



# **Standing Committee on Crown Corporations**

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**STANDING COMMITTEE ON CROWN CORPORATIONS  
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Saskatoon Southeast

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Andy Renaud  
Carrot River Valley

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Moosomin

**Saskatchewan Power Corporation**

**The Chair:** — I will now reconvene the meetings of the Crown Corporations Committee specifically dealing with the 1997 annual report of SaskPower and associated entities.

When we adjourned yesterday at 5, I believe the government members had just finished asking questions of the auditor. And if we're going to resume our normal rotation of speakers, the Liberal Party would now be on. So I would call on Mr. Osika to address questions either to the auditors or to SaskPower officials, and preferably the latter since that's what we're here for.

**Mr. Osika:** — Thank you, Madam Chairman. I would direct my questions to the officials of SaskPower. And I wonder if you might be able to tell me something about your . . . the pension plan, the superannuation plan, with the corporation. Some of the questions that . . . some curiosity . . . Is SaskPower presently matching the contributions, the employee contributions?

**Mr. Staudt:** — We have two pension plans. One is the old plan and one that's the new plan. We are matching contributions on the new plan. On the old plan we have taken a contribution holiday.

**Mr. Osika:** — And for what period of time?

**Mr. Staudt:** — It's been 12 years now.

**Mr. Osika:** — Was there any shortfall in any of these pension programs or any of these payments?

**Mr. Staudt:** — No, there hasn't been. Why you take a contribution holiday on a pension plan is because your actuarial tells you that you're fully funded. So we do not have an unfunded liability on our pension plans according to our actuarial studies.

**Mr. Osika:** — Is there currently a lawsuit pending?

**Mr. Staudt:** — There is. There's been a lawsuit put out under the name of a fellow by the name of Gord Koop who works in the Queen Elizabeth power station on behalf of all the employees in that pension plan.

**Mr. Osika:** — And that's still before the Court of Queen's Bench?

**Mr. Staudt:** — It's never went to any court. We're still . . . They have filed against us but it has never gone to court.

**Mr. Osika:** — And what was the gist of the claim?

**Mr. Staudt:** — Well the gist of the claim is that they want the past contributions made up so that if there is a surplus in the plan, they have access to the surplus. But that's certainly not how the superannuation Act is written. There is no provisions for someone to have . . . no need to have a surplus in the plan. The plan is a defined benefit plan and the liability to the corporation because of that plan is to pay them a defined

amount.

**Mr. Osika:** — And who is currently . . . or who would administer the plan?

**Mr. Staudt:** — There is a board, a superannuation board. Pat Hall is on the board. Bill Hyde is on the board. I don't know all the board members. Perhaps, Bill, do you know who the rest of the board members are?

**Mr. Hyde:** — Yes, there are five board members, one from each of the unions at SaskPower; Gary Blanke from IBEW (International Brotherhood of Electrical Workers), Ken Pielak from the CEP (Communications, Energy and Paperworkers Union of Canada), another gentleman by the name of Jim Fink who is a retired SaskPower employee.

**Mr. Osika:** — And these people would all be members of the plan?

**Mr. Hyde:** — Three of them are members of the plan. Myself and Pat Hall are not.

**Mr. Osika:** — Is that appropriate or usual to have people who are not participating in a plan of that nature to be directing its affairs?

**Mr. Hyde:** — I think during this period of time it's not unusual. In, I think it was 1977, there was a change in plans where defined contribution plans were established so employees that have come into SaskPower, other Crowns, or government since '77 would be members of the defined contribution plan. So you end up with a mixture.

The duties of the board are to administer the plan in accordance with the Act.

**Mr. Osika:** — And how many participants would you have currently and how many superannuates would you have, roughly?

**Mr. Hyde:** — It's going to be quite rough. I think there are currently about 700 working members of the plan and about 1,100-and-some retired members. That's split beyond SaskPower with SaskEnergy, WESTBRIDGE, and Wascana Energy employees.

**Mr. Osika:** — So the people who . . . You said you had an old plan and a new plan. So those under the old plan do not have access to any increase in their pension benefits.

**Mr. Staudt:** — They have a defined benefit; they have a guaranteed benefit. People in the new plan do not have a guarantee. Their pension is based solely on how the pension fund performs. So there's a lot more risk in the new plan than there is in the old superannuates' plan.

**Mr. Osika:** — Okay. So was there any need for SaskPower to pay down any pension payments shortfalls at any time?

**Mr. Hyde:** — For a number of years SaskPower actually contributed more to the plan than employees. In fact I think by

last count over the years that the plan has been in existence, SaskPower has contributed more than employees. They did that during a period where the plan was underfunded.

**Mr. Osika:** — So in effect, not unlike other Crowns, SaskPower was able to take a contribution holiday in this plan?

**Mr. Hyde:** — Yes.

**Mr. Staudt:** — SaskTel has also taken a contribution holiday the last two years.

**Mr. Osika:** — They're beyond that now. That has been changed, has it not?

**Mr. Staudt:** — No, not that I'm aware of.

**Mr. Hyde:** — They're in the process of, I think, of shifting to The Pension Benefits Act, 1992 and I'm not sure that's occurred or not.

**Mr. Osika:** — Okay. Is there any thoughts of SaskPower going that route?

**Mr. Staudt:** — We have had discussions with Gordon Koop who was in my office a little while ago and we had talked about opening discussions but we haven't got anywhere in terms of specifics as to what we would do.

**Mr. Osika:** — The people that have comprised or undertaken this legal action would be superannuates, people from the old plan?

**Mr. Staudt:** — Yes.

**Mr. Osika:** — And they are in fact seeking some parity or are they seeking additional help or assistance?

**Mr. Staudt:** — Well I guess they're seeking . . . They want parity with what they see as additional benefits for employees that are in a different plan. But the nature of the plans is totally separate. And back when the plans were, the new plan was introduced which would've been probably 1979, or something . . .

**Mr. Hyde:** — Somewhere around there — '77 or something.

**Mr. Staudt:** — They had a choice as to whether they wanted to change plans. And those that are still in the superannuates' benefit, the defined benefit plan, the old plan are there because they chose to stay there.

**Mr. Osika:** — What sort of information or what sort of process would you have gone through to inform these people of the differences?

**Mr. Staudt:** — I can't speak from personal experience, Mr. Osika, but I believe that they were, would've been consistent amongst all the government agencies in those days — it wasn't unique to SaskPower — that there was an information meetings that they would've had to go to. And they were given certain documentation that would've assisted them in making their decision. But I wasn't there and certainly don't have enough

information to know exactly what was presented to them.

**Mr. Osika:** — I appreciate that, you know, that you weren't there. The reason for my questions is that some of the people that are now caught up in this suggest that they were not well-enough informed as to the changes and the benefits that might be accrued by moving to a new plan versus staying with the old, and now find themselves in a situation where they do not feel they are being treated equally and properly, and are seeking . . .

**Mr. Staudt:** — Yes, I understand. That's part of their statement of claim that they weren't properly informed.

**Mr. Osika:** — Is this . . . You've mentioned that it's not even before the courts. Is it moving along?

**Mr. Staudt:** — They have filed a statement of claim on March 12, and SaskPower is now preparing its statement as to the documents.

**Mr. Osika:** — So the outcome of that will then need to be decided by the courts.

**Mr. Staudt:** — It could go that far I suppose, yes, if they are persistent.

**Mr. Osika:** — Okay. I think for the time being . . . The other question too is are there any of the former employees that are part of the board? They wouldn't be serving on this board that administers the plan?

**Mr. Hyde:** — There is one retired that sits on the board.

**Mr. Osika:** — That sits on the board.

**Mr. Hyde:** — Yes.

**Mr. Osika:** — Okay.

**Mr. Hyde:** — There's plans to invite the Power Pioneers, which is a recently formed association of plan members, to invite them to participate in the board as well. It hasn't come to fruition yet, but we're certainly working towards it.

**Mr. Osika:** — So I can take it that there's no serious animosity. There's some amiable discussions that are going on with respect to coming to a resolution.

**Mr. Staudt:** — I guess I can't guarantee there will be a resolution. We certainly have two different sides to an argument as you usually do in any dispute. As far as being amiable, I spoke to Gord Koop probably late October. He was in my office and I spoke to him for half an hour on the issue.

**Mr. Osika:** — He didn't leave in a huff and you didn't throw him out. So I take it it's amiable, so I'm glad to hear that.

**Mr. Staudt:** — I left it so that . . . I left the door open for him to come back with further discussion.

**Mr. Osika:** — I thank you very much. Madam Chair, at this point that's the extent. I thank you, gentlemen, very much.

**The Chair:** — Thank you very much, Mr. Osika. Reverting now to . . . Or continuing on the regular order of speaking, I would now ask the government members if they have any questions of SaskPower officials. I have Mr. Johnson, Mr. Kowalsky. You two can share your time till about 20 to 10 please.

**Mr. Johnson:** — Thank you. Yesterday in asking the auditor about the accounting procedures for the reconstruction funds, I made a statement that I believe the auditor and I disagree on. I claim that his account . . . recommendation for accounting will at the end of a period of time, if targeted, return on equity and that is maintained at the same at it is now would increase the cost for the consumers of electricity that fit in those categories where this charge is applied to.

And so last night I went back and took a look at the auditor's *Spring Report* to the legislature and paragraph .03 there's 31 paragraphs that deal with this out of 50 some odd paragraphs relating to . . . 52 paragraphs that I believe relating to SaskPower. And paragraph .03 says that SaskPower's revenue was understated by . . . No, SaskPower's revenue and net income was understated by 14.6 million.

I'm wondering, in order for the net income to be understated by the 14 million, would that mean that the manner in which the very rapid write-off of the capital construction would have to be changed as well as just how it's recorded as income?

**Mr. Staudt:** — It changes the entire nature of the accounting for it. It just becomes straight revenue as any other amount of revenue we have on our bill and it flows straight down to the bottom line. There will be no cost associated with it because of the nature of it being classified as revenue.

**Mr. Johnson:** — And would I be right in assuming then that normal depreciation that would be used for the categories that that money is being spent on would be 45 years and 30 years, or 33 years? It's on page 38 . . . there's a composite estimated.

**Mr. Staudt:** — I guess it, yes, depends on the nature of what the investment was actually put into. So if it was reconstruction for transmission, in 45 years as per that schedule it would be an average.

**Mr. Johnson:** — Okay, and for distribution would be at 33 so that's somewhere in between those number of years.

At 15 million a year and assuming that depreciation, then in the end of 10 years the assets of the corporation would be a hundred million or thereabouts greater than under the system that the corporation had proposed?

**Mr. Staudt:** — I guess if that's the mathematics I guess you have an advantage on me, you've already done the math.

**Mr. Johnson:** — Okay, I have. Assuming a write-off of half a million dollars a year for every 15 million that goes in over a period of time, that's what it comes out to.

If you maintain . . . There is on page 28, you have . . . the corporation has established a target of 13 per cent. Is that 13 per cent target something that is related to what other power

corporations elsewhere in North America would be looking at as a target? Or something close to that?

**Mr. Staudt:** — I believe it's based on industry standards throughout Canada as well as what SaskPower itself believes it needs for its internal purposes. Other jurisdictions are regulated. In Alberta, I believe the return on equity is less; where it might be more — I think it is more in New Brunswick for example.

**Mr. Johnson:** — Okay, so this . . . but it is a figure that relates to the other corporations.

**Mr. Staudt:** — Yes.

**Mr. Johnson:** — So if the corporation's value was \$100 million more this year than the target, you would be further off the target than you are right now, which is .3 per cent less than the 13 per cent, according to what's written on 28.

**Mr. Staudt:** — Yes I guess so. Again, if you have the math correct, I agree with you.

**Mr. Johnson:** — Okay. So what it comes down to if you're going to hit that target, the only place you'd gain income would be to meet the target would then basically be by increasing the power rates?

**Mr. Staudt:** — If that follows through, I guess that's where it would come, yes. If we want to meet our targets and something is, because of an accounting change, we now have a different equity base, then you would have to increase your rates to meet your target, yes.

**Mr. Johnson:** — Thank you.

**Mr. Kowalsky:** — Thank you, Madam Chair. This morning I want to ask a few questions about employment equity.

**Mr. Staudt:** — Yes.

**Mr. Kowalsky:** — Particularly as it applies to out of scope and management ranks. Could you answer the question about, first of all, how many people do you have that are out of scope? And are there . . . is there more than one category of out-of-scope people? Is there such a thing as upper management and middle management?

**Mr. Staudt:** — Sure.

**Mr. Kowalsky:** — And what percentage of these are male and what percentage of these are female?

**Mr. Staudt:** — Mr. Hyde, would you have those numbers . . . (inaudible interjection) . . . We don't have those numbers right now.

I will go through the classifications. I mean, we have our executive, and then we have what is called the managers. And then there is the supervisor level, and there's just an out-of-scope level that doesn't have a supervisory staff — many of the engineers.

**Mr. Kowalsky:** — And I wonder if you might supply as well,

along with that, if you have a comparative figure, say, three . . . two, three, four or five years, it doesn't matter which, I suppose that much. I want to see if there's any kind of a trend on that.

**Mr. Staudt:** — This is just on male, female?

**Mr. Kowalsky:** — Male, female.

**Mr. Staudt:** — Okay.

**Mr. Kowalsky:** — And I want to . . . Also I'd like the answer to the same question with respect to Aboriginals. And also I would like to know whether you have a policy on employment equity.

**Mr. Staudt:** — Yes, we do have a policy. In my opening statement yesterday, I mentioned that one of our strategic objectives for 1999 is to do a much better job on our diversity and employment equity targets. We have not done a very good job in the past, admittedly, on the aboriginal issue. And that is one of our key focuses for 1999, is to put a program into place that we can address those to get our manpower and our targets up.

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

**The Chair:** — Do other government members have some questions?

**Mr. Johnson:** — Yes. To take the next step is that under a deregulated situation, if you follow through with the accounting as the Provincial Auditor is basically directing, do you anticipate having to take a writedown, something similar to what SaskTel has taken this year, in order to value your assets at what your cash flow is going to be or not.

**Mr. Staudt:** — We haven't got that far in our analysis of what we need to do in a deregulated environment to get into specifics such as accounting policy. But we have been looking at the difference between our generation assets and our transmission assets and what really fits. Some of the models that we've been looking at would be to split the company into different generation transmission and distribution units. And you would then look at the assets relevant to those and see what needs writing down or reclassification. But we haven't got into specifics at this time.

**Mr. Johnson:** — Okay so then there hasn't been any thought of doing . . . What is in Alberta, where the distribution system is owned by the consumer in the agricultural areas?

**Mr. Staudt:** — No.

**The Chair:** — Any further questions, Mr. Johnson?

**Mr. Johnson:** — No.

**Mr. Osika:** — This is just to clarify . . .

**The Chair:** — Excuse me, Mr. Osika, just carry on. I understand you have another meeting at 10 o'clock, so you might as well ask the questions that you have.

**Mr. Osika:** — Thank you. I just have one or two. I notice, and again as you reported, that the majority of goods and services are obtained within Saskatchewan. Are there some contracts that would go outside of the province for SaskPower requirements with respect to transmission lines, power poles, building?

**Mr. Staudt:** — Actual construction?

**Mr. Osika:** — Anything of that nature which would require some construction or some building.

**Mr. Staudt:** — Are you talking about the acquisition of the assets in order to build it or the actual construction of the facility?

**Mr. Osika:** — Well the actual construction companies that might be contracted from other provinces to carry out some of the work for SaskPower.

**Mr. Staudt:** — I believe we do have some that would be from outside of the province, but our preference is to always look within the province.

**Mr. Osika:** — Are there any contracts currently for any major projects within the province that are contracted out?

**Mr. Staudt:** — Not that I am aware of but I can certainly check for you.

**Mr. Osika:** — Is there any work being done in northern Saskatchewan by Valor construction out of Alberta that you might be aware of?

**Mr. Staudt:** — I'm not aware of it but if you have information such as that, it's probably correct.

**Mr. Osika:** — You would have then — and I appreciate that goods and services obtained from within Saskatchewan — but what sort of guidelines would you follow in the event you needed to go elsewhere?

