the corporation does not intend to manage the assets.

And the corporation is SaskPower.

The board does not want SaskPower to enter the gas business beyond activities necessary to provide security of supply and predictability of price. Therefore the board agreed that the corporation should dispose of any excess Dynex assets with deliberate haste. The major Dynex natural gas properties are located in the Medicine Hat area of Alberta.

What this board minute was specifically referring to was the disposition of oil assets, which Channel Lake undertook to do. And it did dispose of, I think, many oil assets. It didn't dispose of them all because the price wasn't right or they were in locations where it was tough to get someone else to take them.

This was not, this was not an overall mandate directed at the Channel Lake board, and in fact the SaskPower board itself later on approved trading. And if you turn to . . . excuse me, if



you turn to document 6, this is the SaskPower Corporation board of directors meeting.

**The Chair:** — Could you . . . Document 6 in which binder, Mr. Christensen?

**Mr. Christensen:** — I think it's binder no. 1. I'm sorry, SaskPower binder no. 1, document no. 6.

**The Chair:** — Thank you. These are minutes, February 23, 1994, Mr. Christensen?

**Mr. Christensen:** — That's correct.

**The Chair:** — Proceed.

**Mr. Christensen:** — Madam Chair, if I'm confusing the committee procedurally or moving too fast and people can't get the documents, I'll look to you to issue a little warning to me and I'll gladly comply.

**Mr. Gantefer:** — If I may, Mr. Christensen, I would like to continue to be focused on the first meeting where the SaskPower board was quoted to say that you was not to enter into . . . was not to enter into gas business beyond what was necessary to provide security of supply and predictability of price. Now you may be able to argue that there were no board of directors appointed for the company that was set up at that time, but clearly that was the mandate of the company. If there were no board of directors there at that time, that's a technical loophole or shortfall I would think. The company clearly was constituted with that mandate in line.

And second of all, if you're forming a company as a wholly owned subsidiary, why were there not boards of directors or were not directors named at the same time? How do you function or have a company function without directors?

**Mr. Christensen:** — Sorry, could you ask me those questions again. You've asked me about three or four questions and I'm kind of . . .

**Mr. Gantefer:** — Okay. First of all it clearly states from your quote that Channel Lake was not — and I repeat — was not to enter into the gas business beyond what was necessary to provide security of supply and predictability of price. You indicated in your statement that that was not a mandate given to the Channel Lake board. Now was it because there was no Channel Lake board in place?

**Mr. Christensen:** — Well, sir, I did not say . . . I did not say anything about Channel Lake. The quote is, the board does not want SaskPower to enter the gas business.

**Mr. Gantefer:** — So Channel Lake could do what it pleased outside of that direction that SaskPower has given even to itself.

**Mr. Christensen:** — Channel Lake was a wholly owned subsidiary of SaskPower and it was in the gas business. Channel Lake also was in the gas trading business; it was also in the gas processing business. You're taking a minute here which was really to set up and look at a very specific situation, that is, getting rid of the oil assets, and you're trying to broaden it to

the whole business of Channel Lake, and that's simply not correct, sir. And Mr. Milani has informed me, apparently there was one director and that was Mr. Messer — of Channel Lake.

**Mr. Gantefer:** — So you're trying to tell this committee that when the SaskTel board of directors . . . or SaskPower board of directors clearly said that they were setting up . . . that clearly indicated that Channel Lake was not to enter into this business, you're saying that that did not apply to anything other than the specific liquidation of assets?

**Mr. Christensen:** — Sir, I think I have to come back and, with respect, correct you. This minute does not, does not address what Channel Lake shall or shall not do in terms of the gas business. It talks about SaskPower. It does not want SaskPower to enter the gas business beyond activities, etc.

**Mr. Heppner:** — I'll suggest you've got that totally backwards because that says very specifically, if you read that again, sir, that it says they're supposed to be involved in supply and pricing and get rid of everything else so they can emphasize that one aspect that they're supposed to deal with, which is supply and pricing. To that end they were supposed to get rid of those assets.

And so the statement there basically says, get rid of assets and stay with supply and pricing, which is all they're supposed to be involved in. And so supply and pricing is the key issue that we're dealing with here.

The other one just says get rid of anything else that's peripheral. And so to work with anything else besides supply and pricing is specifically stated there, is something they're not supposed to be involved in. And to go ahead and hang the argument on getting rid of assets is a red herring in this issue.

Would you care to comment on that?

**Mr. Christensen:** — I don't agree with your statement.

**Mr. Heppner:** — Okay. Then I guess the rest of Saskatchewan will have to read that for themselves and I'm sure they'll draw the same conclusion that I've just drawn.

**Mr. Gantefer:** — Mr. Christensen, it strikes me in the statements by the minister he also drew the same conclusion we're making. How do you explain that difference of interpretation of the mandate that was given to Channel Lake?

**Mr. Christensen:** — I can't explain the interpretations of the minister or his statements. In fact, I don't know what statements you are referring to.

**Mr. Gantefer:** — Mr. Christensen, I want to . . . (inaudible interjection) . . . Mr. Christensen, I think that there's no sense agreeing to disagree. It seems to be very clear that your interpretation is much different than the generally accepted interpretation of what the mandate of Channel Lake Petroleum was, and perhaps that indicates part of the problem that Channel Lake had is that the directors were running a show that was strictly up to the vagaries of what you wanted to do with the company.

I want to move to December 12, '95 meeting of the Channel Lake . . .

**The Chair:** — Excuse me, Mr. Gantefer. Just as a general caution and a reminder to all committee members, our job right now in the questioning of witnesses is to get out the facts as the witnesses see them, and interpretation will be left to the committee members in the preparation of their final report to the House.

**Mr. Gantefer:** — Thank you, Madam Chair. I think we are indeed getting out the facts.

In December 12, '95 meeting of the Channel Lake board of directors, the following motion was passed and I quote:

That Channel Lake Petroleum Ltd. be authorized to enter into transactions to purchase and/or sell up to \$50 million of natural gas and related services in each year during the term of the natural gas supply agreement between Channel Lake Petroleum and SaskPower.

And it goes on to say that:

This resolution does not authorize Channel Lake to enter into transactions involving options, derivatives, or similar instruments.

In your view, does this resolution authorize Channel Lake Petroleum to get into the gas arbitrage business?

**Mr. Christensen:** — The way the minute reads, authorizes Channel Lake Petroleum to purchase and/or sell up to 50 million of natural gas and related services, we had never referred to the activity as arbitrage but indeed it was arbitrage. In fact arbitrage is anything where you're dealing in two markets, buying and selling. Or it can be temporal arbitrage, that is arbitrage over time. And in fact Channel Lake and indeed SaskPower, as I had mentioned earlier when I wanted to refer to the February 22, 1994 board minute, had engaged in buy/sell transactions, or if you want to call it . . . or what has really become . . . what has come to be called, excuse me, arbitrage.

So this note, or this motion did give the authority for the management of Channel Lake Petroleum to enter into what you're calling arbitrage. It did not, and in fact specifically prohibited high risk transactions involving options, derivatives, or similar instruments.