**Mr. Staudt:** — Every decision we made, Mr. Osika, we have on contracts awarded or purchases made, one of the considerations we give is Saskatchewan content. And that is right on the form if you had an example of the form we utilize when we have our discussions as to the approval of contracts and the approval of purchases right on there, there is a section that is called percentage of Saskatchewan content. And we try to maximize that where possible but at the same time, we are very cognizant of our cost structure and sometimes there are other considerations.

We put out tenders for most things that we do, and one of them is Saskatchewan content, but we also . . . price is our first priority. How much is the cost? Saskatchewan content is something we look at as a consideration if they're close, but a lot of these construction firms, too — we have availability of personnel is also a problem — we can't always find Saskatchewan contractors to do all the work we have.

I'm not aware of that specific reference you're making, but I'll certainly find out.

**Mr. Osika:** — I appreciate that. Thank you. And it's understandable that people are not always available to supply the kind of services that you may require. That clarifies for me the question that was raised. Thank you very much again.

**The Chair:** — Thank you, Mr. Osika. I would now recognize Mr. Boyd. And Mr. Boyd, you might as well carry on until around 10 o'clock.

**Mr. Boyd:** — Thank you, Madam Chair. I'd like to welcome this morning to the officials from SaskPower. I wanted to begin by talking about, a little bit, about the financial ... or the Provincial Auditor's recommendations that he has made and what steps you are taking to address those concerns that the Provincial Auditor has had.

And in his report of November of '98 to the standing committee, he outlines a number of areas that he feels that SaskPower management needs to work on both within the management structure and within the board structure. And he outlines a number of points there that he has put forward as areas that need attention.

The role and responsibility of the boards needs to be clearly defined. It appears that the Provincial Auditor feels that it has been deficient in the area of audit and finance. What steps have been taken to address those concerns?

**The Chair:** — Excuse me, Mr. Boyd, if I may. I wonder when the officials are answering, since the Crown Corporations Committee did have 27 meetings on this matter as well and also issued an all-party report, if you could also refer to the recommendations from the Channel Lake report, where they overlap with the Provincial Auditor, so we can have the two sets of questions answered simultaneously.

**Mr. Staudt:** — Yes, I don't ... I think it was answered yesterday that CIC, one of their objectives for 1998 was to provide board training because it was something that all Crowns were subject to, not just SaskPower. The Auditor has sort of put this as being solely because of SaskPower. I don't believe that to be true.

And the boards of the Crowns were asked to put terms of reference together. Mr. Fair yesterday informed this committee that SaskPower — and I believe we are probably the first corporation to do this — have put together terms of reference for all our committees.

And they are available for you if you would like them; we have copies of them here today. And they will be put on our Web site as quickly as possible — I gave that instruction last week — so that they are available for the public to look at so that they know what the terms and reference of each board committee is.

**The Chair:** — Mr. Staudt, would you bring 15 copies of all of them.

**Mr. Fair:** — I think I have 15 copies here.

**The Chair:** — Okay. That can just be tabled with the Clerk and she'll distribute them.

**Mr. Boyd:** — The Provincial Auditor made note that the role and responsibility of the boards could fall into two categories in terms of either an advisory capacity or a decision-making capacity.

Have you and your board worked on any kind of clear directive as to which areas of management and responsibility of the board fall into those two? Is there any kind of clear directives in those areas — what would be considered advisory type areas and what would be considered decision-making areas?

**Mr. Staudt:** — Given the fact that Mr. Fair and I are quite new to our roles and responsibilities, we have been working very closely together since March to define what is appropriate for the board to make decisions on and what is appropriate for management to make decisions on. We keep each other informed of our activities on a continuous basis. And I go to Mr. Fair for advice on certain issues to see if he would like these sort of items brought to the board.

So I think it's more of a matter, Mr. Boyd, of communications between the president and the board Chair.

**Mr. Boyd:** — So will there be any kind of clear terms of reference and perhaps even an operating manual for the members of the board to clearly know as to what their responsibilities are in different areas.

**Mr. Staudt:** — There's a published ...

**Mr. Boyd:** — Is that available?

**Mr. Staudt:** — Yes — I don't think we brought it with us — but it tells what matters are board responsibility and what matters should go before the board.

**Mr. Boyd:** — What matters are board responsibilities for an advisory decision or what matters are for a decision-making process?

**Mr. Staudt:** — Those are decision-making responsibilities.

**Mr. Boyd:** — Decision-making.

**Mr. Staudt:** — It's a published report.

**Mr. Boyd:** — Clearly part of the problems of the past in SaskPower have been the concern about accountability within the organization and the board and right up to the ministerial level. Since the whole Channel Lake situation, has there been ... has the board established and communicated to management clear views on accountability and what they expect of senior management in that area?

**Mr. Staudt:** — Yes. I guess again it's more of a communication thing, Mr. Boyd, that the Chair and the president have to be in constant communication in terms of what expectations are and what should go to the board. Some of the things that happened in Channel Lake were, I believe, because of a lack of communication between the president and the Chair of the board.

**Mr. Boyd:** — And that's been addressed?

**Mr. Staudt:** — Yes. As I said we are in constant communication. We meet informally and formally at least three to four times a week. And when Mr. Fair is not or I am out of town, we communicate by telephone.

**Mr. Boyd:** — So you've learned the lessons of the past then, we could say?

**Mr. Staudt:** — I think that SaskPower has put in procedures and policies to address what has happened in the past.

**Mr. Boyd:** — Management have full access to the board meetings?

**Mr. Staudt:** — Total access to board meeting since Mr. Fair has been the chair. And the executive is now invited to sit in on the board meeting at any time they feel appropriate except for in camera sessions.

**Mr. Boyd:** — And there's full reporting, I assume, to the board of each area of responsibility of the management team?

**Mr. Staudt:** — Yes. We have opened it up so that there is, on the president's report that is . . . At each board meeting there is a report that is filed, but each vice-president comes in and speaks directly to the board about key activities and key transactions related to their areas.

**Mr. Boyd:** — So we would assume from that then that we would not see decisions being made by management that the board was not aware of in the future?

**Mr. Staudt:** — That should never happen and I don't believe given our current structure that it ever will.

**Mr. Boyd:** — And what would be the result of that kind of action?

**Mr. Staudt:** — If inappropriate decisions were made without the board's knowledge?

**Mr. Boyd:** — Yes.

**Mr. Staudt:** — I would assume that the accountability of the board would address that situation.

**Mr. Boyd:** — Dismissals?

**Mr. Staudt:** — You would have to ask the Chair of the board, or Vice-Chair as he is called now.

**Mr. Fair:** — Madam Chair, just a comment. You'll note even in the first page we had put in place what we call general terms of reference for board committees. And we make the point very clearly there are expectations that the board has of management, and we make the point that the full board is responsible for decisions even within our committees. It is not a committee decision but rather a board decision.

The board plays a role in the development of each board agenda. So that there is not anything that is not open and available to us. As Mr. Staudt has indicated, one of my very strong beliefs is that the board meeting need to be open to the

executive. And we expect them to fully report to us.

So you'll find in that first page some very clear guidelines that we have given, what we think the board is responsible for, and what the terms that we expect management to provide us with.

**Mr. Boyd:** — And a breach of these terms would result in dismissal.

**Mr. Fair:** — Dismissal, Mr. Boyd, is a . . . that, in my mind, is a process. And if the job is undertaken appropriately by the board, I think you have dealt with issues before you run into what I would call major issues which could cause dismissal. But clearly, if there is a position taken that is in contravention to the board, that is a possibility.

**Mr. Boyd:** — The evidence then, I guess, is pretty clear with respect to the whole Channel Lake situation — there were dismissals.

**Mr. Fair:** — I would really like to separate because I was . . . I came, as indicated, on the scene after. And in my mind, what we do is establish a rapport; you establish a modus operandi of how you operate. And in my mind, those kinds of things should never get to that stage. But if they do, you deal with them.

**Mr. Boyd:** — Well let's deal with one then. If you were to see that kind of activity, a part of the management team exercising gas arbitrage contracts that they were not allowed to be involved in, what would that result in currently?

**Mr. Fair:** — I guess my submission to you, sir, is that it would not happen. If we found that, it would be stopped and, depending on the arrangement, depending on the seriousness of the event, how do you deal with it?

**Mr. Boyd:** — So we're safe to assume that it isn't currently happening?

**Mr. Fair:** — You are safe to assume that it is not currently happening. I made comment in my remarks that we have put in place already, risk management procedures which document the various levels of transactions, the division of duties. There is a monthly report to the executive and a quarterly report to the board.

And in fact the monthly report, just at the meeting last week, the audit finance committee will also view the monthly report of trading transactions.

**Mr. Boyd:** — And that would also include the sale of assets and things of that nature.

**Mr. Fair:** — Very definitely.

**Mr. Boyd:** — Very definitely. So there is a clear view into management and at the board level that the activities of the past are not to be repeated.

**Mr. Fair:** — Correct.

**Mr. Boyd:** — Thank you. The boards need representation on the boards of subsidiary corporation is another



recommendation. Has that been carried out?

**Mr. Fair:** — Yes it has. I again referred in my remarks yesterday to say that the board of SaskPower International, which is our major subsidiary, the board of SaskPower is in fact the board of International.

**Mr. Boyd:** — You've taken steps to ensure that the reporting requirements are the same as for the parent company?

**Mr. Fair:** — Definitely.

**Mr. Boyd:** — Does that include up to and include freedom of information requests?

**Mr. Fair:** — I believe so. I'm not familiar with all of the terms of that but I see no reason why reporting of a subsidiary doesn't follow exactly the same as the corporation.

**Mr. Boyd:** — That's been a concern certainly of ourselves in opposition that from time to time the subsidiaries have used it as a way of not answering the questions, that they don't have the same reporting requirements. I take it then that you would understand or be of the belief that the same freedom of information requests to a parent company and to a subsidiary would be carried forward?

**Mr. Fair:** — Mr. Boyd, my history is one in which I was never aware of a subsidiary that didn't have board members from the parent company.

**Mr. Boyd:** — Well you know of one now.

**Mr. Fair:** — Well, yes.

**Mr. Staudt:** — There was some board members on that, the SaskPower Commercial board at the time. I believe there was two.

**Mr. Boyd:** — Cabinet ministers?

**Mr. Staudt:** — And, yes, Mr. Lautermilch was the Chair of that committee.

**Mr. Boyd:** — Boards need to review their policies and procedures to ensure that their direction is fully and appropriately documented. That's been a concern certainly previous to your involvement, that minutes and things of that nature haven't been properly documented as to ... and decisions that were taken at the board and management level. There's been steps taken to address those concerns?

**Mr. Staudt:** — On the minutes?

**Mr. Boyd:** — Both minutes and appropriately documenting events and transactions within.

**Mr. Staudt:** — At every board meeting we go through the minutes of the previous meeting and accept them as tabled. And certainly we have discussions around them if board members do not believe it's either clear enough or it's been misstated as to what their understanding was. So we certainly spend time at each board meeting going over the minutes.

**Mr. Boyd:** — You mentioned, Mr. Fair, that the board has you believe it to be a process of determining whether or not the management team is operating in compliance with the board's direction and policies, and that's an area of concern to the Provincial Auditor. Is there a regular assessment then of the management team and with the view as to whether or not they are following out directions set forward by the board?

**Mr. Fair:** — Madam Chair, Mr. Boyd, as you are aware from your discussions, even with CIC (Crown Investments Corporation of Saskatchewan), there's something now called the balanced score card that's being put in place. We have had, and the corporation has had for some time financial targets. Those are now being broadened to employee, to customer, to our public, and those will all be used by the board as a monitor. And so I would say that we do evaluate on an ongoing basis, and that's the intention. Those will improve. I mean it's a process. I indicated that in my comments yesterday.

Could I just go back and speak to the minutes for just a moment. Mr. Staudt has indicated that we do a very careful job as best we can, as best as humanly possible to make sure that you record everything. Now you do not record every word that was said in a board meeting, I think you'd be well aware of that. All I can tell you is that the minutes and the records of our meetings are as complete as we humanly can make.

I would not want to leave this committee with an idea that somebody, somewhere down the line, couldn't come back five years later and look at something and say, well if you had only put that in. But as far as is humanly possible those minutes are complete, the attachments for the information that we got is there.

The board meetings have been extended, incidentally. It's now proving to be fairly time-consuming because we basically spend two days a month attempting to make sure that we're on top of all of the issues around this corporation.

**Mr. Boyd:** — That's a departure from the past?

**Mr. Fair:** — Yes. And there are some who think we are taking too much time. But, yes, it was probably day meetings I think would be a fair statement, prior to.

**Mr. Boyd:** — The Provincial Auditor also makes recommendation that the Board should be involved in regular training programs. Has that been something that has started or it will be starting? And what kind of training programs do you envision?

**Mr. Fair:** — Madam Chair, what we did do was virtually all of our board members completed the eight days of board training that were referred to earlier in your meetings, which included everything from responsibilities, to roles of committees, to a meeting with the Provincial Auditor, risk management — the whole range. So our board has taken that training.

**Mr. Boyd:** — Is that the same training as the past or has it changed?

**Mr. Fair:** — That was new.

**Mr. Boyd:** — That was new?

**Mr. Fair:** — That was new in 1998. I believe that there was no previous similar training that I'm aware of. In addition to that we do involve our board in industry specific. We have had our board members at meetings specifically related to the power industry, and would continue to plan to do that as appropriate.

There is currently underway with CIC, a review of the board training. And there is a request . . . or the basic information that's being assembled is what do board members of Crowns generally feel that they would like to add to that training. Board members bring to these boards experience and you bring as well training. And the specifics, I think, of what happened earlier this year was to perhaps highlight the roles and responsibilities of boards relative to Crown corporations, using of course TSE (Toronto Stock Exchange) studies and so on that have gone on as well.

**Mr. Boyd:** — The Provincial Auditor also goes on to indicate that the internal audit functions of SaskPower should be reported directly to the board. That is currently done then?

**Mr. Fair:** — That is happening and the internal audit is now reporting direct to our audit finance committee.

**Mr. Boyd:** — Good. Turning to . . . well, do you want to move to another subject now, Madam Chair?

**The Chair:** — Well, I'll just test . . . Mr. McPherson, did you have questions that you wanted to ask right now or would you allow Mr. Boyd to continue going through the auditor's report and asking these . . .

**Mr. Boyd:** — No, actually I was moving to a different area.

**The Chair:** — You're moving to a different topic. Then I'll recognize Mr. McPherson.

**Mr. McPherson:** — Thank you, Madam Chair. There's a few areas of SaskPower that I get a lot of calls on and I'm sure the other elected members get calls about. And these two areas — in fact I got one call late last night because the guy had watched it on the TV on the news — one is sponsorship, and the other is advertising.

And I was just wondering if the board, now given I guess the new direction you're after, have really looked at the role of SaskPower and what its role is in as far as sponsorships and ads.

**Mr. Staudt:** — We have just — it's still in draft — but we have what we call a corporate donations policy that we have prepared and the governance committee of the board has gone through and looked at to see that it matches the direction that the corporation wants to go. We will now put it into a final draft form and try to finalize that document within the near future.

And that will give us, so that our corporate donations are done in a consistent manner, with how the corporation wants to dole out the money that we currently give to the communities. And before, I would say, it was done in more of an ad hoc manner than a consistent strategic manner.

**Mr. McPherson:** — And I guess the question that the people have when they phone my office, is should it be done at all. What's the objective of the SaskPower advertising?

**Mr. Staudt:** — Advertising or corporate donations? There's two separate things.

**Mr. McPherson:** — Either or.

**Mr. Staudt:** — Well I think corporate donations is, if you're going to be a community, a good corporate citizen in the community of Saskatchewan, certainly you should be giving corporate donations into events that are important to the people of Saskatchewan.

If you look at private corporations such as Wascana Energy, such as Cameco, such as the Potash Corporation of Saskatchewan, I believe they all have policies and procedures where they give a certain amount of donations to the communities of Saskatchewan as a good corporate citizen.

**Mr. McPherson:** — Well, and I guess people would accept that coming from a private corporation, but from a public corporation, as it was said here yesterday, the role of SaskPower is to provide a safe, reliable, secure power source to people at the cheapest possible rate.

And it's not . . . I mean, you have to answer this to the people of the province because I get several calls and I know these other members do as well. And they're saying, what would be the point of having these sponsorships for curling — and I know that's the one that showed up on the news last night — you know, paying the way for people and their families to go to the Olympics. You know, the purchase of — what was it — a \$350,000 cost for purchasing land in the south-west, south of Eastend a few years ago. And they can't see that that has anything to do with giving you cheap rates at a . . . you know, from a utility.

**Mr. Staudt:** — I guess we have a . . . my theory on this is that we should be good corporate citizens regardless of our ownership; and I think we do an excellent job for a lot of the communities in Saskatchewan and we should continue to do so.

As far as our advertising campaign is concerned, we are getting ready for deregulated environment in this province. We don't start advertising and trying to tell the people that we're trying to be important to the population of Saskatchewan and value them as customers the day after deregulation happens. You have to set the stage.

So we have embarked on an advertising campaign that we think is targeted to our customers and to the people of Saskatchewan to show that we are a corporate citizen who is concerned about the welfare of this province. And we have done that strategically.

**Mr. McPherson:** — So I guess you would have, you know, your objectives but to have those you're going back those up with studies. I mean, you're not going to spend the kind of money that the corporation is spending unless you have something to back it up. You can warrant . . .

**Mr. Staudt:** — We certainly do focus groups and we do telephone polling to see what is important to the people of Saskatchewan, and we try to position ourselves appropriately.

**Mr. McPherson:** — Have you found at the 45-day review meetings that people have been calling for more sponsorship? Have they been asking for more advertising or are they asking for lower rates?

**Mr. Staudt:** — Since I've been with the corporation, and I've . . . believe since 1996, we have not been involved in 45-day rate reviews because we have not changed our rates.

**Mr. McPherson:** — Well, at . . . for the year under review there would have been, wouldn't there?

**Mr. Staudt:** — No.

**Mr. McPherson:** — In 1997?

**Mr. Staudt:** — There was no rate changes since 1996.

**Mr. McPherson:** — When in 1996 was that?

**Mr. Staudt:** — I do not have the date. Tony, do you remember?

**Mr. Harras:** — I think it was the first of January.

**Mr. Staudt:** — January 1, 1996 was the last time we implemented a rate change.

**Mr. McPherson:** — When you have your focus groups then, are you asking them what area you should advertise in or where you should do the sponsorships? Or are you asking should there be any of these expenditures.

**Mr. Staudt:** — I believe we are probably asking what — I'm not intimate with focus groups specific to what SaskPower is trying to do — but in focus groups that I have been involved with is, they ask questions as to: do you recognize this corporation, why do you recognize this corporation, is this corporation doing all it can to satisfy the population? And it's just based on the statistical samples of the population that you choose.

**Mr. McPherson:** — You're comfortable that the population then is saying, never mind how high these rates get; we'd far sooner see some of the contributions . . . And I see a release came out yesterday, and the minister in fact is travelling around the province making one or two of these announcements every day. This one was for 50,000 bucks from SaskPower.

**Mr. Staudt:** — I'm not sure. What was it for?

**Mr. McPherson:** — Oh, this one was for a new partnership initiative with Luther College High School, Minds Eye Pictures. Now you have some public outcry that this here is warranted?

**Mr. Staudt:** — I do not get . . . I would say that I would get one, since I've been in the president's job, I probably had one letter from a person who was dissatisfied that we had given a corporate donation.

**Mr. McPherson:** — Oh, really? I had four calls last week and one late last night.

**Mr. Staudt:** — They're not calling me, sir.

**Mr. McPherson:** — So you would be able to provide us with any studies that show that these kind of monies being spent are warranted, would you? Can you make that public?

**Mr. Staudt:** — I would say that I'm not aware of how many we've done . . . but certainly I don't see a reason why that we would hide the knowledge. These are focus groups but I would have to check on what we have available.

**Mr. McPherson:** — Can you give us the names of the people who are putting on the focus groups and the cost of those focus groups and the agency that is in control of it?

**Mr. Staudt:** — Certainly.

**The Chair:** — Excuse me, I'm sorry. You're asking for specific information to be tabled with the committee?

**Mr. McPherson:** — Right.

**The Chair:** — Again, Mr. Staudt, the policy in the committee is that you do not give information specifically to a member, but rather you table it with the Clerk . . .

**Mr. Staudt:** — I was . . . yes.

**The Chair:** — And provide 15 copies and then it will be circulated to all members.

**Mr. McPherson:** — For all these sponsorships that SaskPower has been involved in, in the year under review — and current I guess; there's no reason why you can't provide that — can you provide that detailed list of the cost, where it's going and what the objective is of such a sponsorship? Because I'm sure not all of them will be just . . . There's going to be a different objective in each case.

I don't recall exactly why you spent 350,000 bucks as a SaskPower board to purchase land south of Eastend. But I mean it won't have the same objective as sponsoring a curling team. So if we could see the objectives and any studies that you can give us then to back up.

**Mr. Staudt:** — I believe, Mr. McPherson, I told you earlier in my comments that SaskPower at this time does their corporate donations on more of an ad hoc basis. So I'm saying that maybe we didn't do it with clear objectives in mind. What I said is we have a draft donation policy that we will be currently following in 1999 which would be much more relevant for this committee.

**Mr. McPherson:** — All of the SaskPower advertising, is it paid for by SaskPower?

**Mr. Staudt:** — Yes.

**Mr. McPherson:** — Or is some of it perhaps paid for through CIC?

**Mr. Staudt:** — No. It's all paid for by SaskPower.

**Mr. McPherson:** — So you can give us a list of also the cost, the ad agency of record, that's for all the advertising as well as the sponsorships, and what the objective was for doing such advertising? I'm sure it won't be the same deregulation argument in all cases, will it?

**Mr. Staudt:** — I will give you the level of detail that is appropriate.

**Mr. McPherson:** — And we'll get studies to back that up in the focus groups? We'll have a copy of that as well?

**Mr. Staudt:** — If it's appropriate to release that information, yes, I'm . . . I can't say it is right now.

**Mr. McPherson:** — Under what . . . I guess the question then is, under what case would it not be appropriate if we're talking about taxpayers' dollars? And I guess if you're only getting one letter a year and I'm getting four calls a week, that tells me that, you know, people of course want to find this out. And I can always pass that information back on to you, what the people are saying once they see your studies and focus group information.

**The Chair:** — Mr. McPherson, the committee has consistently recognized and honoured the Crown corporation's right to not provide certain information on the grounds of commercial sensitivity and we have found that the corporations have been very co-operative and have not applied stringent definitions of commercial sensitivity. They do provide us with information when we ask.

But certainly I think Mr. Staudt is just raising a cautionary flag to you that, if results from a focus group would interfere with SaskPower's commercial position, that they wouldn't be tabling that information with us.

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

**Mr. McPherson:** — Well I can't imagine in a monopoly situation how asking that the information from a focus group, where you've placed an ad in a paper, you know, showing somebody's picture with a little note on where they're from, is going to jeopardize something in the corporation.

I get a lot of calls from people saying, I have no idea what that ad's trying to tell me to begin with, but I'd sure like to know the cost of it and why they're doing it. Is this why I can't have cheaper rates? I get that all the time. So the only way I can answer to the people, that I guess ultimately we all in this room have to answer to, is to find that information out.

**Mr. Staudt:** — I will give you what is appropriate to give out.

**Mr. McPherson:** — I guess really we might as well further this a little bit; we're asking for advertising, also legal contracts and consultants contracts for both SaskPower and subsidiaries. And did we not, Madam Chair, set some guidelines before — 5 or \$10,000 limit — anything above that would be provided to the committee and a detailed list?

**The Chair:** — Well again, Mr. McPherson, it depends on the level of detail that you're asking for. What the committee has had a past practice of doing is asking for lists of legal firms as well as public relations or advertising firms that have contracted to carry out work with various Crowns. We have not asked for a tabling of the specific contract between the Crown and that firm.

**Mr. McPherson:** — Well I thought before . . .

**The Chair:** — What we have done once we've received the lists — and yes, we did put a dollar limit, I think it was \$5,000 and above — what we've done is when the committee members have received those lists they've gone through them and anything that peaked their curiosity or caught their attention, the committee members have asked, what was this contract, what was done, and why, and so forth. But we haven't asked for a tabling of the contracts.

**Mr. McPherson:** — Right. Well further to that then as you mentioned, yes, I haven't been on the committee for a year. But when I was on the committee, I thought or I was of the view that those things were to come with the annual reports without being asked. And here we . . . you know I'm back on the committee after a year. We get the annual report. I don't see any of the stuff that we used to get . . .

**The Chair:** — That's true.

**Mr. McPherson:** — The lists of lawyers, consultants, ad agencies, sponsorships — none of it's here. So you're saying to me, Madam Chair, that I should be able to ask questions that peak my interest and I don't have any list to peak it from. So how then how can we deal with the '97 report if I don't have the information to ask those important questions for the people?

**The Chair:** — I think in the interim, Mr. McPherson, when in the time when you've not been on the committee you'll find that the committee's focus has changed somewhat. And we are probably more interested in broad policy considerations rather than micromanagement. But certainly the information that you are requesting has been requested in the past. For the last, I think it's a couple of years, committee members have not really expressed an interest in the kind of information that you're requesting.

But again I'm sure that SaskPower has that prepared. They certainly did from '92 on till about '96, '97. So if what you're asking for is a tabling of that standardized information that they tabled in the past they can certainly do that.

**Mr. McPherson:** — Well I would dare say, you know, if we're expecting this committee to deal with just sort of broad management principles we would never have got to the bottom of Channel Lake. It would have never been discovered or the problems with Guyana or several deals. I mean those didn't arise from sort of somebody asking broad management principle questions. Those were some details that were coming out that ended up being very embarrassing for the government.

It started with the small details and that's what we want to see here is if there's problems still coming through perhaps the minister having an influence on the board or on where this is

going.

Let's be serious. It's not by accident that you see all the Crown corporations running the same size ads. I mean it's just not by accident that your board decides to run these huge ads and so does SaskTel and SaskEnergy and make sure there's a lot of 50 and \$150,000 handouts prior to an election. That just isn't happening by accident.

So I think it's fair for this committee to see this kind of stuff, to see in fact in this particular year coming up where it is that the corporation is going, who's making the decisions. I mean you didn't ... This money ... \$50,000 which was handed out yesterday, you didn't know about it. The minister handed it out.

**Mr. Staudt:** — The minister and some SaskPower officials. I believe Carole Bryant was there as well.

**Mr. McPherson:** — So who made the decision?

**Mr. Staudt:** — SaskPower made the decision.

**Mr. Fair:** — We were aware of it. That was not ...

**Mr. Staudt:** — I didn't know what you had in your hand because I hadn't been able to read it.

**Mr. McPherson:** — So we can then expect that ...

**The Chair:** — Mr. McPherson, I don't believe that there's an argument here. It's not an issue. You've requested that standardized information. I'm instructing SaskPower officials to provide it. I will also ...

**Mr. McPherson:** — Great. Well, Madam Chair, then I think it's up to you to pass that same request onto each and every Crown before we sit in the meetings. There is no sense of us getting it this time next year. Now you may find it funny but I don't.

**The Chair:** — Mr. McPherson, it is not a matter of humour.

**Mr. McPherson:** — Well then wipe the grin off your face.

**Mr. Trew:** — Order. Order.

**Mr. McPherson:** — No, I don't need that kind of disrespect.

**The Chair:** — Mr. McPherson, I think that it's probably time that all committee members took a break and recharged their caffeine levels. We'll have a break until 10:30.

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

**The Chair:** — If the committee members would take their places we will resume our hearings.

Before I start and before I recognize the government members for 15 minutes, there seems to be a bit of controversy swirling around the table about the geographical location of the picture on the 1997 annual report. Mr. Staudt, I will not ask you to identify the city of Saskatoon looking south as the picture, but I would point out that perhaps in the future you might want to

give a photo credit.

**Mr. Boyd:** — He thought it was Kindersley.

**The Chair:** — I recognize that Kindersley is a real hub of oil patch activity, Mr. Boyd, and some day will have as many lights as the city of Saskatoon does but we haven't reached that yet.

**Mr. Boyd:** — That depends on what you consider bright lights.

**The Chair:** — Well we weren't discussing politicians. I'll now recognize the government members for approximately 15 minutes.

**Mr. Kowalsky:** — Thank you. Thank you, Madam Chair. As you position yourselves for the year 2000, what are some of the things you may have learned say from SaskTel who's into a deregulated market on long-distance calls? Do you expect the same kind of competition? Do you expect the public to be barraged in a similar way or do you expect certain industries to be barraged in a similar way by competitors?

**Mr. Staudt:** — I'll answer the first question first. We have been spending time with SaskTel. Certainly I used to be employed there so I know a lot of the players that are still there, and we've been spending time with their customer services and marketing people to get a sense of what worked for them, what didn't work for them, and try to position ourselves using them as a base of experience going from a monopoly to a competitive situation in the province of Saskatchewan. And SaskTel has been very helpful to us to help us along that road.

On the rest of the question, it'll depend ... if you look at the North American market that has deregulated already, it's sort of ... California went totally into residential and a lot of the big players pulled out of that, and I think they're rethinking their position right now in terms of how deregulated they wanted to be. It works better in the power industry on the large commercials because it's easier to get your source of power to them.

Our key account customers have already been contacted by potential competitors. Certainly our strategy back in probably '96 — and certainly we carried it through when we did the rate restructuring, we lowered rates for the large industrials in order to entice them to sign up for long-term contracts.

I mentioned in my remarks yesterday we signed up IPSCO to a 10-year agreement. And as we had spoken yesterday, a lot of our revenues are made up from these accounts and they are essential to us. So our strategy so far, before we hit a deregulated environment, is just to secure those customers long term. So when competition does come, those customers are not at immediate risk.

And I don't believe, given our rate structure that we've also talked about on the residential and farm side, that that is going to be under much risk of flight given that it's more expensive for us to serve them and our competitors would not be interested in that. They may come and try to take the city of Saskatoon, for example, which would be lucrative for them to take.

There will be, as SaskTel has experienced, I think as they're getting into their local competition, there will be a lot of cherry-picking in the urban centres, the large urban centres, and they will totally ignore rural Saskatchewan. There's no reason for them to go there.

**Mr. Kowalsky:** — What are techniques that SaskTel used to combat the influx of outside advertising, outside phone calls that you feel you can use? Does SaskTel have any evidence that their advertising was necessary to create an atmosphere where customers would be retained or brought back?

Our understanding was that SaskTel lost up to 30 per cent, there was about a 30 per cent of their customers that actually went and came back, not all at once, but . . .

**Mr. Staudt:** — No, there's certainly some churn and win back. I don't want to speak for SaskTel but my discussions with them have been they've got a call centre that concentrates on a win-back and retain strategy. And they've been very successful in doing that. There's a lot of call centres from the United States have been used to try to get people to switch and they were successful at that. But I believe SaskTel implemented a very good strategy in order to win back their customers and they've been very successful doing so.

Whether ours will be at the same . . . The telecommunications industry is very different than the power industry in terms of utilization of facilities, so I'm not sure the parallels will be there. But certainly we're in constant contact with SaskTel as to what they've learned and based on their experience, we'll do what we think is necessary.

**Mr. Kowalsky:** — I don't fully understand when you said that California went residential.

**Mr. Staudt:** — Well California deregulated, I believe, in 1998. They opened their doors to total competition so that the residential customers had a choice. They could choose any supplier they wanted not their traditional supplier that they've always utilized.

One of the big companies that you will hear about in the energy sector is Enron, out of Houston, a very large . . . They have pulled out of California because it was too expensive for them to try to win over those residential customers.

The model has not been successful and I believe the California Senate or legislative Assembly is rethinking the competitive model that they put in place. And a lot of the other jurisdictions in the United States are looking at that and saying, let's slow down a bit; let's not move too fast.