**Mr. Gantefer:** — It didn't specifically forbid that, you're saying? It says it does not authorize them to do it.

**Mr. Christensen:** — That's what I said. I'm sorry if I wasn't clear. I'll read it:

This resolution does not authorize Channel Lake to enter into transactions involving options, derivatives, or similar instruments.

**Mr. Gantefer:** — And that would still be permissive for arbitrage?

**Mr. Christensen:** — Sorry, sir. Are you suggesting that

arbitrage comes under options, derivatives, or similar instruments? Is that your question?

**Mr. Gantefer:** — Is that where it's authorized, or just part of the buying and selling?

**Mr. Christensen:** — It's part of the buying and selling.

**Mr. Gantefer:** — Okay. Thank you. And you didn't see that this was in direct contradiction of the authorization given to Channel Lake by SaskPower and its mandate?

**Mr. Christensen:** — Sir, respectfully, I've already mentioned numerous times that that board minute and document 2 was not an overall mandate for Channel Lake. It dealt, I thought, with the very specific issue of disposing of oil and gas assets . . . or sorry, of oil assets.

**Mr. Gantefer:** — Where did the Channel Lake board get its mandate from in that case?

**Mr. Christensen:** — Channel Lake was a natural gas company. It was also a limited liability subsidiary. It had all the powers of a natural person. And as was pointed out in the Milne report, which I believe Mr. Messer tabled, basically all gas companies, including local distribution companies, were engaged in the buying and selling of natural gas or what has come to be called here, arbitrage.

And even before SaskPower acquired Channel Lake, the fuel supply task force and then later the Dombowsky report refer to trading as part of the gas business that SaskPower is getting into.

**Mr. Gantefer:** — Following that board meeting on July 16 I believe that the Channel Lake board then moved the threshold, if you like, for this activity up to \$100 million. Was this ahead of actual trading or was this again to authorize trading in a de facto, after the fact, way?

**Mr. Christensen:** — I believe Mr. Portugal had exceeded the \$50 million limit but it was to get up to \$100 million. He had in fact, I believe, asked for 200 million at that meeting and we decided that 100 million was the limit.

**Mr. Gantefer:** — And that was after he had already engaged in activities and trading beyond what the original authorization was?

**Mr. Christensen:** — I believe he had gone beyond the original 50 million.

**Mr. Gantefer:** — Substantially beyond?

**Mr. Christensen:** — I don't recall the numbers.

**Mr. Gantefer:** — So that this activity then just ended up that Mr. Portugal seemed to be operating in an interpretative way with the approval of the board in a very, very broad mandate that had no accountability to SaskPower particularly; that was set up as a limited company that was able to really do transactions in any way that the three of you saw fit.

**Mr. Christensen:** — No, sir.

**Mr. Gantefer:** — How is it then that the authorization of these transactions and the level of those authorizations only happened after the fact?

**Mr. Christensen:** — I think Mr. Portigal got a little ahead of himself. We discussed that at the meeting, and we approved the transactions up to 100 million.

I'd also like to point out that regular financial reports were prepared and received by the board of directors as well as the audit finance committee of SaskPower. And those transactions are in there.

**Mr. Gantefer:** — The board of directors of Channel Lake or SaskPower?

**Mr. Christensen:** — The board of directors of Channel Lake.

**Mr. Gantefer:** — Which were three employees of SaskPower, for the record.

**Mr. Christensen:** — That's correct.

**The Chair:** — Mr. Gantefer?

**Mr. Gantefer:** — Thank you very much. I can leave it at that.

**The Chair:** — Thank you very much. I thought that you had reached a logical conclusion in your line of questioning. Mr. Hillson, will you now question the witness until approximately 10:30?

**Mr. Hillson:** — Thank you, Madam Chair. Good morning, Mr. Christensen.

**Mr. Christensen:** — Good morning.

**Mr. Hillson:** — You have told us that in your view, the trading activities of . . .

**Mr. Christensen:** — I'm sorry, through you, Madam Chair, could I have about 30 seconds here? I have to clear a frog from my throat.

**The Chair:** — Are you ready to proceed now, Mr. Christensen?

**Mr. Christensen:** — I think so.

**The Chair:** — If it's any comfort we'll be taking a break in half an hour.

**Mr. Christensen:** — Thank you.

**Mr. Hillson:** — You have told us that in your view the trading activities of Channel Lake were legal and authorized. You are aware that the two auditors, Ernst & Young and the Provincial Auditor, held a contrary view.

**Mr. Christensen:** — I don't believe that's the case. If you could direct me to where they say it was illegal and unauthorized, I would be pleased to have a look.

**Mr. Hillson:** — Well red flags were raised on this issue by both Ernst & Young and the Provincial Auditor. You are aware of that?

**Mr. Christensen:** — Sorry. What red . . . (inaudible interjection) . . . Ernst & Young issued a management letter in early 1995. Is that the red flag you're referring to?

**Mr. Hillson:** — Yes, and the Provincial Auditor's report as well.

**Mr. Christensen:** — No, the Provincial Auditor wrote an audit report after trading had ceased, but he did not raise any red flags.

**Mr. Hillson:** — But he . . . So you disagree with the Provincial Auditor's report when he expressed concerns over the trading activities. Your position is that the Provincial Auditor is just wrong or . . .

**Mr. Christensen:** — I'll have to have a look at the document. Which document number are you referring to, sir?

**Mr. Hillson:** — The Provincial Auditor's reports. You have read them in regard to SaskPower have you, or not?

**Mr. Christensen:** — Yes, I've read them, and I'd be most pleased to go and look at them. I don't want to comment on the reports . . .

**Mr. Hillson:** — Okay, I'll come back to that then — maybe when I have the quote to give you on that.

At any rate, you don't see any problem by the Provincial Auditor or Ernst & Young with the trading activities at Channel Lake?

**Mr. Christensen:** — That's different than calling them illegal and unauthorized, which I believe was in your question.

**Mr. Hillson:** — Well I . . . (inaudible) . . . from red flags. You didn't seem to see that. I see . . .

The Board of Directors of Channel (Lake) did not approve rules and procedures to safeguard its assets from risks assumed by its new gas trading activities.

**The Chair:** — Excuse me, Mr. Hillson. For the record, you were quoting from the Provincial Auditor's report?

**Mr. Hillson:** — That is correct. Chapter 5, Saskatchewan Power Corporation:

Channel's rules and procedures to safeguard and control its assets had the following significant weaknesses.

That doesn't raise concerns with you, sir?

**Mr. Christensen:** — We're getting the document.

**Mr. Hillson:** — I just assumed you're very familiar with it. It's the Provincial Auditor's report into your company that you're vice-president of.

**Mr. Christensen:** — The Provincial Auditor's report that you're referring to is document 582 and it's in the 1997 fall report, volume 2, the Provincial Auditor of Saskatchewan. Naturally the Provincial Auditor's report raised concern. But that's totally different from what you were saying in terms of illegal and unauthorized.

The trading activity occurred, in the main, in 1995 and 1996. It was ceased at the end of November of 1996. This report is issued in late 1997, so naturally there's a concern with the report but, I think we can hardly call it a red flag when a report is issued a year after the activity itself has ceased.