I think if you look at where they had targeted deregulation happening by certain dates and certain states, you'll see that they've pushed those dates back because of considerations such as what works and what doesn't and stranded assets and how you make recoveries on . . . (inaudible) . . . There's a lot of issues that have come out of states that have deregulated that the others are learning from.

**Mr. Kowalsky:** — And one of them . . . I guess my concern would be, with our climate, as we go into a deregulated system,

is it the competition . . . could this, you know, end up to be a race for the bottom in terms of lowering prices?

Eventually that some company coming in may end up becoming non-functional or bankrupt because of, you know, there would be three or four, five companies, and that would lead to disruption certainly of our . . . could lead to a disruption of well service particularly, I guess. I don't know. It might even lead to a disruption of power for all I know.

So that whatever happens here that we have a system put into place that we're at least assured of continual power, particularly in wintertime. We're concerned even with respect to the elements, if that's a problem. But if we get a very competitive structure where people are just trying to buy the market, as is the case I believe in telephones at this stage, you know, and really . . . have somebody with real deep pockets come in and try to drive it out.

Do you have any advice of what we can do to prevent that?

**Mr. Staudt:** — Well I think it's very important that when the province is deregulated, that all those considerations are taken into account as to the model that Saskatchewan chooses to use for a deregulated environment.

And one of the things that we as a power company are very cognizant of and talk about all the time is the reliability of service. So the model that is chosen, further to your point, has to somehow guarantee that the players coming into the province will guarantee reliability so that the end user is not surprised by a situation of a bankruptcy.

And so it's the model that you choose to operate under that is the key to the deregulated environment. And I'm not sure, from what I've read and seen happening in the United States, if there is a perfect model. It certainly will evolve.

**Mr. Kowalsky:** — Why is the year 2000 a strategic date?

**Mr. Staudt:** — For which?

**Mr. Kowalsky:** — For dereg. I think that's the year you're using here. In your statement here, you've got: "By the year 2000, SaskPower will operate in a competitive environment." On page 6. Why is it the year 2000?

**Mr. Staudt:** — I believe that was one of the goals that the corporation had back in the end of '97 that may not be relevant now based on everything that's happening. There was no magic date that we had to be there by that time.

**Mr. Kowalsky:** — So that there is some flexibility?

**Mr. Staudt:** — Oh certainly.

**Mr. Kowalsky:** — It's not that there's some type of a decree from some other level?

**Mr. Staudt:** — No, but we will have . . . we have agreed, I believe, and the government still has to make a decision on cross-territory wheeling because . . . I can't remember the specific Act. Tony, which is the Act?

**Mr. Harras:** — Agreement on internal trade.

**Mr. Staudt:** — On internal trade, which hasn't been finalized yet. But as part of that Saskatchewan has committed to allow what is called cross-territory wheeling across Saskatchewan by January 1, 2000.

**Mr. Wall:** — I would like your opinion just on the one thing, that when we do become deregulated and so forth, is there any process or anything where we could guarantee the reliability for both rural and urban customers? Or is it going to be wide open?

**Mr. Staudt:** — I guess that depends on the legislated changes that are made to allow competition and the model that they pick to do so. We'll have to, as I mentioned, we'll have to take into consideration a reliability of service and not just throw open the doors like the Wild West so that anything can happen.

I think the government and certainly SaskPower, and I suppose the Department of Energy and Mines who is also looking at this issue, is responsible for making sure that the model that is chosen is the model that's best for the province of Saskatchewan.

**Mr. Wall:** — And does the provincial government have the right to institute that type of legislation?

**Mr. Staudt:** — The provincial government is the one who is responsible for the SaskPower Act which would have to be changed in order to allow competition and I assume that they will then become the owners or the ones responsible for the model that is eventually put into the province.

**Mr. Wall:** — Thank you.

**Mr. Fair:** — Madam Chair, just adding to that. It does become a balance though and that is that when you look at this province with what, some 40 what you would call major customers and if you . . . I think we would be in error to believe that we can make this an island that is ambivalent to whatever goes on around us. Because all you need to do is take those 40 big customers and have them either go to self-generation or to say to you, as government, or to the government whoever it is of the day, unless we can do better, we're going to leave the province.

And you know that becomes the balance and so let us never believe that we can be an island totally unto ourselves. Yes, we can make the legislation such that nobody can come in. But then if we lose our key account or large commercial customers, then you can recognize what's going to happen to our urban and rural population.

So I just want to make the point that we just can't for all time end up as an island. And Mr. Staudt has made the point that California now I think has a proposition before their legislature to just ask the question, should we really go as far as we've gone in deregulation. So in my mind, and I think the mind of this board, we're looking at perhaps re-regulation and I wouldn't even want to tell you what the shape of that's going to be. But we do know that if we start losing those . . . (inaudible) . . . customers, we impact ourselves.

**Mr. Kowalsky:** — Thank you very much for that last

statement, Mr. Fair. I would certainly encourage the company to continue to look for opportunities not even — not only within the province but, you know, if there is a contractor where we're able to use some of our expertise and broaden our profile to the advantage of SaskPower and it's ability to deliver power here, I think that those should continue to be pursued. Could I turn now to asking a question . . .

**The Chair:** — Just very quickly, Mr. Kowalsky. Your time is almost up.

**Mr. Kowalsky:** — Almost up.

**The Chair:** — Yes.

**Mr. Kowalsky:** — I'll just ask one question then on this and we'll follow-up at the next session . . . next round. With respect to the auditor's report, the November '98 report, recommendation number 3.

**Mr. Staudt:** — What page would that be on, Mr. Kowalsky?

**Mr. Kowalsky:** — This would be on page 23. The auditor makes a recommendation here that the sale of significant public assets should be tendered unless such tendering will not ensure the best value.

Could you outline what your current policy is on when something is tendered, when it isn't tendered, or have you addressed this concern?

**Mr. Staudt:** — Yes, we go through . . . we do have policies. In fact we're obviously very sensitive to this issue based on what has happened most recently. We try to make every effort to tender everything. We follow CCTA (Crown Construction Tendering Agreement) guidelines in terms of our tendering and our construction. Sometimes we have relationships with certain suppliers where therefore, because of the knowledge of the suppliers and the work that they've done for us we may go without tendering, but in most cases we do tender. There are exceptions to every rule but certainly on significant contracts and significant assets we follow the tender rules.

**Mr. Kowalsky:** — Would the company feel hamstrung if they had — were required to tender everything?

**Mr. Staudt:** — I believe you would take away some of management's discretion and flexibility if you tendered absolutely everything in a corporation. Speaking from experience of my past life in SaskTel International, there were certain contracts that SaskTel International was awarded based on its reputation and wasn't always tendered in every case, the contracts we won, because of our expertise and our capabilities. And I would say that in SaskPower's case when we do use certain suppliers and certain consultants that that would also be the case. That you would want to use the ones that you're more familiar with and comfortable with because perhaps at some point in time they did win a tender and therefore you're extending contracts rather than re-tendering.

**Mr. Kowalsky:** — And would that be consistent with industry standards?

**Mr. Staudt:** — Yes it would.

**Mr. Fair:** — Madam Chair, just if I might add a little bit to this. What is spoken to, primarily in the Provincial Auditor's report, is sale of assets and specifically around Channel Lake. And the corporation is really not in a major way in the sale of assets, if I can put it that way. Clearly what Mr. Staudt has said is an expectation of our board that we will tender from a supply standpoint, more than from a sale. It's going to be relatively unique that we're into the major sale of assets.

**The Chair:** — Thank you, Mr. Fair, for that elaboration. I would now move to the opposition. Mr. Boyd.

**Mr. Boyd:** — Thank you, Madam Chair. Just to pick up on this a little bit, Mr. Staudt. You said that the tendering of projects for SaskPower would be consistent with industry standards. Correct?

**Mr. Staudt:** — I would say that, yes.

**Mr. Boyd:** — Does not SaskPower fall under the Crown Construction Tendering Agreement?

**Mr. Staudt:** — Well, yes, it does. And we utilize that and I'm not . . .

**Mr. Boyd:** — You're not aware that the industry has anything of the like.

**Mr. Staudt:** — I was talking about — maybe I should clarify, Mr. Boyd — I was talking about the tendering of significant contracts would be, and that management discussion associated with smaller contracts on suppliers would be, comparable to industry standards. I wasn't talking about CCTA considerations being industry standard.

**Mr. Boyd:** — How many projects that you are involved in would fall under the CCTA? And what would the total costs of those projects be?

**Mr. Staudt:** — I don't have that information but I can certainly . . .

**Mr. Boyd:** — Would you endeavour to provide it to the committee, please?

**Mr. Staudt:** — I can get that.

**Mr. Boyd:** — Has SaskPower ever embarked upon any kind of an evaluation of those projects under the CCTA versus the cost of a project in an open tendering atmosphere?

**Mr. Staudt:** — Mr. Harras, would you know the answer to that question?

**Mr. Harras:** — I don't know offhand.

**Mr. Staudt:** — I don't know. I wouldn't be aware of . . . I'm not aware personally of any such study having ever been done.

**Mr. Boyd:** — Mr. Fair, do you think that it would be incumbent upon the board to provide any instruction in that area to look at

that kind of an avenue for SaskPower? There are various estimates of cost differences between the CCTA and projects being tendered in an open atmosphere. We can look at the governments. We can look at anyone else's. We can look at examples out of British Columbia, or we can look at actual studies here in Saskatchewan. And to date anyway there hasn't been — that I'm aware of — anyone in a position like SaskPower to make those kinds of evaluations.

I'm curious as to whether you and your board would entertain it?

**Mr. Fair:** — Well, Madam Chair, and Mr. Boyd, I think our responsibility is to operate under the legislative and legal frameworks that we have. We have not at this stage . . . And certainly you're aware that we've only been in . . . It's only '98 or a part of '98 that the current board has been responsible for this area. And there have been other issues that have taken our attention at this stage. But I think we operate under the existing legislative and legal . . . and I think that's maybe something that needs to be debated in another forum. At the moment that's the law under which we operate.

**Mr. Boyd:** — Just turning our attention now a little bit to some other items with respect to the whole area of deregulation that's been raised.

I attended a Canadian parliamentary association meeting in, I guess it was mid-west conference in Ohio this spring, and there was a presentation from a group there from California talking about the whole concept and how it's happened and how it is progressing in California at the present time.

My understanding is, is that they have a public auction system of tendering on specific quantities of electrical generation. And it's done in a fashion that if you were an electrical supplier, you would bid on a portion of the next day's consumption. Is that not the way it's done? And I think it may also be done in Alberta in that fashion.

**Mr. Staudt:** — Alberta has a little different model I believe, but Tony is more conversant than I am on this.

**Mr. Harras:** — There's different . . . Like, the thing about re-regulation or deregulation, whatever you want to call it, the models vary significantly across the world and United States and in Canada.

I'm not totally sure of what you're referring to but if you're referring to the fact that if you have a deregulated market, you have to deal with what's known as market power; you can't have only one or two suppliers in a large area because if you do, those people can influence the price of the energy that they sell.

What they're looking at in Alberta is actually having the owners of the power plant auction off the output of their power plant and then the brokers will then sell the power to the end users. And I think this is probably what you're referring to as being . . . Because in California, there are basically two major utilities and they could exercise market power.

**Mr. Boyd:** — The thrust of the presentation that the people in Ohio from California were making was that it has resulted in a



cost of 1.2 cents per kilowatt hour for their residential consumer.

**Mr. Harras:** — Okay.

**Mr. Boyd:** — Versus, what would ours be?

**Mr. Harras:** — Our average consumer price?

**Mr. Boyd:** — Yes.

**Mr. Harras:** — For residential? It's what, about 7 cents.

**Mr. Boyd:** — Rather significant difference.

**Mr. Harras:** — Okay, but in California there was a reduction. They got I think a 10 per cent reduction but there also was an adder to their bill to deal with stranded generation costs.

**Mr. Boyd:** — Similar to reconstruction charges?

**Mr. Harras:** — It's really focused at something a little different but when you deregulate . . .

**Mr. Boyd:** — Essentially dealing with the same areas.

**Mr. Harras:** — It's dealing with generation that will be underutilized and the investors have to recover their costs.

**Mr. Boyd:** — Right. So what we see in the example and the presentation that I witnessed this spring was, is that the cost under deregulation to the residential consumer in California has resulted in a 1.2 cent per kilowatt hour versus ours of 6 or 7 cents.

**Mr. Harras:** — I don't think that's . . .

**Mr. Boyd:** — Is it not an accurate comparison?

**Mr. Harras:** — I don't think so. I think you're talking about probably the change that the consumers received.

**Mr. Boyd:** — The change is that their power dropped from 6 or 7 cents to 1.2 cents as a result of a public auction with electrical generation companies coming on-line and providing a competitive market. Am I wrong or is that not accurate? Is that not the cost in California currently?

**Mr. Harras:** — Nobody can supply you electricity at 1 cent or one and a half cents.

**Mr. Boyd:** — I think that . . . I stand corrected and I'll have to . . .

**Mr. Harras:** — We can find what the number is. I think what you're talking about is that there was as a result of the re-regulation, they were given a reduction, but there was also an added . . . add or put back in. See one of the reasons why Enron has pulled out is because their residential consumers actually got a reduction, and Enron would not have been able to deal in that market. They've decided it was not sufficiently profitable.

**Mr. Boyd:** — So maybe you could explain to the people of

Saskatchewan then how you envision this type of competition unfolding here that we will be embarking on here in the year 2000 and beyond. Do you envision the same type of process that Alberta has, or a California model, or what kinds of things would SaskPower want to see involved in that type of deregulation? A public auction where SaskPower would bid on a portion of the consumption that's out there or auction off their available supplies? How do you see this thing unfolding?

**Mr. Harras:** — The thing is that when you go into a deregulated environment, you actually have to sort of decide what steps you take. In Alberta the first thing they did, they established a power pool where all the owners of the generation would sell into the pool and all the distributing companies would buy out of the pool. That was the first thing they did. We are now dealing with the market power and that will be dealt with probably in the year 2000.

So when it comes to what we would do in Saskatchewan, if in fact it was decided to, you know, make significant changes to the industry in Saskatchewan, there would probably be some form of transmission accesses in the initial stage and then it would go in increments. And at some stage the decision-makers in this province would decide that this is as far as we want to take deregulation at this time, or in fact take it all the way to where there is consumer choice. Because ultimately most jurisdictions look at ultimate deregulation when everybody has the choice of their supplier.

**Mr. Boyd:** — Right.

**Mr. Harras:** — Including the large industrials and residential and farms. So whether or not in Saskatchewan we decided to take deregulation to that stage, and if so, over what period, this is something that, you know, Saskatchewan would have to, you know, address and come to some sort of conclusions. But certainly practically every jurisdiction has tackled this from a different perspective. And in California it went very rapidly. Alberta is way ahead of everyone else in Canada. There is some deregulation slated for Ontario where they're looking at an open market by Year 2000. There are just all sorts of models and it would behoove the decision-makers in Saskatchewan to look at the various models, decide what is needed, and over what time frame.

**Mr. Boyd:** — And one would assume, keeping in mind the interests of the consumers.

**Mr. Harras:** — Well I would hope that the decision-makers would in fact do that.

**Mr. Boyd:** — Will SaskPower be providing any kind of direction in that area?

**Mr. Staudt:** — I think I mentioned yesterday, Mr. Boyd, that we have been working with an industry group called SIGPUA (Saskatchewan Industrial Gas and Power Users Association) in order to get the large industrial users' opinion of what they would prefer in a deregulated environment.

We're also working with Energy and Mines to try to give the input that we had from SIGPUA into a model that SEM (Saskatchewan Energy and Mines) or Energy and Mines will be

putting forward to the government. We are acting in more of a consultation role rather than driving the process.

**Mr. Boyd:** — I was also interested in Mr. Fair's comments about acting as an island unto ourselves, and we all realize that there is certainly some downside in that.

You can't take your potash mine and leave, but you can certainly take your IPSCO and leave. Or you can certainly take other significant operations and leave. Or in a deregulated economy you can take your . . . seek power supplies elsewhere.

And that is the concern I'm sure that SaskPower is dealing with currently, and I congratulate you for initiating discussions with your large customers to try and seek out and find out what their needs are going to be into the future. Whether we like it or not, Saskatchewan has many, many proud traditions and many things that we feel good about, but the rest of the world is moving in a direction that is different in some cases.

**Mr. Staudt:** — If we stay static we'll be swept aside, I believe. We'll have, as I tried to say to Mr. Osika yesterday, we have to find the cheapest form of generation we can for this province, or if we have expensive generation we will not be able to effectively offer customers competitive prices in Saskatchewan and they may choose to go elsewhere to set up their operations.

**Mr. Boyd:** — And if we make the wrong decisions in terms of generation capacity, we will lose.

**Mr. Staudt:** — Yes. Well we have to make sure that we have our costs such that we are competitive with other players that will come into this marketplace.

**Mr. Boyd:** — Which you expect to happen?

**Mr. Staudt:** — Well certainly as provinces and states have deregulated . . . That's the whole purpose of deregulation, is to get competitors to come into the jurisdiction that you've deregulated.

So we have full expectations that we will . . .

**Mr. Boyd:** — The purpose is for competition, furthered competition. Same as we've seen with SaskTel in the long-distance market.

**Mr. Staudt:** — Definitely.

**Mr. Boyd:** — Which has resulted in a cost savings to the consumer.

**Mr. Staudt:** — Yes.

**Mr. Boyd:** — That would be the thrust?

**Mr. Staudt:** — I believe that's the whole reason for doing a deregulated environment.

**Mr. Boyd:** — Thank you. I'm interested in . . . Do I have much . . .

**The Chair:** — Just a couple of minutes more.

**Mr. Boyd:** — I would pass then to Mr. McPherson or whomever's next, because it's a different area entirely.

**The Chair:** — Okay. Thank you, Mr. Boyd.

**Mr. McPherson:** — Thank you, Madam Chair. I guess yesterday it was mentioned that you found you're quite a ways off on your expended load growth, and it had been missed by a substantial amount. I can't remember the figures of yesterday.

But in reading the August 27, '98 *The BusinessLine* I guess that you put out, there was a study by OEMI (Optimum Energy Management Inc.) which in fact I guess their anticipated load growth is substantially higher than what you feel would be here. I mean, are you comfortable that you now have your expected load growth in the future to be well in hand?

**Mr. Staudt:** — We have. As I mentioned yesterday, we go through an extensive forecasting procedure based on information that is provided to us by outside agencies and customers. And we believe that at the end of the day when we strike a forecast for load growth we believe it to be as accurate as possible or else we wouldn't go with that load forecast.

**Mr. Harras:** — Maybe I can just add something. Not only do we do a forecast but as we get into a specific year we obviously monitor what the load is doing on the system. So as the year progresses we know whether or not we're above forecast, below forecast. So this year as an example we know how we're tracking and we feel that we're fairly close to the forecast. So come this winter we're quite comfortable. We know what the load will in fact be.

**Mr. McPherson:** — So with the new project, the Meridian Project, I think that was 200 megawatts, that's what . . . That is going to give you breathing space for two years or three years.

**Mr. Staudt:** — No. I did say yesterday that we are looking at adding additional generation in the year 2000 to 2004. And it'll depend on as we get closer to 2001 and 2000 we will determine when we need it. And it's certainly going to be based on the trends that we see happening in the province.

**Mr. McPherson:** — What kind of generation are you talking about then in 2004?

**Mr. Staudt:** — We haven't defined it but probably we would be looking at about 100 megawatts.

**Mr. McPherson:** — And how long would that take you? I mean if we're looking here at your own document that during the next 15 years up to a 1,000 megawatts of new supply will be needed. So that . . .

**Mr. Harras:** — The current load is 2,800 megawatts. That was last winter's peak. So if you're talking about 2 per cent that's roughly 50 megawatts, so per year. So depending on what you know the growth actually is, 100 megawatts could be, you know, two years' growth. It might be in fact four years' growth.

**Mr. McPherson:** — All right.

**Mr. Harras:** — So one of the things the reason why we're

looking at 2001 to 2004 is that we are right now purchasing. So even though Meridian will come on for 210 megawatts we will want to back off some of our purchases. So that's why we anticipate that we could be into supply additions as earlier as 2001, 2004 depending what the load growth is.

**Mr. McPherson:** — And in the January 29 edition of *BusinessLine* of course you've got that there will be no additional capital spent on new generation for five years.

**Mr. Staudt:** — Again I guess when you strike a forecast in January you have better information as to what is happened by — when was it — September the next *BusinessLine* came out. I would say that that tells me and should tell this committee that we are constantly reviewing our needs. And we don't just strike something in January and say okay, that's good, let's leave it. We're constantly monitoring our load forecast and our load needs so that we say that yes, at one point we're, in 1998, we're saying we don't need anything till 2003. Today based on what we see as happening in the province we're saying it could be as early as 2001. I don't see anything wrong with that.

**Mr. McPherson:** — So that in fact would have this OEMI relatively accurate in their forecasting.

**Mr. Staudt:** — I'm not sure what OEMI used as a basis for their forecast — I mean, they're not from this province. I believe they did a forecast for other provinces as well as Saskatchewan. So I would say that given the intimacy of SaskPower to its customers and to the province in general — that we know our customers and we know this province — that we would be more accurate than an outside consultant would be.

**Mr. McPherson:** — Well and I agree that should be the case. But I see their forecasts are four times higher than your own. I mean that's a substantial amount to be . . .

**Mr. Staudt:** — But I'm saying I think we know better what our customers are. I do not know the basis as to where they got that information to make that claim. I guess we would have to ask them.

**Mr. McPherson:** — Well in fact, in your own document, it says that it's from industrial customers, utilities, co-gen developers, and power marketers.

**Mr. Harras:** — Maybe I can just add. Like when they produced their report they didn't come to us and ask us to provide any information or to verify their data. They obviously spoke to certain customers, and depending on what their clients . . . in fact what the terms of reference was, they may have in fact used the high forecast, a very optimistic forecast. So certainly they're using a far higher load forecast than we are. And as you know, Kelly mentioned, when we do the forecast, we basically talk to these same customers, and also government agencies such as Energy and Mines.

And we do track the load as the year progresses, so we certainly think that for this coming winter we should be on track. This next winter Meridian is coming on so we should be . . . we should have our supplies well in hand. And as we mentioned earlier based on what forecasts, you know, our most-likely

forecasts, we think supplies would be needed by 2003, 2004. But if the forecast, the load continues to grow at historical highs, we will have the ability to advance when new generation would be added to the system.

**Mr. McPherson:** — Well even if OEMI is off by . . . You know, their estimates are 2,000 to 3,700 megawatts. I mean if they were out of whack on this by double, it still tells us that you're off a long ways as well.

**Mr. Staudt:** — Well, they're making . . .

**Mr. McPherson:** — Another concern from the people would be you have no ability, and you won't have the cash to catch up.

**Mr. Staudt:** — They're making projections based on again things I don't think that we . . . They're not as intimate with our company as we are. And maybe they're projecting it — I don't know this — but maybe they're projecting it on the growth that this province has experienced over the last three years, which was four and a half per cent. This year we're seeing about 1.2 per cent growth. Have they taken that into account or are they factoring 4 per cent growth for the next 10, 15 years? I don't know what they're doing. We don't know the basis of how they did their calculations to project something going from 2,000 to 3,700, the numbers you quoted. I can't verify where they got their information.

All I can tell this committee is that we spend a lot of time on our forecasting and we believe it to be more accurate than that study.

**Mr. McPherson:** — Well, why then were we off so much to the point where, you know, when we're sitting here talking about, can we meet the power needs? We're talking about the crisis ahead of us if it was a cold winter. I mean that . . .

**Mr. Staudt:** — I don't recall mentioning that we were in a crisis situation this winter. I believe that's external people who have stated that and we said to this committee yesterday, we believe we are not in a crisis situation this winter.

**Mr. McPherson:** — Okay, so you wouldn't consider it to be a crisis if in fact your plan . . . I mean you have to assume that there's problems or could be problems if you're planning on going to your 10 largest customers and asking them to . . .

**Mr. Staudt:** — Those are contingency plans that this corporation has put in place to be responsible to ensure the reliability of supply given circumstances that we do not foresee. I think that's very responsible of this organization to go out and seek additional supply from customers in the event of an unforeseen event that might occur.

**Mr. McPherson:** — If you're having to bring supply on — what did you say, 2001 perhaps?

**Mr. Harras:** — Based on our current load forecasts, we think we'd need new supplies, 2003, 2004. But if the load growth is higher, it could be, you know, couple of years earlier.

**Mr. McPherson:** — So what kind of capital consideration are we looking at if you have to go 2001 or even 2004?

And I ask it for this reason: in your *The BusinessLine* document, where you're saying that there'll be no capital spending for this five-year period, on the same page it talks about CIC planning to hold SaskPower to a current dividend rate until such time as we reach 50 per cent of our debt. So is it possible that perhaps CIC is asking for too much given the fact that you're probably going to have hundreds of millions of dollars of outlay in the very near future?

**Mr. Staudt:** — I guess it depends how we choose to do our next source of supply. If we do it on the basis of a Meridian Project where someone else puts up the capital dollars and we just buy the electricity, it's a much different option than if we built Shand 2, which would be very capital cost intensive.

**Mr. McPherson:** — Right. So in fact competition is probably what's going to keep us with the lights on.

**Mr. Staudt:** — Competition? I'm not sure I understand.

**Mr. McPherson:** — Well if you're not going to build your own generating stations.

**Mr. Staudt:** — I never said we weren't going to build them.

**Mr. McPherson:** — No. And you're just making the statement that you'll be looking at things like the Meridian. So you're really looking at outside sources to help with the problem.

**Mr. Staudt:** — One of the models that we also have put forward and are currently looking at is that we would be the source of our own cogeneration facility because it's a cheaper model than it is to build a fixed asset that may become stranded at some point in the future.

**Mr. McPherson:** — Well, and to bring something like that on stream, of your own co-gen operation, is going to be substantial in size. So you must have something in the works at this point because you couldn't bring anything, you know, of a 100 megawatt size on stream without a few years of planning.

**Mr. Staudt:** — It takes perhaps two to three years to put something like that together, and so the time frame we're working on right now is we could do it if we chose to go that route. We could do it by 2001 if the need is there.

**Mr. Harras:** — Okay, maybe we can just add that one of the options that we considered when we were looking at the Meridian project which was a re-powering of the Queen Elizabeth power station, and that option is on the table. We could actually have facilities added to the Queen Elizabeth power station probably within two years.

The other thing that we should keep in mind that although when we go out to let's say a non-utility generator, be it the Meridian, they put up a capital but we actually through our rates, I mean the price that we pay for the electricity, we actually pay them sufficient so that they can retire the debt.

So debt servicing isn't a fundamental issue. What is the fundamental issue is the quality of the project. If we built a stand-alone generator, not unlike let's say Meadow Lake, that has a certain cost-effectiveness, and we do a re-powering of

Queen Elizabeth which is what's known in industry as a combined cycle that has an efficiency that is in the 50 per cent range versus 35 for Meadow Lake. If you go to co-generation you could be up in the 70 per cent range. So all of those things affect the quality and effectiveness of the project. The capital is another issue in terms of you know whether or not we put up the capital or someone puts it up and we pay for it through our purchases.

**Mr. McPherson:** — Has there been . . . is there consideration of having a hydro project in the North?

**Mr. Staudt:** — We were looking at all forms of generation and we have at one point in time looked at putting more generation up North. We believe at this time, that the environmental approvals would take too long to do something like that by 2001.

**Mr. McPherson:** — You're studying the . . .

**Mr. Staudt:** — Well we're looking at all options as we probably always have in this organization to see which is the best source of generation for the corporation.

**Mr. Harras:** — A major hydro project in the North would take probably at least five if not six or seven years to construct. Certainly if you talk to people like Manitoba Hydro, they have lead times of that order and some even longer. And on a life-cycle basis, if you look at the cost of a hydro project versus let's say a co-generation facility, on a life-cycle basis where you look at the capital costs and the purchases over the life of the contract, right now co-generation facilities will beat out a hydro project, certainly the ones that we have in Saskatchewan.

**Mr. McPherson:** — What about nuclear? Is there any studies or is that being considered as an option?

**Mr. Staudt:** — We I think at one point in our distant past we looked at nuclear as an option. We do not consider that to be an option for this province and we are not looking at it.

**Mr. McPherson:** — What about . . .

**The Chair:** — Excuse me, Mr. McPherson, could you start to wrap up your questioning.

**Mr. McPherson:** — What about from the private industry? Are they looking at it and having discussions with SaskPower about supplying . . .

**Mr. Staudt:** — Nuclear?

**Mr. McPherson:** — Yes.

**Mr. Staudt:** — No. No, we're in no discussions with anybody concerning nuclear. It's not an option. Could I just address a question that Mr. Osika had asked of me earlier? He was talking about Valor construction, an Alberta company. They have an office in Lloydminster. They are currently doing three projects for us. All of them which were tendered. One of them is at 40,000 and the other two are under 25,000.

**The Chair:** — Thank you, Mr. Staudt. Mr. McPherson, are you

finished this line of questioning.

**Mr. McPherson:** — Yes.

**The Chair:** — Okay, I'll recognize the government members.

**Mr. Kowalsky:** — Thank you. I want to refer once again to the auditor's report, going directly to page 23, item 4.

**Mr. Staudt:** — I have a different document than you, Mr. Kowalsky. If you could just tell me what the subject is; I've got a draft that has different numbering on it. It's got different numbering. Yes, I got page . . .

**A Member:** — Recommendation no. 4. Page 23.

**Mr. Staudt:** — Sorry, Mr. Kowalsky, I missed that.

**Mr. Kowalsky:** — My question is pertaining to recommendation no. 4 on page 23. The recommendation recommends that SaskPower adopt a policy requiring at least two representatives from SaskPower to be involved in negotiation of all key contracts.

It's my understanding that there were three people involved in the Channel Lake but they . . . or at least it was the policy that there were three people directed to be involved in that. Could you confirm that? And also what is your policy on negotiation of key contracts?

**Mr. Staudt:** — Well there was three people that were involved in that, but for whatever reason one person decided and was given the latitude to negotiate on his own. And I believe that's what caused some of the problems that were discovered in Channel Lake.

Certainly any major contract — the Meridian contract, how many people did we have on that negotiating team?

**Mr. Harras:** — We had a team. And I don't know offhand, but it was probably half a dozen people that were involved in the team and then obviously we had a lead person.

**Mr. Staudt:** — But certainly that is not our policy to have what I would call a lone wolf doing the negotiations on a contract. That certainly is not standard procedure in any industry that I'm aware of. And certainly that's not something we follow.

**Mr. Kowalsky:** — Thank you. Next recommendation — no. 5 on page 24. The auditor recommends that SaskPower should adopt a policy requiring that all significant contracts be examined prior to the signing. Have you ever had a policy that was otherwise?

**Mr. Staudt:** — No, and I guess I would go back into what we found out and learned from Channel Lake was that we had a situation that existed where people were not given access to certain documents and so they made basic assumptions that they had read the document. It wasn't a case where they signed something that they hadn't read — they had thought they had read it and that was probably part of the problem.

Certainly we have our legal people . . . well of course there

were other issues around that where we also thought outside legal counsel had read the documents as well.

But certainly from a policy viewpoint and from what we try to do in this corporation . . . is people that are involved in the contracts, for example, when contracts come to me I read them before I sign them and that's basically . . . Unless you have as we had talked about in the Channel Lake thing a closing where you have documents that line this table, but you certainly would assume that your legal counsel and outside legal counsel and everybody who tells you I have read this; it's okay to sign. I would sign it on that basis without having read it. But most contracts I've seen that come through my office I read.

**Mr. Kowalsky:** — Thank you. I was expecting an answer similar to that. And I think what we had is an aberration here in this particular case. Hopefully it occurs only once every 200 years.