**Mr. Hillson:** — But Ernst & Young had said the same thing in 1994 had they not?

**Mr. Christensen:** — I would like to . . .

**Mr. Hillson:** — The management letter that didn't get issued? Isn't that the whole import of that management letter?

**Mr. Christensen:** — Do you have the document number for the management letter, sir?

**Mr. Hillson:** — I'll come back to that. I just . . . I frankly assumed that you would have been very familiar with Ernst & Young's reports into your company. I'm sorry, sir . . . back to that.

**Mr. Christensen:** — I am familiar with the report, sir, but it helps I think assist the committee if I refer to a document and a document number and can read the precise words.

**Mr. Hillson:** — Now what year were you hired yourself, Mr. Christensen?

**Mr. Christensen:** — As I mentioned earlier, I was hired on September 1, 1993.

**Mr. Hillson:** — And Mr. Portugal was already on staff at that time?

**Mr. Christensen:** — Mr. Portugal was employed by SaskPower, I think, as a contract employee or consultant at that time.

**Mr. Hillson:** — Right. Now I want to refer you to tab 3 in the "Share Sale Closing Book" — the escrow agreement dated April 3, 1997. Whose signatures are on that document, Mr. Christensen?

**Mr. Christensen:** — The signatures on the document are Rick Patrick, Larry Kram, Louie Dufresne for Direct Energy, Hugh McIntosh for Direct Energy, and a couple of signatures from Burnet Duckworth & Palmer which I don't recognize.

**Mr. Hillson:** — Have you seen this document before?

**Mr. Christensen:** — I have seen it.

**Mr. Hillson:** — Were you present when this was executed?

**Mr. Christensen:** — I believe I was.

**Mr. Hillson:** — Now I'd like to say that I certainly have some sympathy for the statement that was read out this morning, that where very long, complicated agreements are presented that presumably are the same as what were reviewed previously, they may not be read in detail again.

But what strikes me about this document is it is very short and simple, and what jumps out at one under the bold-face heading "Remaining Purchase Price" is that it is abundantly clear that we're not getting 20.8 million.

Would you agree with that, sir? This is a short, simple document that certainly makes it clear that there's no 21 million here in the purchase price.

**Mr. Christensen:** — No, I would not agree with that. And I'd like to just do a brief explanation. You see the 18.3 million — is that the number that you're going to next, sir?

**Mr. Hillson:** — Well remaining purchase price is 18.3 million plus interest less the adjustments in accordance with 6.3, which I think we're all aware is the trading losses. So it's 18.3 less the trading losses. So it's pretty simple, isn't it?

**Mr. Christensen:** — Well, sir, that 18.3 million comes from 20 million less 2.5 million which was paid as a deposit . . .

**Mr. Hillson:** — The deposit, correct.

**Mr. Christensen:** — Which is 18.3 million.

**Mr. Hillson:** — Correct, less the trading losses.

**Mr. Christensen:** — So the number itself did not raise any red flags.

**Mr. Hillson:** — But the "less the trading losses," certainly I'd say that seems very clear and very simple.

**Mr. Christensen:** — Sir, it doesn't say the trading losses.

**Mr. Hillson:** — Well yes, it says less the adjustments calculated in accordance with section 6.3. That's the trading loss section.

**Mr. Christensen:** — Yes, the point is in the draft 2, the last one we had reviewed, there was no separate trading law section. Also the . . . I think that section 6.3 is entitled, in the final agreement, gas supply obligations.

**Mr. Hillson:** — So you don't think this escrow agreement . . . so you don't think this document is quite clear that it's 8.3 less the adjustment?

**Mr. Christensen:** — No, sir, there's nothing in here that would have flagged to me that there's been a significant change in the contract.

**Mr. Hillson:** — So 18.3 minus the adjustment to the purchase price, that didn't raise any concerns in your . . .

**Mr. Christensen:** — Yes, sir, in the agreement that we . . . the last draft that we had seen, there was no far separate . . . this is

far . . . there was no far separate trading loss adjustment or gas supply obligation paragraph. And I think we had a right to expect that the documents we were going to see and sign reflected not only the board of directors' approvals, but the last draft that had been given to us.

**Mr. Hillson:** — Okay. So you're saying you hadn't seen 6.3 before in the purchase agreement?

**Mr. Christensen:** — Correct. In draft no. 2, there I think was a section 6.3 but it was not a detailed loss adjustment paragraph.

**Mr. Hillson:** — Okay. So the 6.3 on the trading losses had not been seen by you. And you're saying that the remaining purchase price, which talks about 18.3 less adjustments, raised no flags in your mind.

**Mr. Christensen:** — No sir.

**Mr. Hillson:** — Thank you. When did you first become aware that Mr. Portigal had agreed to go to work for the people who had purchased Channel Lake?

**Mr. Christensen:** — I believe we received the closing documents around June 3 or June 4, and Mr. Kram apparently had talked to Mr. Patrick. Mr. Patrick came down to my office, he closed the door, and he said, guess who took care of himself on the Channel Lake transaction? I said, who? And he said, well, Mr. Portigal is working for the other side — or something to that effect. I've paraphrased the conversation.

**Mr. Hillson:** — And when did you understand that relationship was direct . . . had commenced or been agreed to?

**Mr. Christensen:** — We had a meeting with — when I say we, Mr. Kram and I had a meeting — with Mr. Dufresne of Direct Energy and we were told that the negotiations for employment didn't start until some time after the first close. The first close being the April 1 to . . . the April 1 close. That's what we were told.

**Mr. Hillson:** — Okay. So in other words, negotiations for employment with Direct Energy had apparently occurred some time in early April.

**Mr. Christensen:** — I can't say for sure, other than that Mr. Dufresne — I don't remember the entire conversation — but Mr. Dufresne had indicated that Mr. Portigal had not commenced negotiations for employment until some time after the first close. Whether that was early April, I don't recall if he said that.

**Mr. Hillson:** — But the first closing was April 1?

**Mr. Christensen:** — Correct.

**Mr. Hillson:** — And Dufresne told you it was sometime after April 1, and this was in June now.

**Mr. Christensen:** — Yes sir.

**Mr. Hillson:** — Did you make any response when Dufresne told you that?

**Mr. Christensen:** — I don't recall a specific response. I mean we were trying to discover what happened and it was not a . . . I mean we took a fairly hard line in the negotiations but we didn't try to be overly confrontational because, quite simply, we didn't know what happened.

**Mr. Hillson:** — And was the board informed of this at its June 20 meeting?

**Mr. Christensen:** — Which board?

**Mr. Hillson:** — The SaskPower board.

**Mr. Christensen:** — I believe it was. However I didn't attend that meeting, but we can certainly check the board document here.

**Mr. Hillson:** — I'm not aware of anything, but if Mr. Milani is able to point to something that says the board was advised of that, it would certainly be appreciated. It would certainly clear up any of the questions that we have had.

**Mr. Christensen:** — Okay, I did not attend the board meeting on June 20. But I believe if you look at document 25 which is in the first SaskPower binder, it said that:

The board reviewed a recommendation from management concerning the sale of Channel Lake Petroleum Ltd. shares. During the discussion, management addressed issues raised by the board regarding the recommendation for the sale. There was a resolution ratifying the share and note purchase agreement dated April 2, (etc.).

And then there is a topic summary of a couple of pages which looks like it outlines what happened.

**Mr. Hillson:** — But do you find any reference there to being told that Mr. Portigal is in fact working for the other side?