**Mr. Staudt:** — I believe that to be the case.

**Mr. Kowalsky:** — With respect to recommendation number 6, Madam Chair, I would like to ask the auditor for a definition of what they meant by "proper segregation." They recommend that SaskPower ensure there's proper segregation of duties among staff. It's not clear to me just what that recommendation means. Page 24, recommendation 6.

**Mr. Montgomery:** — Madam Chair, members of the committee. Really the information that we relied on to make that statement is set out in the area of page 9 where we're talking about too much reliance placed on one individual.

What we're saying there is that they gave this individual too much control over that process and there should have been checks and balances to provide . . .

**Mr. Kowalsky:** — All right. That helps clarify because my understanding of the word segregation is to separate.

**Mr. Montgomery:** — Yes. It's to involve more than one person in those decisions, really. That's the main thrust.

**Mr. Kowalsky:** — All right. Thank you very much. Well if that's the case I think we've received the answer to that question and the previous answers four and five.

Number 7. Item number 7: "We recommend that the Government should consider strengthening current laws governing its purchase and sale of shares to require Crown corporations to obtain an (OC) Order in Council when selling shares or securities of any corporation."

First of all, to SaskPower: my understanding is that you're saying you're not anticipating any major sales of assets. I believe you said that. Now do you have any opinion on this particular recommendation?

**Mr. Fair:** — Well, Madam Chair, Mr. Kowalsky, I think the opportunity for this kind of situation was unique with Channel Lake. It speaks specifically to that. I'm not sure whether the auditor might even be suggesting that sale of assets per se. And there are . . . and I believe Mr. Shaw gave you a grid where

there are certain things that require various levels — board levels, CIC, cabinet, and in some cases order in council. This speaks very specifically to a very unique situation in my mind. And from my standpoint as a Vice-Chair of the board of SaskPower, we would want to see that true if we were selling a major part of the assets that may not be shares at all.

**Mr. Kowalsky:** — Well I would think that if we were, as we get into a re-regulated environment there may, something may come up that you may want to dispose of part of the assets. What would be the normal practice in this case? Would you go to . . . well you certainly go to CIC I expect but would you expect . . .

**Mr. Staudt:** — It depends on the . . . I guess the value of the assets that you're trying to sell or divest of or acquire in that case. That the approval process as we would follow would be that management would take something to the board and get board approval which would then go to the CIC board for approval which would then, depending again on the magnitude, would go to cabinet for their ratification as well. Certainly, again I go back to my own experience when we sold, at SaskTel, sold our Leicester operation in England. We went through that very approval process.

**The Chair:** — Mr. Kowalsky, do you wish to address that question to Mr. Wright as well when he comes to the committee again on Thursday. I think that the auditor's recommendation is not specific to SaskPower. I think it has implications for all the Crowns.

**Mr. Kowalsky:** — Thank you very much. I appreciate that comment.

**Mr. Johnson:** — On page 26 of the report I'm looking at is the . . . that the government should table the financial statements of the northern enterprise fund incorporated. What is SaskPower's rationale related to that fund. Is it included in your financial statements in any way?

**Mr. Staudt:** — Just the payments. It's not treated as an equity investment. We were a funding agency to try to get the northern enterprise fund established. As of June 30, 1998 we are no longer involved in funding that enterprise. So it wasn't tabled or considered to be part of the assets of the corporation because — or the equity of the corporation — because we were not recording it. It's not something that we have funded to a certain point and therefore we have an asset in it. It wasn't.

**Mr. Johnson:** — So you never expected to get a nickel back out of it then.

**Mr. Staudt:** — That was not the intent of the program, no.

**Mr. Johnson:** — Okay so it would be what could be called a social program directed by the government of the day?

**Mr. Staudt:** — I don't have the answer to how it was established but certainly it was something that we have made monthly payments to as a funding agency . . . as more of a funding to the program . . . NGOs (non-governmental organizations) been brought up.

**Mr. Johnson:** — Okay. Would it be similar then to the funding that is made to Ducks Unlimited or I think that's the one. Are you expecting to provide any records in your financial statements over and above just the funding regarding the money going to Ducks Unlimited?

**Mr. Staudt:** — No we just have a million dollars that we have committed to them and they get the interest off that million dollars to utilize as in their activities in the province of Saskatchewan for Ducks Unlimited.

**Mr. Johnson:** — And you don't anticipate maintaining any . . . providing any records to the Legislative Assembly?

**Mr. Staudt:** — We don't . . . It's just a million dollar notional fund that we have set up and we guarantee them a minimum of \$100,000 a year and a maximum of \$150,000 a year depending on interest rates, and that's a 30-year agreement that we do not share in any of the I guess revenues or liabilities of Ducks Unlimited. It's merely a contribution to Ducks Unlimited as part of our environmental commitment to the province.

**Mr. Johnson:** — Okay. And then you don't . . . With the northern enterprise fund you're not anticipating any revenue or liabilities from its operation either then?

**Mr. Staudt:** — No.

**Mr. Johnson:** — Thank you.

**Mr. Kowalsky:** — I have one more question, and I ask this question on behalf of the Chair. I understand you had an open house at QE (Queen Elizabeth) power station.

**Mr. Staudt:** — Yes.

**Mr. Kowalsky:** — Could you describe what happened at this open house?

**Mr. Staudt:** — It was more of an awareness program. Tony Harras has talked about one of the potential next supply options would be repowering Queen Elizabeth.

We felt we wanted to be very open about the fact that we may be looking at that as an option and therefore we invited the public to come in and make comments as to what they felt Queen Elizabeth . . . I believe there was one person, one of the neighbours, expressed a concern about excessive noise if we went ahead the project. But my understanding was that it was very positively received and people were positive about the fact that we're open, and set up this open house.

We're looking at it from an environmental concern. We want to make sure that we have the public aware of potentially that we would be going ahead of this, as well as from an environmental perspective if we decided that that was the option we chose.

**Mr. Kowalsky:** — Is there any follow-up necessary or that you will be conducting to the open house?

**Mr. Staudt:** — I'm not aware of what we're going to be doing after the fact. I think we're gathering the information that was . . . We're gathering the information and we will be making

public what we have found out about it.

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

**The Chair:** — Could the Chair be heard on this?

**A Member:** — Yes.

**The Chair:** — I just want to make a couple of points. I was not able to attend the open house or the awareness session. I do appreciate that you held it.

I'm also one of those neighbours, so this is probably a NIMBY (not in my backyard) syndrome that I'm exhibiting. But I also was for 12 years on Saskatoon City Council, so obviously the city of Saskatoon has a great deal of interest and concern about any plans for repowering the QE plant.

I'm not going to make a statement about whether you should or shouldn't do that. I think the corporation has to decide based on the overall generation needs and power needs for the people of Saskatchewan. But there are some concerns that I hope you will be addressing in your plans. One is, there will be obviously increased traffic either along Spadina Crescent or Dundonald, and most probably along Dundonald.

And I think that and the impact on the road surface — Dundonald Avenue is not paved to a standard that could withstand consistent pounding from trucks carrying coal — and I don't know what this state . . .

**Mr. Staudt:** — It wouldn't be a coal facility. It's just an upgrading of a natural gas facility, Madam Chair.

**The Chair:** — Good.

**Mr. Staudt:** — And I think the only thing that probably would be pounding the pavement would be during a construction period, I would assume. It certainly wouldn't be ongoing. In fact I don't anticipate — and, Tony, you can correct me if I'm wrong — any increased traffic after the construction period if we did choose that option. It would just be the employees going to the plant as they do today.

**The Chair:** — Right, which is absolutely no problem at all now. There is also the question, the city of Saskatoon at some point plans to build a south bridge crossing, and I don't know what impact your plans would have on that south bridge crossing. And right now the only thing that springs to mind is that if there's a lot of steam being generated and discharged from the plant it may affect the winter driving conditions for people there. But I hope that you take that in account.

The question of water supply for the city of Saskatoon is the big one, of course, whether or not whatever you are doing with QE would affect their water intake valve because there is a symbiotic and co-operative relationship right now between the city of Saskatoon water utility and the QE plant. And I hope that nothing happens to interfere with that.

And I guess finally, I would say as a Montgomery Place resident, I have watched the city of Saskatoon decide not to move their garbage facility from that area and I no longer can

see the river because there's a mountain of garbage there, and I think that the residents on the west end of the city would have some concern if major smokestacks or whatever were constructed there.

**Mr. Staudt:** — I will just clarify that all we did on this process was try to make the public aware that it was an option and certainly nowhere near any point where we think we're even proceeding on it. But we wanted to make sure that the public was aware and that we got any feedback we could, again, from an environmental and a civic feedback, so that we could make our determinations on that basis and that we're not doing something where we're surprising people that, oh, oh, we're starting construction next week, what do you think?

So we're just getting ahead of anything. And certainly I would caution anyone to take into account that just because we did do a open house and just because we are looking at environmental potential and environmental impacts that we are moving ahead on that project. That's certainly not the case.

**The Chair:** — And I appreciate that. And I hope you don't take any of my comments as trying to influence the construction one way or the other. I think they're points that need to put in mind.

Do government members have any further questions at this point . . . (inaudible interjection) . . . Oh well, I've sort of used up your time.

**Mr. Johnson:** — Okay. I thought you looked at the clock and thought we still had time.

**The Chair:** — No. I would like to let committee members know the auditor provided us with a copy of his chapter on the SaskPower Corporation. We received an advance copy of it.

I am, as I said yesterday, a little concerned about the overlap and duplication between the committees and I would like to point out to committee members — and I don't want to cut off any discussion of this — but point out to committee members that we will, in the minutes of this committee, note the following, and I'm just checking out the wording to make sure committee members feel comfortable with it:

The committee took note of a report provided to members by the Provincial Auditor, that being CCC 126/23. The recommendations of the Provincial Auditor were taken into consideration during the review of SaskPower Corporation for the year ended December 31, 1997.

Does the committee concur with that? Okay. Thank you.

We will now recognize Mr. Boyd until noon and then we'll take a break until 1 o'clock.

**Mr. Boyd:** — Thank you, Madam Chair. The next area that I wanted to ask the officials about was the whole area of the reconstruction fee that has been implemented. Obviously the Provincial Auditor has had some concerns about it. I wonder if you could tell us how much is currently held, how many dollars are currently held within the reconstruction fund?

**Mr. Staudt:** — I've just been informed from my vice-president

of finance that as of the end of November it has all been expended and there is nothing in the fund.

**Mr. Boyd:** — It's collected on a monthly basis.

**Mr. Staudt:** — We collect it on a monthly basis.

**Mr. Boyd:** — So there'd be funds rolling in on a monthly basis then. Okay. Since it was instituted three years ago, how much money has been collected and how much has actually been used for reconstruction?

**Mr. Staudt:** — It has all been used for reconstruction and I believe the number is . . . it's about 14 to \$15 million a year which we collect.

**Mr. Boyd:** — Now what do you consider as reconstruction? That's things like replacement of poles, things of that nature? No one could construe them as capital projects.

**Mr. Staudt:** — It's facilities in our transmission and distribution system that require replacement and refurbishment. It's not new construction; it's on existing facilities that we have to upgrade or change because of age.

**Mr. Boyd:** — Is there any plans to re-evaluate that program?

**Mr. Staudt:** — I guess we would look at, as we get into our business plans for future years, we look at all types of activities that SaskPower is involved in. We try to do a review of everything we do. Certainly it is still in our 1999 business plan but it doesn't preclude . . .

**Mr. Boyd:** — And it is expected to be an ongoing charge?

**Mr. Staudt:** — At this stage, it is expected to be ongoing but certainly it's not something that we are cast in stone that it will always be. But certainly it's something we review from time to time like everything else we do.

**Mr. Boyd:** — Are there any thoughts on changing the mandate of the reconstruction fund to involve other areas?

**Mr. Staudt:** — No, it was for a very specific purpose and that's what we . . . Unless we change the purpose, we would then change the focus of the plan. We don't plan on changing what the reconstruction charge was set up for, which is refurbish and replacement of aged facilities.

**Mr. Boyd:** — How is it implemented then? Is it a program where you provide and look toward a tendering program for those types of needs?

**Mr. Staudt:** — I'm not aware that we do anything specific, Mr. Boyd, in terms of making a determination that reconstruction is therefore separate and apart from our normal operations. As we rebuild facilities, we do the standard things that we do. We would, as I mentioned on this Valor construction, we would tender like we do on a normal basis or award contracts like we do on a normal basis whether it's for reconstruction or not.

**A Member:** — The money's just been allocated.

**Mr. Staudt:** — Yes, it's just we collect the money, we put it into a fund, and we spend it out of that fund for that purpose.

**Mr. Boyd:** — Okay. What is SaskPower's determination as to what length of time it would take to totally reconstruct, I guess, if this is a reconstruction fee?

**Mr. Staudt:** — I don't know.

**Mr. Boyd:** — Like are we looking at a . . .

**Mr. Staudt:** — Well we've got \$1.7 billion worth of assets in our transmission and distribution facilities, so if you're collecting . . .

**Mr. Boyd:** — Is it the intention though of the program to be ongoing and work towards the total reconstruction of all phases? Or is it sort of limited in scope?

**Mr. Staudt:** — I would believe just on the magnitude of what we're talking about, Mr. Boyd, it would be limited in scope.

**Mr. Boyd:** — Okay. Those are all the questions in that area. The next area that I had that I wanted to deal with was the labour disruption that took place.

We have heard some figures released recently regarding how much the dispute cost in terms of overtime wages for management. Can you tell us for the record what the dollar figure in overtime pay for managers was during the dispute?

**Mr. Staudt:** — What the total overtime is?

**Mr. Boyd:** — Yes.

**Mr. Staudt:** — Latest estimate which we believe will be very accurate would 3.2 million.

**Mr. Boyd:** — That is just for the management?

**Mr. Staudt:** — Yes.

**Mr. Boyd:** — Can you tell us what the overall cost to the corporation was for the labour dispute?

**Mr. Staudt:** — It would be around \$4 million.

**Mr. Boyd:** — Four million. Would that take into account the payments that are going to be made to individual IBEW members who were . . .

**Mr. Staudt:** — Locked out?

**Mr. Boyd:** — Yes.

**Mr. Staudt:** — No.

**Mr. Boyd:** — What would that amount to?

**Mr. Staudt:** — It was about 900,000.

**Mr. Boyd:** — So that would be in addition to the 4 million?



**Mr. Staudt:** — Yes.

**Mr. Boyd:** — So the total cost to the corporation, if we look at everything that's involved in this labour dispute, it would be about 4.9 . . . (inaudible interjection) . . . Pardon me?

**Mr. Staudt:** — Yes. Sorry.

**Mr. Boyd:** — What would the difference be between where we were at in the negotiations with the IBEW and SaskPower, had you arrived at some sort of a negotiated settlement?

**Mr. Staudt:** — That depends, Mr. Boyd. The IBEW never, ever tabled an actual offer as to what their position was. So we were never able to determine how much it would cost the corporation because they never gave us a final, tabled offer.

They had mentioned in the press reports they wanted 12.4 per cent. At one point during negotiations they told us they wanted 22 per cent. So we were never able to say . . . we asked and were never given a formal offer as to what they would accept. So it's hard to say as to what those costs would have been.

**Mr. Boyd:** — Can you tell us what the average management raises in SaskPower in the last two or three years were?

**Mr. Staudt:** — I guess it's hard to . . . In management as well as the union you have steps that people can progress. And on an average, I can get you an average number, but this year for example, the management of SaskPower got 2 per cent for January 1998; they will get 2 per cent January 1999 — exactly the same as the IBEW.

**Mr. Boyd:** — Previous?

**Mr. Staudt:** — Previous, I believe that was also the case. I wasn't here but that was also the case to my understanding. Except for what happened in 1995 during the restructuring where because a number of individuals left the corporation, people were . . . The number 8 per cent average wage increase has been mentioned many times. And what that is comprised of is people actually getting promotions, and therefore getting increases in pay due to promotions. It certainly wasn't . . . There was a lot of individuals who did not get any raise during that period. And there was people who got in excess of 8 per cent. The average was eight, but again a lot of . . .