**Mr. Christensen:** — It would take me some time to review this but I didn't prepare this. In fact, it says submitted by John R. Messer. And I did not prepare it.

**Mr. Hillson:** — Now it's of course common ground that the Government of Saskatchewan and therefore the people of the province own both SaskEnergy and SaskPower.

**Mr. Christensen:** — I would agree with that.

**Mr. Hillson:** — What we have heard is that there was great concern on dealing between the two corporations because SaskPower believed that it was being overcharged in some respects by SaskEnergy. Did you subscribe to that in the field of gas purchases and storage specifically?

**Mr. Christensen:** — I had no direct involvement in determining or even discussing other than I heard a few comments about whether SaskEnergy was overcharging us or not.

**Mr. Hillson:** — Was there any concern though in SaskPower that by employing someone who had been fired by SaskEnergy, it was very unlikely that that person was going to recommend a

business relationship with the sister Crown?

**Mr. Christensen:** — I had no knowledge that Mr. Portigal had been fired from SaskEnergy.

**Mr. Hillson:** — You didn't know that?

**Mr. Christensen:** — And there was no concern ever raised about Mr. Portigal's dealings or relationships with SaskEnergy to me.

**Mr. Hillson:** — Was there any concern on your part, or on any of the SaskPower officials parts, that when we deal with SaskEnergy then the money is all ending up in the same pocket, namely the people of Saskatchewan; they own both companies.

So whether it ends up with SaskEnergy or SaskPower it's still our money. When we deal with Direct Energy then the money is going out of the province. Was that a factor in your considerations at all?

**Mr. Christensen:** — The only factor that we considered in terms of . . . I'm not sure what you're asking me, sir. I'm sort of answering a blind question.

**Mr. Hillson:** — Well, Mr. Messer took the position last week that the Crowns could no longer afford to be contracting with each other, and concerned that SaskPower's balance sheet could not be adversely affected by dealing with another Crown. He didn't seem to see the point that both Crowns obviously have the same ownership.

And I'm just wondering if that reflects SaskPower management generally, or if you grasp the point that they after all have the same ownership, so whose balance sheet it turns up on really doesn't matter. Profits are profits and they go to the same people, namely us.

**Mr. Christensen:** — Well I wasn't involved in any specific conversations, but I think generally as a policy that we have, and I think the other Crowns as well, is we like to do transactions between each other at market. We don't want to do . . . for example the rates we charge SaskEnergy for electricity and the rates they charge us for transportation and storage are the same that any other customer in the province of Saskatchewan gets.

If we do transactions that aren't at market or something approximating market, there is the potential, and no one has ever suggested that we do this, but there is a potential to make the profits or the loss of one corporation or the other be not, I guess, correct, if I could put it that way.

The dealings between the Crowns . . . any dealings I've had with the other Crowns have always been very professional. They have been market based. And the reason is we want a true economic picture of all of the Crown corporations. If we start providing subsidies back and forth, I think that will give an untrue picture of the performance of the Crown corporations.

**Mr. Hillson:** — But wasn't Channel Lake set up in the first place to avoid dealing with SaskEnergy?

**Mr. Christensen:** — I wasn't here when Channel Lake was originally set up, but my understanding is, and this is the premiss I've always worked on, Channel Lake was to be a natural gas subsidiary of SaskPower to provide it with a window into the gas market. It was, as was mentioned earlier, predictability of supply and security of supply. It also had other objectives — that is to make a profit. And it was also to reduce the overall cost of gas to SaskPower.

**Mr. Hillson:** — So if you do say that SaskPower prefers to deal with sister Crowns whenever they can do so at market, why was SaskEnergy not informed that Channel Lake was for sale?

**Mr. Christensen:** — Madam Chair, we're just going to try and pull out a document here. I am sorry for the delay.

**Mr. Hillson:** — The question was, why was SaskEnergy not informed that SaskPower was selling Channel Lake?

**Mr. Christensen:** — First of all, I don't know if Mr. Portigal had talked to SaskEnergy or not, related to the sale of Channel Lake. Secondly, we were looking for special purchasers in the market-place. Those special purchasers were, we felt, would likely be royalty trusts. Special purchasers are those purchasers in the market-place who may be willing to pay more than other purchasers, and we had targeted royalty trust.

And lastly, if I can direct you to document no. 2, which is in the first SaskPower binder and it's the 1993 minute, SaskPower Corporation board of directors, April 22, 1993 meeting. There was a topic summary submitted by the fuel task . . . fuel supply task force. And I'd like to read you a portion of that, please . . . (inaudible interjection) . . . Page 3. It says:

The FSTF (and that's referring to the fuel supply task force) reviewed the Dynex acquisition with Jullian Olenick, acting president of SaskEnergy (SEI). SEI is not interested in this type of property as it wishes to acquire peaking deliverability natural gas reserves. Mr. Olenick agreed that the FSTF assessment of the natural gas market was correct, and that it was in SaskPower's interest to acquire natural gas reserves for security of supply. The acquisition of the Dynex property by Channel Lake would have no adverse effect on SEI.

**Mr. Hillson:** — But my question was, why SaskEnergy was not informed that Channel Lake was being sold. Your answer was you're not sure whether Mr. Portigal told them or not.

So do I take it, it was strictly up to Mr. Portigal? If he told them he told them, if he didn't he didn't. Is that your answer?

**Mr. Christensen:** — No, sir. I gave you my answer already. Would you like me to go through it again?

**Mr. Hillson:** — Well what I heard, your answer was you don't know if Mr. Portigal told them or not. I'm just asking, does that mean it was strictly up to him whether he told them?

**Mr. Christensen:** — My answer, sir, was that, first of all, we were looking for special purchasers in the market-place, ones who could give us the highest price for the assets. Secondly, I don't know if Mr. Portigal, or anyone else for that matter,

talked to SaskEnergy. And thirdly, SaskEnergy was on record that they weren't particularly interested in this type of asset.

**Mr. Hillson:** — So you were looking for a royalty trust purchaser, but in fact you didn't go that route?

**Mr. Christensen:** — No. In fact my royalty trust . . . subsidiary of a royalty trust did in fact wind up buying Channel Lake.

**Mr. Hillson:** — Okay. Now I want to go back just to conclude then, the 1994 management letter of Ernst & Young, which is the document no. 106 in the minutes of SaskPower, SaskPower audit finance committee meetings, documents 101 to 121.

**Mr. Christensen:** — I have it.

**Mr. Hillson:** — Yes, and specifically I'll just read the second paragraph:

We are not aware of any documented policies and procedures which establish the nature, scope, and required financial and operational reporting for Channel Lake's trading activities.

Now, do you simply disagree with that statement?

**Mr. Christensen:** — This is the 1994 management letter to Saskatchewan Power Corporation from Ernst & Young, and the topic summary, to which it is attached, is dated May 9, 1995. And I would, I would generally agree with that statement at that time.

**Mr. Hillson:** — Okay. And then the minister's statement, the last . . . I'd like to refer you to the minister's statement to the House, March 10, 1998. You are familiar with that document, sir?