**Mr. Boyd:** — In which year was that? Sorry.

**Mr. Staudt:** — I believe it was just after the restructuring, so it would have been 1996 I believe.

**Mr. Boyd:** — 1996. So when we hear representatives of the union suggesting that management got raises from anywhere from 8 to 12 per cent it doesn't, shouldn't, come as any surprise I suppose that they were reticent about accepting a 2 per cent increase.

**Mr. Staudt:** — Well again, I guess if you go back to that year certainly that happened. But in future years . . . And I think it was erroneously reported that in 1998 management got 8 per cent — they did not — they got two.

**Mr. Boyd:** — All management?

**Mr. Staudt:** — All management.

**Mr. Boyd:** — Including reclassifications?

**Mr. Staudt:** — Well, if there was reclassifications or if people get promotions, as you take . . . I mean a lot of IBEW members back in — I believe there was over 100 of them — back in 1996 bid into management. And they were in those statistics of getting raises.

**Mr. Boyd:** — So you would just . . .

**Mr. Staudt:** — As you advance yourself in the corporation you get paid more. That's a function of . . .

**Mr. Boyd:** — So you would dispute the union's claim that while management was receiving 8 to 12 per cent they were asked to accept 2 per cent.

**Mr. Staudt:** — I certainly do. I believe that to be inaccurate in the context that it is stated.

**Mr. Boyd:** — And you have information to support that?

**Mr. Staudt:** — Yes.

**Mr. Boyd:** — And you would provide that to the committee?

**Mr. Staudt:** — We would.

**Mr. Boyd:** — Thank you. With respect to the whole area of labour negotiations, it's my understanding that CIC is considering changing the negotiating structure so that the various Crown corporations would become autonomous and be allowed to negotiate separate and apart from the remaining Crowns. Is that something that SaskPower would support?

**Mr. Staudt:** — Yes, it is. Because we have an industry here that is changing and we have to be able to have the flexibility to determine what is best for our workforce.

**Mr. Boyd:** — Would that mean that you are having difficulty keeping your current labour force because there are competitive circumstances that are . . . competitive companies in other jurisdictions that are offering higher wages and benefits and attracting former SaskPower employees?

**Mr. Staudt:** — Well there has been . . . as with any organization, there has been people that leave the organization. But I believe we did a study, and I will ask Mr. Hyde after I finish to give you that number if he has it.

But we certainly have, I believe, industry standards. We are lower in terms of turnover, percentage wise, than other corporations as well. And I believe even within some of our Crowns, sister Crowns as we call them, that we have a lower turnover than they do.

**Mr. Boyd:** — Well what would be the reason then you'd want to have your own labour negotiations if that was not a part?

**Mr. Staudt:** — Well I believe, Mr. Boyd, as you get into negotiations — and I know that some people say we need up-enhanced skills to do our negotiations — but what you want to do is, as you're doing a negotiation settlements, you want to change off perhaps language for something that the IBEW . . . You give them something and they give you . . . it's a trade off. Negotiations are always a horse-trading exercise.

And as we move into a deregulated environment . . . There are certain language that we want flexibility to be able to manage the corporation a little more that we will find necessary in a deregulated environment. And for that maybe we have to give something to our membership in order to get them to change the language.

**Mr. Boyd:** — So it isn't simply just an effort to maintain staff?

**Mr. Staudt:** — No, it certainly is not, although there are . . .

**Mr. Boyd:** — It's far more encompassing than that.

**Mr. Staudt:** — Yes. But there are certain classifications within our collective agreement that we do, and we have sat down with the IBEW and agreed to them that we are a little bit behind industry standards on those. But it's certainly not across the corporation; it is isolated to a few classifications.

**Mr. Boyd:** — What steps are you taking to repair the inevitable damage to relations between SaskPower management and the IBEW . . . are you taking?

**Mr. Staudt:** — Well at this time we are going through what we call a cooling off period to make sure that both sides put the emotions of the situation behind them before we sit down with them.

**Mr. Boyd:** — They ran very high.

**Mr. Staudt:** — They ran quite high, although not as high, you know . . . I had, I believe, four letters directed to me during the entire dispute. And certainly of those four letters, while the employees expressed displeasure towards what was happening, they were professional and they were not nasty, they were not rude, they were just expressing their concern. I thought it was handled very well by both ourselves and the IBEW in terms of keeping the tensions as low as we could.

**Mr. Boyd:** — There weren't for example . . . there weren't any incidences of sabotage or anything of that nature during the labour disruption?

**Mr. Staudt:** — Not of any magnitude that was worth reporting.

**Mr. Boyd:** — I recall there was some accusation floating around about at one of the coal-fired generation plants.

**Mr. Staudt:** — Sabotage?

**Mr. Boyd:** — That they were not . . . the generation facilities were not being stoked properly or something of that nature.

**Mr. Staudt:** — I guess we got to a situation, Mr. Boyd, where we made a decision based on Boundary dam power station

going down to 5 per cent of capacity that we weren't willing as a management team, and ultimately the board agreed with us, to take that risk that we could allow that to happen again. That happened I believe on a Saturday.

**Mr. Boyd:** — It did happen?

**Mr. Staudt:** — It did happen on a Saturday and we never accused the union of sabotage. We just . . .

**Mr. Boyd:** — What was the problem?

**Mr. Staudt:** — There was poor quality coal got into the burners and it wasn't properly slagged through the system. It caused the boilers to experience shutdowns.

**Mr. Boyd:** — And what was the reason for that, did SaskPower determine?

**Mr. Staudt:** — We never went and tried to determine the reason. We just took management action that we made the decision that we didn't want to have that situation occur again whether by accident or by design. And we never accused anybody of doing it by design. We just decided that that was . . .

**Mr. Boyd:** — So there wasn't any suspicion that it was by design?

**Mr. Staudt:** — We had just looked at the situation and decided we didn't want that to happen again, whether or not it was by design or by accident.

**Mr. Boyd:** — So you believe that SaskPower is taking all the necessary steps to repair any kind of difficulties that may have arisen from the strike?

**Mr. Staudt:** — As I've said there's a cooling-off period right. But I was going to say Mr. Fair and I went out to the control centre which is on east Arcola after the strike, and we met with the IBEW employees that are working there and we had a very good conversation. We spent probably an hour, an hour and a half, with the employees, and that was probably a week after the strike ended. So we didn't notice that there was a lot of animosity. In fact I had a good conversation with the shop steward in that facility and he was . . . It was business as usual as far as both of us were concerned.

We have also — you know we had some procedures when the employees came back into the plants — we had offered that there was some anger management that we had set aside that, if people were in need of counselling or talking to someone or dealing with issues, we made those things available. Very few if any people chose that route, but we certainly tried to do whatever we could to facilitate them back into the plant as best as we could.

And relations although a little bit testy at first have certainly smoothed out since then. And we are currently negotiating with the IBEW as we speak in terms of how we are going to give them the 1 per cent that is part of the mandate. And negotiations have not been acrimonious.

**Mr. Boyd:** — Thank you.

**The Chair:** — Thank you, Mr. Boyd. The committee will now recess until the hour of 1 o'clock.

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

**The Chair:** — Good afternoon. Almost punctually we will reconvene the meeting of the Crown Corporations Committee and continue our review of the 1997 SaskPower report.

**Mr. McPherson:** — Thank you, Madam Chair. I guess we'll continue on with the same line of questioning as before lunch. What's the cost of the 2 per cent contract that was awarded per year?

**Mr. Staudt:** — Sorry.

**Mr. McPherson:** — What was the cost of the 2 per cent per year?

**Mr. Staudt:** — To management or IBEW or both?

**Mr. McPherson:** — To IBEW.

**Mr. Staudt:** — IBEW. Do we have the cost for that?

**Mr. Hyde:** — It's around a million dollars.

**Mr. McPherson:** — A million?

**Mr. Staudt:** — Million, yes.

**Mr. McPherson:** — And was there not, because we've heard from IBEW that in fact there was an agreement reached some time ago, I don't know how many months ago, on a contract that the SaskPower board agreed to however that was later rejected I guess by cabinet. Was there . . .

**Mr. Staudt:** — It was rejected by the SaskPower board of directors.

**Mr. McPherson:** — Oh, so it was an agreement reached by the negotiating committee of SaskPower.

**Mr. Staudt:** — It was, yes.

**Mr. McPherson:** — What was that contract?

**Mr. Staudt:** — I believe it came out to — and correct me if I'm wrong, Bill — was it 7.4 per cent or . . .

**Mr. Hyde:** — 7.4 something per cent, yes.

**Mr. Staudt:** — Now I don't know what the IBEW has told you but they never accepted that contract offer. In fact they told us that they were going to recommend rejecting it to the membership and therefore it was pulled off. The board of directors decided not to table it.

The IBEW did not accept the contract offer.

**Mr. McPherson:** — All right. So then . . . but this was something put forward by the negotiating committee and had IBEW accepted it, it would have went through?

**Mr. Staudt:** — They told us — I don't know if it would have went through — they told us that they were going to actually go out to their membership and recommend against acceptance.

**Mr. McPherson:** — All right, but as far as the SaskPower board they felt comfortable with the 7.4 per cent?

**Mr. Fair:** — Madam Chair, just a comment in that regard. The parameters within which we were operating provided a maximum of seven and determined that that was beyond the mandate that we were working with and said to management that we could not accept it.

**Mr. McPherson:** — You told the negotiating committee you couldn't accept the 7.4.

**Mr. Fair:** — Correct.

**Mr. McPherson:** — Why would they go that high then? Doesn't the negotiating committee know what parameters you're dealing with?

**Mr. Fair:** — Well there were a number of points in that, that the negotiating committee believed were extenuating kinds of circumstances. There were changes in the agreement that would have, if you could put it on a net basis, in fact probably even reduced not the overall but could have been mitigating influences in that contract. But the actual payout both on an end lift and on an actual cost basis exceeded the mandate that was available.

But in total, and the reason that our committee worked their way through it, that there was flexibility in shifting, there was flexibility in things like preparation of job descriptions, duties, those types of things, which in the opinion of the committee was such that it would have been to the benefit of the corporation.

But in the overall context of the mandate, it could have in fact impacted significantly total costs. And for that reason the board looking at it said, we recognize these things but it's beyond the overall mandate and so we declined to approve it.

**Mr. McPherson:** — You're saying that the 1.4 per cent over and above the six would have significant cost?

**Mr. Fair:** — In effect it was .4 if you like over the mandate because there's a 2, 2, 2, and 1.

**Mr. McPherson:** — Right, oh yes, that's right, yes.

**Mr. Fair:** — But it not only rolls out to that agreement, but it's — in the sense of bargaining across all public sector bargaining — could have changed the total cost within this province. And that's really the point that has been made even in the final settlement that was legislated.

**Mr. McPherson:** — Right, at .4 per cent you're talking a fair, really quite a small chunk of change here.

**Mr. Fair:** — Within Saskatchewan Power.

**A Member:** — Within SaskPower.

**Mr. Fair:** — But not across the whole public sector bargaining.

**Mr. McPherson:** — Right, but I'm asking you as a board member of SaskPower what would have in fact been . . .

**Mr. Fair:** — We had to recognize the responsibility that because we had public sector bargaining guidelines, the board determined that we were . . . a responsible position for us was to stay within that because of the impact it would have to the whole provincial bargaining situation.

**Mr. McPherson:** — Well, for SaskPower for a year, what would you be talking of .4 — that's a hundred thousand?

**Mr. Fair:** — But we're not talking about SaskPower. We're talking about public sector bargaining and that was the issue that we were faced with.

**Mr. McPherson:** — Right, so you're talking perhaps a hundred thousand bucks for that other .4 and you've . . .

**Mr. Hyde:** — Two hundred thousand.

**Mr. McPherson:** — Two hundred thousand, and yet somehow it's justified to spend 4 or 5 million. I dare say with the amount of employees we're talking about perhaps it was cheaper to go further with the .4 per cent rather than lock out the employees.

**Mr. Fair:** — But calculate, rather than that, calculate the entire public sector bargaining issue. And more important than that was the point that Mr. Staudt made; and that was that the IBEW did not accept. I mean they had come as a negotiating team to that position, but they were not prepared to recommend it to their membership.

**Mr. McPherson:** — For the total cost, I guess, without counting the 900,000 to IBEW members, it's 4 million. We've got about 800,000 for . . . what costs would those be? I see total overtime paid for managers at 3.2. What kind of things would the other 800,000 entail?

**Mr. Staudt:** — Accommodation, transportation, meals.

**Mr. McPherson:** — Is there a guideline as to what, in that circumstance, what should be purchased by SaskPower? What's fair for the taxpayers to buy?

**Mr. Staudt:** — What should be purchased?

**Mr. McPherson:** — Yes.

**Mr. Staudt:** — No, there's no policies. We don't have a policy around what we spend on strikes because they are few and far between and we certainly don't encourage them or anticipate them.

**Mr. Hyde:** — There is some requirement for specific safety gear, safety boots, things of that nature, certain types of safety clothing for people that are going to working in hazardous locations.

**Mr. McPherson:** — What about some of the expenditures such as, I've heard of \$5,000 worth of towels purchased in Estevan,

all the socks and underwear out of a store in Coronach, a few dozen or three or four dozen beds were purchased out of Assiniboia, I know roses sent to the wives of management. I agree that there's some stressful times but we all have stressful times and I don't think we all have flowers sent to our wives. I think perhaps for those members that were locked out, their wives also had stress.

Now are these kinds of expenditures in that \$800,000 and are they warranted expenditures? You know, socks and underwear — don't they have them already?

**Mr. Staudt:** — I don't know. I change my underwear every day. I don't know about you, Glen. But I expect . . .

**Mr. McPherson:** — Yes, I don't ask SaskPower to buy it.

**Mr. Staudt:** — I expect when you have people that are living away from home down in Coronach and their location may have been Prince Albert that they won't run home to wash their underwear. So I think that's only a reasonable thing that SaskPower could do would be to buy someone a pair of underwear. I don't want to make light of it but it's kind of a silly question.

**Mr. McPherson:** — Well actually it's not. Because when I have to tour the province, and I make lots of these trips, I'm not asking SaskPower to purchase, you know, my undergarments, or the Crown Corporations Committee. You locked the employees out; it's not like you were caught off guard. So would they not have been more prepared if they're heading out to Estevan or Coronach to take some clothing with them.

**Mr. Staudt:** — Well this was not a decision that we made that we were going to say, we're locking them out for 21 days or for 3 days or for 5 days, so we told people to pack their bags and get down to the power plants and start operating them. Certainly to us, if it would have been 3 days versus 21 — we didn't know.

**The Chair:** — I think, Mr. McPherson, Mr. Staudt has attempted to answer your question as best he can. Would you try to focus your questions onto the year in review as much as possible please.

**Mr. McPherson:** — Well, Madam Chair, other members were asking questions about the lockout and you didn't interrupt them and I would ask the same be afforded to myself.

**The Chair:** — Well other members received the answers from SaskPower and then moved on to other questions.

**Mr. McPherson:** — Mr. Staudt, what would happen, these few dozen beds that were purchased, where would they end up?

**Mr. Staudt:** — Well I imagine they're still in the power plants where they were. I don't know. I never followed through on where they went.

We had people that were senior people that had been in the power plants for a long time, we had junior people who were working in that environment for the first time, and a decision was made to bring beds in so that the senior people would be

available 24 hours a day if they were needed. And so I thought it was more than reasonable to provide them with a bed that they could sleep on.

**Mr. McPherson:** — And so there weren't available rooms at motels or . . .

**Mr. Staudt:** — These people were on-site 24 hours a day.

**Mr. McPherson:** — All right. You had also mentioned in a previous question, your answer was that in negotiations SaskPower perhaps in the future will need to change the language in contracts to — oh, how was it worded — I guess to allow for some deregulation and . . .

**Mr. Staudt:** — Flexible ideas.

**Mr. McPherson:** — What sort of language are we talking?

**Mr. Staudt:** — I don't have the specifics of that. I'm not sure, Mr. Hyde, if you want to address them.

**Mr. Hyde:** — There's a number of different areas we looked at in this round of negotiations including job descriptions, the company's ability to make changes to them, selection process around specific types of jobs, in-scope supervisors, system-operator positions. We've looked at the past in terms of attempting to increase the pay of specific classifications that we're either having difficulty recruiting or retaining. So a variety of different issues.