**Mr. Christensen:** — No.

**Mr. Hillson:** — The March 10 statement of Mr. Lingenfelter to the Legislative Assembly?

**Mr. Christensen:** — I can't say that I'm familiar with it.

**Mr. Hillson:** — So you didn't take note when the minister made the statement on Channel Lake on March 10.

**Mr. Christensen:** — I took no particular note. Let's be clear, I don't sit and watch the *Hansard* or . . . sorry, watch the proceedings or necessarily read *Hansard*. If I'm asked specific questions related to matters in my bailiwick at SaskPower I'm most pleased to . . .

**Mr. Hillson:** — Well that's fine, Mr. Christensen, but this comes back to your earlier statement. At that time the minister told the Legislative Assembly:

. . . Channel Lake apparently undertook these gas trading activities without authority from the board of SaskPower, and indeed contrary to the mandate given to Channel Lake by the SaskPower board.

I take it you disagree with that conclusion of the minister.

**Mr. Christensen:** — What I've said here, sir, is that I felt, I believed and I still believe, and I think if you look through the documents, that the trading was authorized.

**Mr. Hillson:** — Thank you.

**The Chair:** — Thank you, Mr. Hillson. We will now take a 10-minute break and resume questioning with the New Democratic Party leading the questioning.

**The committee recessed for a period of time.**

**The Chair:** — We will now reconvene. We will move now to the government questioning. Who is leading off for the government?

**Ms. Hamilton:** — Thank you, to the Chair. To Mr. Christensen, good morning. I'm going to go back in time to cover some of the points that Mr. Kram stated in his opening summary. I would assume that was made with you having some involvement in that as well, so it would be on behalf of SaskPower that he made that statement?

**Mr. Christensen:** — That's correct.

**Ms. Hamilton:** — Okay. From that there's a few things I wanted to get clear in my mind. Mr. Kram said that on April 1, or before that, he had some conversations with Mr. Hurst and Mr. Hurst said he'd signed off on the escrow and the draft agreement. There was no mention in those conversations of a draft no. 3. Is that correct?

**Mr. Christensen:** — Yes, that's at paragraph 19 in Mr. Kram's opening statement, and that's what it says; although I was not privy to those conversations. When I say privy, I wasn't there at the conversations.

**Ms. Hamilton:** — Okay. There was also mention there was an April 1 memo from Mr. Portugal that says that you should take note of the changes within the agreement. Were you or anyone aware of that memo, or that memo was presented to you personally?

**Mr. Christensen:** — I don't recall exactly when we got the memo or when we looked at it, but I'd be pleased to take you through it and talk about some of the points in it.

**Ms. Hamilton:** — Well at this point, it was just that Mr. Kram said you were not shown that memo.

**Mr. Christensen:** — I'm sorry. You'll have to speak a little bit louder. There's conversations going on and I can't hear.

**Ms. Hamilton:** — Mr. Kram had stated that you were not shown that memo, the April 1 memo.

**Mr. Christensen:** — That's correct. It was sent to us, I'm assuming, through the inter-office mail.

**Ms. Hamilton:** — Following that you stated there were three changes, three material changes, that occurred within the sale agreement, and I'm assuming the escrow that Mr. Hillson referred to is sort of the covering agreement and then there's

many covenants or many sections.

And at that time, within the sale agreement that you would look at, you did not have anyone highlight to you these three material changes. It's not sort of . . . many times when I'm doing some signing of documents, I initial each page and so someone says, now on this page 6.3 is a new section. Does that happen at the final agreement? Did that happen with you?

**Mr. Christensen:** — I think we're confusing a few events in your question.

**Ms. Hamilton:** — All right.

**Mr. Christensen:** — The three changes — I'd like to be very emphatic on the three changes. We signed a document on April 1 and I caused a copy of that document to be taken. And the purpose for us taking that copy was to give to the assistant treasurer so he would be able to do the closing and know where the cash flows were in June.

The document that wound up . . . now that's the document Mr. Kram and I signed. The document that wound up in the closing book was not the document we signed. There were pages removed and inserted between the document we signed and the document that ultimately wound up in the closing book. Section 6.3 was altered. There was . . .

**Ms. Hamilton:** — 4.2(gg).

**Mr. Christensen:** — 4.2(gg).

**Ms. Hamilton:** — And a new clause 7.1(c), the indemnification clause added.

**Mr. Christensen:** — Yes, and it appears the most serious one is 7.1 because it caused SaskPower to provide an indemnification . . . and I'm not a lawyer; I would call that a guarantee. I'm told it's a little bit different than that, but an indemnification by SaskPower in favour of Direct Energy, Channel Lake, and others, including the new directors of Channel Lake, that if there is, I believe, if there was bankruptcies and a number of other conditions, SaskPower was now responsible for those. So again to be quite clear, we signed a document on April 1. A different document showed up in the closing book, and that's evidenced in the documents that this committee has.

**Ms. Hamilton:** — Okay. So the closing document is the one that we have in our books? Or the one that you signed?

**Mr. Christensen:** — You have the closing, you have the closing book, which contains the altered final sale and purchase agreement. And you also have the copy of the agreement that Mr. Kram and I signed, and it's only been signed by SaskPower officials at this point. And that is document number . . . Sorry for the delay, we're looking up the document number.

**Ms. Hamilton:** — You are saying, in our books we have both copies.

**Mr. Christensen:** — That's correct.

**Ms. Hamilton:** — And you'll get us the numbers now.

**The Chair:** — We need the numbers read into the record, Ms. Hamilton, if you could just hold off on your line of questioning till we get it.

**Mr. Christensen:** — It's document 1119. And it's only been signed by myself and Mr. Kram; there's no signatures from Direct Energy.

**Ms. Hamilton:** — 1119 is the closing document?

**Mr. Christensen:** — No, that's the document that Mr. Kram and I signed.

**The Chair:** — And in which binder is that, Mr. Christensen?

**Mr. Christensen:** — It's entitled, Channel Lake, and then there's initials underneath, R.P., L.K., J.R.M., and K.C. The document that wound up in the closing book is entitled . . . it's in the binder entitled "Channel Lake Petroleum Ltd. Share Sale Closing Book/Document 874." And the share and . . . the share and note purchase agreement is under tab 1.

**The Chair:** — Thank you.

**Ms. Hamilton:** — Who would sign the closing document?

**Mr. Christensen:** — Well normally what happens is you sign a document at the closing and that's the document that winds up in the closing book. When pages are pulled and inserted without the specific knowledge, or I guess warning, to the people who've signed the agreement, that's a very unusual practice, to say the least. Let me, let me back up. You sign a document at a closing and you expect that's what's going to wind up in the closing book.

I guess to maybe put it . . . give you a colloquial example, if you go and sign a mortgage agreement at your bank, you expect that the final mortgage agreement that you get is the same one that you signed; that there hasn't been pages removed and entered.

**Ms. Hamilton:** — So just so I'm understanding, what you signed at the closing was not what you assumed was included in draft no. 2, which with all of the discussions you had to that point was what you thought you were signing at the closing.

**Mr. Christensen:** — At closing we assumed that the substantial terms and conditions — I mean the document we signed — were the same as in draft no. 2 and in all the topic summaries that had been prepared theretofore and with the board of directors approvals.

**Ms. Hamilton:** — And so what you signed was in essence draft no. 3, which was different?

**Mr. Christensen:** — In essence we signed draft no. 3. There were some minor modifications between draft no. 3 and what we signed at the closing at SaskPower. But what we signed at SaskPower was substantially different than draft no. 2. And I want to emphasize that we did not receive draft no. 3.

**Ms. Hamilton:** — And you're saying, from that signing to the closing book there were these three material changes that occurred?



**Mr. Christensen:** — That's correct.

**Ms. Hamilton:** — So there were those three sections then when it came to the final closing that were inserted that were not in the copy that you signed?

**Mr. Christensen:** — I want to be clear here. I don't want to sort of assume anything. Document 1119, which was what SaskPower officials, myself and Larry Kram, signed, was signed at SaskPower.

Mr. Portigal then took the documents to Calgary where subsequently they were signed by Direct Energy and I believe also by Burnet. No. Some of them were signed by Burnet Duckworth; I don't believe the share purchase agreement was.

**Ms. Hamilton:** — And it's between those two that the pages were taken out and new sections put in?

**Mr. Christensen:** — Somewhere between what we signed on April 1 and the closing book, pages were changed. When we received the closing book, we know that pages were changed in the document that we had signed.

**Ms. Hamilton:** — Okay. Earlier Mr. Messer had testified that based on the documents that existed, there was . . .

**Mr. Christensen:** — Sorry. Can I interrupt and add one more point? We received the closing documents in June. Sorry for that interruption.

**Ms. Hamilton:** — What date in June did you receive those?

**Mr. Christensen:** — I believe it was the second or third.

**Ms. Hamilton:** — Earlier we had testimony from Mr. Messer that based on the documents that existed, that no legal action should or could successfully be taken. So in light of this information that you're giving me, could you tell me why legal action was not taken?

**Mr. Christensen:** — I can't really say why legal action was taken or not taken. I wasn't involved in any substantial way with the investigation initiated, immediately after we became knowledgeable of some of the events, by Mr. Messer.

I was interviewed by Mr. Kenny from, I think it's MacPherson Leslie, but I did not participate in the decision on whether or not to take legal action. Nor did I make any comments. It looked like it was a complicated issue in terms of litigation and I'm not a lawyer.

**Ms. Hamilton:** — Was Mr. Messer aware of the changes that you've outlined to us?

**Mr. Christensen:** — I believe at that time we only knew of one change. Later on, after the decision not to pursue litigation was made, we discovered that there was a second and then a third change. We actually went through the document and read it word for word, and we discovered these three changes.

**Ms. Hamilton:** — When would you become aware of those three changes?

**Mr. Christensen:** — The second change was about a week ago, and the third change was probably about a week ago as well.

**Mr. Tchorzewski:** — A week ago from now?

**Mr. Christensen:** — Correct. Mr. Tavender, in one of the legal opinions, had pointed out one of the changes, and we had assumed that that was the only change. And I believe McDougall Ready spotted the third. And after we spotted the second change we went through word for word and we discovered the third change at SaskPower.

**Ms. Hamilton:** — So you're saying that changes 2 and 3 you only became aware of about a week ago?

**Mr. Christensen:** — That's correct.

**Ms. Hamilton:** — When you became aware of those, did you alert other SaskPower officials? Who's now aware of these changes?

**Mr. Christensen:** — I spoke to the chairman, Mr. Milt Fair, and I spoke to Mr. Staudt. And of course Mr. Patrick and Mr. Kram knew as well, and a couple of other employees who actually went through and read the document word for word.

**Ms. Hamilton:** — Okay. So you would agree that the SaskPower board weren't aware of the three changes to the final SaskPower document on or before the June 20 meeting, or did you make them aware of that?

**Mr. Christensen:** — Again, I didn't participate in the board meetings related to the final decision on litigation, etc., with the board. And Mr. Tavender had pointed out that there was a change, in his legal opinion, in the documents, and I don't know if that was mentioned to the board or not.

**Ms. Hamilton:** — Well this is very new evidence then, what you're saying. One of them you were aware of but the other two you weren't. You've become aware of them now. Do you know if there's any current legal action being undertaken then?

**Mr. Christensen:** — I'm aware of no legal action being undertaken on any matter other than this proceeding.

**The Chair:** — Excuse me. Point of order, Mr. Hillson?

**Mr. Hillson:** — Yes. I apologize to Ms. Hamilton for her line of questioning. She's certainly doing a good job. However, I do think that in view of the revelations we have heard this morning, there is a very real question as to whether this inquiry should seek advice as to whether we ought to be adjourning and refer these matters to the commercial crime section of the RCMP (Royal Canadian Mounted Police).

And I say I apologize to Ms. Hamilton and I don't know if she wishes to continue at this time. But I do raise the question as to whether we should be asking for an opinion from our legal counsel as to whether that is the appropriate action at this time in view of the new information we have before us.

**The Chair:** — On the point of order, Mr. Tchorzewski?

**Mr. Tchorzewski:** — Yes. It seems to me it might be appropriate, in light of what has transpired in the last several moments, to seek a legal opinion for tomorrow from Mr. Priel, our legal counsel, on this matter.

**The Chair:** — I think what I will do is call a five-minute break. But before the break, I want to draw committee members' attention to our terms of reference for this inquiry. And they are that we will undertake a full, open, orderly review of the following matters: acquisition, management, and sale of Channel Lake Petroleum; payment of severance to Mr. John Messer.

And committee members should be aware that we also have in our terms of reference further, that once we have verified the facts to our satisfaction, we will report any pertinent fact not already reported by the Provincial Auditor, report what steps should be taken to learn from and act on mistakes made; (c) report any opportunities the committee may believe exists to recover public funds through civil action, and if appropriate, recommend that the government undertake such civil action. And finally (d), which I believe speaks to Mr. Hillson's point, in the event the committee believes it has uncovered evidence of criminal wrongdoing, the committee will report this to the House and request that the Department of Justice undertake what action it deems appropriate.

I will now call a five-minute break and we will deal with this matter after the break. Before the break, Mr. Gantefer.

**Mr. Gantefer:** — Point of order, Madam Chair.

**The Chair:** — Yes.

**Mr. Gantefer:** — I, and again it's from my lack of legal background, but is there any . . . in any way that we could prejudice the potential criminal investigation by continuing with the line of questioning, inadvertently in some way? And I guess are . . . is the five-minute break to ask Mr. Priel to give us some advice?

**The Chair:** — That's exactly the reason for the five-minute break, Mr. Gantefer. This committee's adjourned for five minutes.

**The committee recessed for a period of time.**

**The Chair:** — Will all committee members please take their chair and we will reconvene the hearing.

I seem to be missing two members just yet, so if the staff could go on a search and rescue mission, I would appreciate it. We're still missing one member. I'm going to wait for just a little under a minute and then I'm going to reconvene the proceedings.

All committee members knew that we would be reconvening. And we have had a brief, very informal, meeting with representatives from all three political parties, and hearing from our special adviser to the committee. So I would, at this point, on the point of order raised by Mr. Hillson, I would ask Mr. Priel to make a report to the committee.

**Mr. Priel:** — Thank you, Madam Chair. I'll try to be as brief as I can. I believe that the committee has to keep in mind what its obligations are, what its tasks are. Its task as I see it is determined by its terms of reference. The terms of reference require that the committee investigate, report, and recommend.

To do that I believe that your committee takes on certain responsibilities. Those responsibilities are to give all of the witnesses who come before you and all of the people whose conduct you are looking into an opportunity to have reasonable notice that their attendance is required, and an opportunity when they come here to make a full answer and explanation of whatever the conduct is that you're looking into.

I believe that your committee also has an obligation to be open-minded about the matters that you are looking at, so that you want to be in a position where, as the process is going along, you are not coming to any conclusions before you have heard all of the evidence. And that's very, very important that your committee do that. I believe it's crucial.

There are a number of people who are coming before you whose reputations and whose integrity are being challenged. They should have an opportunity to come before you — while you have an open mind — to put before you, their position. I believe that your committee need not stop its process, ought not to stop its process, and should indeed allow all of the people, including Mr. Portigal, including Mr. Drummond, to come before your committee and make a full answer and explanation of their position.

**The Chair:** — Thank you, Mr. Priel. Speaking now on the point of order, I will recognize Mr. Hillson, Mr. Tchorzewski, and Mr. Gantefer.

**Mr. Hillson:** — Madam Chair, I guess I should say at the outset that I abide by the legal opinion we have received from Mr. Priel that the committee should simply continue its work at this time.

I do however want to say that I've tried to remain very open and to remember that we should not be prejudging any of the facts here, and frankly that's why I raised the objection to begin with. The reason I raised the objection is because we only convened this inquiry to begin with because we were clearly told there were no legal remedies, either civil or criminal. That's why we're here.

If legal remedies had been being pursued, either civilly or criminally, we would never have been convened. And I think that's common ground. We have gotten together because we were told there are no legal remedies here. No civil suits are being contemplated. There is nothing for the RCMP to investigate.

If there is evidence of possible criminal wrongdoing — and I emphasize, I put it no stronger than that — then the task of investigating that possible criminal wrongdoing, it seems to me, rests with the police and not with us. And we have not been convened for that purpose.

So when I raised my objection, far from prejudging the matter, I was seeking to do the opposite. I was seeking to say, if we are

into an investigation of possible criminal wrongdoing, that is not our job; that is the job of our police. And that is the only reason for my objection.

However we now have a legal opinion before us that we should simply endeavour to the very best of our ability to keep open minds, to listen to all of the witnesses, to avoid making conclusions. And I take it from what Mr. Priel has said, that to refer the matter to the police at this point in time would be premature and that if such a referral is required we should postpone doing that until we have heard from all relevant witnesses. And as I say, I accept Mr. Priel's ruling in that regard. Thank you.

**The Chair:** — Thank you, Mr. Hillson. I allowed you to go on because you did raise the point of order. I would ask the other two committee members on the speaking list to try to be as succinct and pithy as possible.

**Mr. Tchorzewski:** — Thank you, Madam Chair. I think our legal counsel has provided us with sound advice and I agree with the comments of Mr. Hillson.

The mandate and the terms of reference of this committee are clear. We are in the process of investigating and we will issue a report. And in the terms of reference we are mandated, if we so choose to do, based on the evidence we hear, we may recommend further action, whether it's an investigation or whatever.

But that's part of our mandate and we may . . . And I think it's premature at this time to make any decisions. I think the evidence today is significant but I don't think this committee, out of fairness and in the interest of fair justice, should draw any conclusions until it has had an opportunity to hear others who may or may not be implicated in the evidence as given by somebody else. That's what the process is all about.

So, because I think of that and because I think that there is more evidence in detail that has yet to come out because of all the documents that we have, it seems appropriate and only fair that we hear further witnesses and we continue the work of this committee. And I agree with the advice that we have received.

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

**Mr. Gantefer:** — Thank you, Madam Chair. I too would like to agree with the advice given to us by our legal counsel.

I raised the question before we talked about this whole issue and before the legal counsel was able to inform us about the whole issue of would further questioning from this committee jeopardize in any way the possibility of future recommendations of criminal or civil prosecution, and I believe that Mr. Priel has satisfied me in that this in no way jeopardizes that.

I think it's our obligation to investigate these matters and I just caution and want to serve notice that I want to make sure that we don't do anything to jeopardize future decisions or future actions that can be recommended or taken.

**The Chair:** — Thank you very much, Mr. Gantefer. I'll just

ask Mr. Priel to make a summary statement and then we'll move on to other business.

**Mr. Priel:** — I don't want to repeat everything that I said earlier. But I do want to emphasize to you that it is not your mandate to investigate criminal activities — that's not your mandate. Your mandate is, as set out in your terms of reference, to investigate those matters and to satisfy yourselves about what occurred. You make a report to the legislature; you make recommendations.

If further activity is required, someone else will make those decisions and take whatever action is appropriate. I think however, and I do want to emphasize, that . . . that it's very important that the committee bear in mind that people's reputations and integrity are at stake. And to draw conclusions and to make suggestions at this stage, having heard only a very small part of the story, would be totally inappropriate. I really do seriously urge the committee not to do that.

**The Chair:** — Thank you. I think that concludes this matter and by consensus of the committee we will continue our hearings. I do have an indication that we have probably about 10 to 15 minutes of procedural matters to deal with today so I would ask the NDP (New Democratic Party), who do have the floor in the questioning, did you want to proceed with your questions now or do you want to resume tomorrow?

**Ms. Hamilton:** — I have just a few questions pertaining to some of the information that was provided earlier on a different tack, if I could do that.

**The Chair:** — You certainly can, Ms. Hamilton. I would ask you, just out of a sense of timing and to keep this going along smoothly, if that is indeed possible, you try to wrap it up by 10 to 12.

**Ms. Hamilton:** — Right. Thank you, Madam Chair. The three documents that were referred to earlier that I would like to ask some questions on would be no. 24, the SaskPower Corporation Board of Directors minutes of March 27, '97; a memo prepared from Ken Christensen to Lawrie Portugal, which is document 848, March 24; and a June 4 memo from Portugal to Mr. Kram, item 872. And that's what I'll be referring to, if that's helpful to Mr. Christensen and his adviser. It seems that any item that was coming before the SaskPower board with reference to Channel Lake was done so in a matter of a topic summary. Is that correct?

**Mr. Christensen:** — Any matter that I dealt with at that time came before the SaskPower board with a topic summary. I can't speak to other matters which may have been brought forward by other people, whether there was topic summaries brought forward or not.

**Ms. Hamilton:** — Okay, so if there was a matter from Channel Lake to the Power board that you were asked to prepare, I guess by Channel Lake board, you would bring that forward in the form of a topic summary?

**Mr. Christensen:** — That's correct.

**Ms. Hamilton:** — On March 27 there was a resolution passed

by the SaskPower board approving the sale of Channel Lake. It's in document no. 24. You were at the SaskPower board meeting for this item and so was Mr. Portigal, I believe. Is that correct?

**Mr. Christensen:** — I believe that is correct, and it states that on the first page of document no. 24 that we were there part time.

**Ms. Hamilton:** — The topic summary relating to SaskPower board resolution to sell Channel Lake, was that then prepared by you?

**Mr. Christensen:** — The resolution itself that was passed by the board or the topic summary?

**Ms. Hamilton:** — Well there's a topic summary, sale of Channel Lake Petroleum Ltd., and I believe it would be prepared by yourself. Is that correct?

**Mr. Christensen:** — I think it was prepared jointly by myself and Mr. Kram. That's what it says in the document.

**Ms. Hamilton:** — At the bottom of page 1 it states that SaskPower will have a gain from the Channel Lake sale of approximately \$5 million. Is that correct?

**Mr. Christensen:** — That is correct.

**Ms. Hamilton:** — And in the last paragraph on page 2 it states that the overall result is that SaskPower will receive \$20.8 million. Where did you get that information from?

**Mr. Christensen:** — It says the result is that SaskPower, in any case, receives 20.8 million.

**Ms. Hamilton:** — That last paragraph, where did you get the information from to prepare the topic summary?

**Mr. Christensen:** — That information was what we had agreed on with Mr. Portigal at our Sunday, March 23 meeting.

**Ms. Hamilton:** — Okay. Mr. Portigal had access to the topic summary, did he not?

**Mr. Christensen:** — That's correct. In fact the previous day, I think it was the previous day, he presented to the Channel Lake board a very similar topic summary.

**Ms. Hamilton:** — Okay. At the board meeting, was that a verbal presentation that was made on Channel Lake sale?

**Mr. Christensen:** — Well there was the written material which you have in front of you, and there was a verbal presentation made. And you're referring to the SaskPower board meeting?

**Ms. Hamilton:** — Right. Was Mr. Portigal present at that time?

**Mr. Christensen:** — He was.

**Ms. Hamilton:** — On March 24 the item that I referred to earlier, you forwarded a memo to Mr. Portigal and it set out the understanding of the sale proceeds of Channel Lake. At that

time did you discuss that with Mr. Portigal?

**Mr. Christensen:** — Yes, we had a fairly detailed discussion with Mr. Portigal. And at the meeting was Mr. Kram and Mr. Scobie.

**Ms. Hamilton:** — When you were talking with him was that in person? Was it over the phone?

**Mr. Christensen:** — It was on the fourth floor conference room which is just outside my office and we were all present in person.

**Ms. Hamilton:** — Okay. All right. So at that time did Mr. Portigal confirm your understanding that you presented or did he at any time advise you that you misunderstood the transaction?

**Mr. Christensen:** — No.

**Ms. Hamilton:** — So he didn't indicate to you in any way that you misunderstood the transaction?

**Mr. Christensen:** — No. At the meeting there was agreement on what the transaction was.

**Ms. Hamilton:** — I'm now looking at document no. 872 and it's a memo from Mr. Portigal to Mr. Kram, dated June 4.

**Mr. Christensen:** — I have it.

**Ms. Hamilton:** — Okay. In clause 1 Mr. Portigal refers to a sale price of \$26 million less trading losses of \$5.2 million, for a net price of 20.8 million. Is that correct?

**Mr. Christensen:** — That's correct. And that was also . . . Sorry . . .

**Ms. Hamilton:** — You go ahead.

**Mr. Christensen:** — That was also . . . it was a draft . . . I don't want to interrupt your line of questioning, but draft no. 1 came out on March 18, which had a gross purchase price of around \$27 million, a deduction — I can't remember the precise number — with a net of 20.6 million. We had our meeting on March 23, the memo was issued on March 24, draft no. 2 came out on March 26, and draft no. 2 substantially represents that first sentence that you refer to. The topic summary, which I drafted, copy attached, stated:

A purchase price of 26 million, with an adjustment for trading losses of 5.2 million, bringing the purchase price to 20.8 million.

**Ms. Hamilton:** — That same document says that that will result in a gain to SaskPower of approximately 4.2 million after adjustment for trading losses.

**Mr. Christensen:** — That's correct.

**Ms. Hamilton:** — He says then that all the assets that were ever to be sold were \$20.8 million, excluding the trading losses?

**Mr. Christensen:** — Where are you looking at that, ma'am?

**Ms. Hamilton:** — I guess in clause 1 of that document.

**Mr. Christensen:** — He says:

At no time was it contemplated that DEML would pay more than 20.8 million for the assets of Channel Lake Petroleum Ltd. no matter how the transaction was structured.

Is that what you're looking at?

**Ms. Hamilton:** — Yes, the June 4 document he prepared. So he says that at no time, no matter how the transaction was structured, that's what it would be.

**Mr. Christensen:** — Yes.

**Ms. Hamilton:** — Was this explained to SaskPower officials at the March 23, 1997 meeting?

**Mr. Christensen:** — No.

**Ms. Hamilton:** — What was explained there?

**Mr. Christensen:** — What was explained there — he went through and it's also in Mr. Kram's notes of the meeting — I think he said it was 26 million less the adjustment for trading losses to come out to 20.8 million. And Mr. Kram referred to his written notes in his opening statement.

**The Chair:** — Ms. Hamilton, I'm sorry it is now 10 to 12. Are you almost finished your line of questioning?

**Ms. Hamilton:** — Yes. I have one last question.

**The Chair:** — Okay, thank you.

**Ms. Hamilton:** — In clause 7 of the same document June 4, Mr. Portugal says a topic summary was prepared by SaskPower and only provided to him minutes before the board meeting. I'd assume that you used his memorandum earlier. He said he was only provided with that minutes before the board meeting. And is that correct?

**Mr. Christensen:** — Well I'd like to point out two things. His draft topic summary had a gross price less an adjustment for losses which equal 20.8 million. I don't recall when he initially got the topic summary. He may be correct or he may not, but he may be correct he received it only minutes before the Channel Lake board meeting.

However he had a whole day to look at it because the SaskPower board meeting was the next day. So I have difficulty with his explanation that he only received it minutes before the board meeting.

**Ms. Hamilton:** — So you believe he had that in hand a day before. And did he contribute then with that information in hand, in any way, to the discussion at the board meeting?

**Mr. Christensen:** — At the Channel Lake board meeting, he

actually presented that topic summary to the Channel Lake board.

**Ms. Hamilton:** — Did he then follow that discussion into the SaskPower board meeting?

**Mr. Christensen:** — I don't recall what happened at the SaskPower board meeting, whether I explained the transaction or he did, but he was at the SaskPower board meeting.

**The Chair:** — Are you finished, Ms. Hamilton? Thank you very much. We now have a few moments to deal with procedural matters, and when we reconvene tomorrow, Mr. Christensen, will you please make yourself available. We will start out with the Saskatchewan Party questioning.

The procedural matter that I wish to deal with today is the question raised by Mr. Gantfoer regarding committee membership and a possible conflict of interest with Mr. Tchorzewski and Mr. Shillington. Committee members will be aware that I circulated to you earlier a substantial opinion, a nine-page opinion, by Mr. Priel on this matter. I would ask you, Mr. Gantfoer, do you have any questions or comments of Mr. Priel or is it self-evident — the opinion?

**Mr. Gantfoer:** — Thank you, Madam Chairman. We've had some time to review the opinion and we accept the opinion as stated.

**The Chair:** — Thank you. Do any committee members have any comments or questions? Thank you, then that . . . I'm sorry, Ms. Hamilton, to have rushed your questioning. I wanted to ensure that we had adequate time to deal with the opinion by Mr. Priel. The committee will now stand adjourned until tomorrow morning at 9 a.m.

The committee adjourned at 11:54 a.m.