**Mr. McPherson:** — And it will have to allow for what, layoffs, in the event of downsizing . . .

**Mr. Hyde:** — Well the current agreement provides for the ability to lay employees off and there's process outlined in the collective agreement to do that. Whether or not the future holds layoffs is really unknown at this point. But there are current provisions to do it. Would we like to see those changed? Certainly they could be from management's perspective made easier. I'm sure from the union's perspective they've got some views on those as well.

**Mr. McPherson:** — In your January 29 circulation of *The BusinessLine* there's a note in here that this year's business plan includes for the first time performance objectives regarding operational issues and SaskPower's people practices. What are those people practices that you're referring to?

**Mr. Hyde:** — It makes up a number of different things that we would have within our human resource policies. It includes benefit plans, compensation plans, training plans, career development plans, employee-family assistance programs. It's a wide variety of different types of practices that would be covered by that.

**Mr. McPherson:** — All right. One other issue that surfaced at the time of the lockout was a fellow by the name of Ed McQuarters. And it was raised in the House here and the minister's response was that he had been . . . (inaudible) . . . directly with Mr. Ed McQuarters. I don't know the outcome, where it's at today, other than a few days ago I see that there are still letters from Mr. McQuarters with well, I guess, some

unkind remarks to his treatment. And I guess he's still really asking why was he fired.

**Mr. Staudt:** — Well we are currently in negotiations with Mr. McQuarters regarding a severance package and it's the . . . our legal counsel we have retained is dealing with that and I'd prefer not to answer that.

**Mr. McPherson:** — On the severance question you prefer not to answer or why you just not . . .

**Mr. Staudt:** — Well I prefer not to answer anything to do with a severance package at this time.

**Mr. McPherson:** — Right, but as far as the reason he was fired.

**Mr. Staudt:** — I think the reason he was fired was . . . he wasn't fired, he was terminated without cause and it just became a situation where we didn't feel he was doing the job that he had been hired to do and that there was a parting of the ways as a result of that.

I can understand that when there's always two sides of a story there's a lot of emotion involved when people leave an organization.

**Mr. McPherson:** — At some point you will be making that public — I guess at least to the committee — as to why he was fired and the severance?

**Mr. Staudt:** — I'm not sure it . . .

**Mr. McPherson:** — If you can't do it at this time.

**Mr. Staudt:** — I'm not sure it would be . . . I mean we will release what we paid him on a severance package. But I'm not sure I want to get into the facts. I don't think it's good for Mr. McQuarters; I'm not sure it's good for SaskPower to get into a media situation where we're telling people why he perhaps was not doing his job. I don't think that's good for Mr. McQuarters.

**Mr. McPherson:** — However, you have the minister that decided to get involved with it.

**Mr. Staudt:** — I believe it was Mr. McQuarters contacted the minister, and the minister spoke with him. I have not spoken to him.

**Mr. McPherson:** — All right. You're aware of the letter that, dated November 25 from Mr. McQuarters, where in fact he makes remarks that he was forced into writing certain reports, topic summaries, against his better judgment and will?

**The Chair:** — Again, Mr. McPherson, I think SaskPower has indicated that because the matter is still under litigation they don't wish to comment further. I think it would be . . .

**Mr. McPherson:** — On the severance he said.

**Mr. Staudt:** — Well we cannot discuss the issues as to Mr. McQuarters' allegations versus allegations that SaskPower has. As I stated there's a lot of emotion when a person leaves a

corporation, and I have a copy of that letter. It was cc'd (carbon copied) to me. I have read it. There is probably some factual information in there, and there's a lot of information that probably is not factual. It's one side of the story, Mr. McPherson.

**Mr. McPherson:** — Right.

**The Chair:** — Mr. McPherson, I think it might be more prudent if we simply, as legislators, let the process unfold, and in due course you can certainly put those questions — but perhaps next year.

**Mr. McPherson:** — You've interrupted me, Pat, on every line of questioning.

**The Chair:** — I'm aware of that.

**Mr. McPherson:** — Are you following up on the letter then that Mr. McQuarters has cc'd to you as far as the concerns that he has raised? And will they be dealt with?

**Mr. Staudt:** — I have been through this issue with the board of directors, and we have discussed it at the board of directors. And we know it's a very sensitive issue in terms of the fact that Mr. McQuarters had a high profile in the community because of his association with the Roughriders.

But one of the things that we are trying to do in our organization and most organizations should also do is you have to judge people on the ability to do their job, and you should react accordingly, and you should not prejudice that because the fellow happened to be a former Roughrider. And I think that a lot of the attention that is getting drawn to this subject was because he was a public figure, and not because . . . If I decided that at some point in time I'm going to release John Smith, nobody would care. And you wouldn't be asking me these questions if it was John Smith who was writing similar letters.

**Mr. McPherson:** — Quite frankly, I didn't even know Ed McQuarters was a football player. So I don't think it matters whether it's John Smith or Ed McQuarters.

**Mr. Staudt:** — That's why it's gotten the profile that it has.

**Mr. McPherson:** — I don't follow football. But what I do follow is the fact that the minister in charge made reference to Mr. McQuarters in the legislature, and now we're seeing letters. And so there has to be something that isn't working out well in the corporation.

**Mr. Staudt:** — Well I think Mr. McQuarters, I think . . . If I remember reading the newspaper, and that's all I read, where I saw the context that the minister had mentioned that and I believe it was at the time of the back-to-work legislation. And he had said that he had spoken personally to Mr. McQuarters and Mr. McQuarters was satisfied.

**The Chair:** — Mr. McPherson, would you start to wrap up your questioning, please.

**Mr. Staudt:** — I don't know anything beyond that. I never talked to the minister about his conversation.

**Mr. McPherson:** — Thank you.

**The Chair:** — I'll now recognize the government members.

**Mr. Johnson:** — In the annual report, on page 39, under Customer Contributions:

Contributions in aid of construction are funds received from certain customers toward the cost of service extensions (and the) contributions are classified as a reduction to property, plant, and equipment and are amortized over the estimated service life of the related asset.

How is the money that you receive for those contributions accounted for?

**Mr. Staudt:** — It's accounted for in a separate account called customer contributions.

**Mr. Johnson:** — Then does it show up, does it show up in the revenue?

**Mr. Staudt:** — It does not.

**Mr. Johnson:** — It doesn't show up in the revenue?

**Mr. Staudt:** — No.

**Mr. Johnson:** — What would the — and I assume I've missed it but it may be here, but I missed it — what would be the average bill that a residence would have in the province of Saskatchewan?

**Mr. Staudt:** — You are talking about their monthly electrical bill?

**Mr. Johnson:** — Their yearly bill.

**Ms. Hall:** — Do you want to go to the next question and I'll look at it.

**Mr. Johnson:** — Okay. The next question is for the farm accounts or the farm . . . and I realize that you must, you have categories that you set people in and I'm not . . . I may not be titling them correctly but if you could describe what the category is that's closest to those two?

**Mr. Staudt:** — The average monthly residential billing is \$69 a month.

**Mr. Johnson:** — \$69 a month. That's for an urban residence?

**Mr. Staudt:** — Yes.

**Mr. Johnson:** — Okay. What would be the farm?

**Mr. Staudt:** — The farm is 105, but it's a lot higher usage. Whereas the residential monthly usage is 675 kilowatts a month, kilowatt hours a month; the farm average is 1,200 kilowatt hours a month.

**Mr. Johnson:** — Okay, so the rate charged per kilowatt is a

little . . .

**Mr. Staudt:** — It's actually a little less on the farm.

**Mr. Johnson:** — Okay, do these figures of a 105 and \$69 include the reconstruction charge?

**Mr. Staudt:** — No. That's their rate.

**Mr. Johnson:** — That's the . . . are there any other charges that wouldn't be included in these figures then?

**Mr. Staudt:** — That's their usage rate for kilowatt.

**Mr. Johnson:** — That's the usage rate. So you collect extra money for municipalities and that wouldn't be included there either then.

**Mr. Staudt:** — That's a pass-through from SaskPower to the municipalities.

**Mr. Johnson:** — Okay, is there any charges on there that end up accounted for by SaskPower that aren't included in those figures?

**Mr. Staudt:** — I believe, without verifying this, I believe that that would be the case, that this is their average use based on our per kilowatt hour rate times usage, no other special . . .

**Mr. Johnson:** — No other charges would be on that. So then on the farm account, then a 3 per cent increase on that would generate something in excess of about \$45? I think that's what . . . a three and a quarter per cent increase on that?

**Mr. Staudt:** — Three per cent increase on a hundred dollars would be about \$4.

**Mr. Johnson:** — No, on a yearly basis?

**Mr. Staudt:** — Yes, yes, 48, between 40 and 45, 48.

**Mr. Johnson:** — About \$40 for a yearly basis.

In the past SaskPower has done some social programming that . . . or programs that the government has asked I believe in low interest rate loans for different lighting.

**Mr. Staudt:** — Different lighting?

**Mr. Johnson:** — Yes.

**Mr. Staudt:** — I'm not aware of the program but it's possible.

**Mr. Johnson:** — Or insulations?

**Mr. Harras:** — There was a program years ago on retro-fitting homes, called the CHIP (Canadian Home Insulation Program) program.

**Mr. Johnson:** — Okay.

**Mr. Harras:** — And I don't know exactly what our contribution . . . whether or not we made a contribution or we

just simply administered it. I don't know the details of it.

**Mr. Staudt:** — Was that not in the '70s though?

**Mr. Harras:** — Yes, yes.

**Mr. Johnson:** — Okay, was there a discussion at that time in regards to how the accounting should be done for the payments and that related to that program?

**Mr. Staudt:** — Tony is probably the only survivor of the '70s that's here so he'll have to answer it.

**Mr. Harras:** — I don't remember the . . . I don't recall the details of it.

**Mr. Johnson:** — Okay, I believe that the accounting was to separate the charge out from and not to account for it at that time in the books of SaskPower. I have a vague memory of the discussions that went on in that.

Is SaskPower involved in any other . . . I think I've sort of asked this one before, but is it involved in any other . . . where it's providing any service to the government at the present time in any programs?

**Mr. Staudt:** — To the government?

**Mr. Johnson:** — Yes, in the sense of . . . Well I'm thinking of the northern fund is one which was a . . . I would assume would have been directed by the province for you to establish that or . . .

**Mr. Staudt:** — The only thing that might spring to mind is our involvement with the Shand Greenhouse where we grow trees and distribute them to people and whoever wants them. I think we've just done our one millionth tree but that certainly is not government directed or part of a government program. And I can't recall anything else that comes to mind that we would be involved in.

**Mr. Johnson:** — Okay. In relationship to the reconstruction charges, would that have been a request from the corporation to the executive branch or a request from the executive branch to the corporation.

**Mr. Staudt:** — I believe it was directed from the corporation to the executive branch for permission when we rebalanced our rates in 19 . . . January 1, 1996 we also implemented the reconstruction charge as part of that.

**Mr. Johnson:** — And the rationale for wanting it at that time?

**Mr. Staudt:** — I believe it was . . . Again, I wasn't at the corporation at the time but from what I've read it was the corporation's way of collecting money to help us refurbish and replace aged facilities.

**Mr. Johnson:** — Without increasing the capital value of the facilities?

**Mr. Staudt:** — Yes.

**Mr. Johnson:** — So what we have then is a situation where the corporation basically has, through planning, arrived at the same point as SaskTel arrives at after it takes a \$55 million reduction in its value.

**Mr. Staudt:** — We have facilities that we have refurbished that, could be argued, would have been funded by money collected outside of SaskPower . . . or not by using SaskPower funds.

**Mr. Johnson:** — Okay.

**Mr. Staudt:** — Not sure if the same parallel is there with SaskTel.

**Mr. Johnson:** — Okay. One of the things that I would like to ask the auditor is that in their *Spring Report* on paragraph .42, they ask that the corporation amend and reissue its '96-97 financial statements according to their recommendation.

Would the auditor have what they would expect the financial statements to look like? Would you have copies of that? I mean like in paragraph .3 you state what you expect to have happening and that it be \$14.6 million dollars.

**Mr. Montgomery:** — We don't prepare the financial statements for SaskPower. It would be our recommendation then that they would record the reconstruction charge with revenue. Should they adopt that reconstruction . . . that recommendation they would be the ones that would prepare the financial statements. In summary, in paragraph .3, we have indicated what the impact would be for that year.

**Mr. Johnson:** — But to get to that impact is what I'm interested in.

**Mr. Montgomery:** — Well you'd have to add in the 14 or the 15 million to revenue, and that would flow through into net income.

**Mr. Johnson:** — And in order for it to flow through to net income, you would have to not have the accelerated depreciation that occurs?

**Mr. Montgomery:** — The depreciation impact on 1996 that we were referring to, actually 1997, would be very small. It's very immaterial in terms of that 14.6 million.

**Mr. Johnson:** — 21 million.

**Mr. Montgomery:** — It's still 21 million of depreciation charge in SaskPower related to the reconstruction charge. The depreciation of the assets that they would have bought with the reconstruction charge moneys would have been over a period of 30 to 50 years depending what their particular depreciation rate was for that asset. I believe in 1997 there was hardly any depreciation charged with respect to those assets. You could confirm that with SaskPower.

**Mr. Johnson:** — Yes. Okay. On page 39 of the SaskPower report under (i) customer contributions, the customer contribution amounts are classified as a reduction to property, plant, and equipment. So what happens is that when the money

is spent it doesn't increase the value of the assets of the corporation.

So if you are going through with to meet your requests, that says that the revenue and net income will be increased by 14.6 million for the two consecutive years. In order for the net income to be increased there has to be changes in what takes place with how the expenditures are accounted for. And I consider the expenditures actually generating a very rapid depreciation of the assets.

**Mr. Montgomery:** — If your question is, is there a rapid depreciation of the assets, I would say there was not a rapid depreciation of those assets. If you would ask SaskPower how much they charged for depreciation for those particular assets they would be able to give you the amount. It wouldn't be significantly different from what we are saying here. In other words, all . . . most of that revenue would flow through the net income. The depreciation charge wouldn't be substantial.

**Mr. Johnson:** — Okay. It would flow through to net revenue, and on the balance sheet where would it end up? Because that's the expense . . . income and expense sheet that you're talking about. On the balance sheet where would it end up?

**Mr. Montgomery:** — Well in the equity of the corporation.

**Mr. Johnson:** — So the corporation's equity then over the . . .

**Mr. Montgomery:** — It goes up by the amount of the net income.

**Mr. Johnson:** — \$42 million say since it started?

**Mr. Montgomery:** — I think we were talking 14 million a year. So in essence if you're making 14, 15 million a year of net income that all would accumulate into equity minus any depreciation charge that would have . . .

**Mr. Johnson:** — Okay. Then if you go back to what the Provincial Auditor has been asking for, is that there be targets and things that people can understand so that you can do that, the return on equity would have to drop by 1.2 per cent.

**Mr. Montgomery:** — In my view the return on equity for those years would have been higher than those amounts that are disclosed in the annual report because you have a net income of an additional 14 to 15 million. So actually . . .

**Mr. Johnson:** — And if you projected it out over 10 years where would you come to?

**Mr. Montgomery:** — Over 10 years I might — without doing it and off the top of my head — I would think in each of those 10 years it still would have been higher than the . . . In other words, your return on equity would be higher in each year if you had recorded it through revenue.

**The Chair:** — Mr. Johnson, can you start to wrap up your line of questioning, please.

**Mr. Johnson:** — At the end of 10 years, you'd actually start to be losing money, it would be going the other way.



**Mr. Montgomery:** — I would disagree. I'm not sure that any of these are depreciated over 10 years. I thought the depreciation rates were anywhere from between 30 to 50 years. But actually transmission is 45 years, you know, on page 38, and distribution assets are 33 years.

**Mr. Johnson:** — But in order to maintain, in order to maintain the objective targets at the end of 10 years, you'd have to increase your income by another 10 million something.

**Mr. Montgomery:** — I don't know where you're coming from.

**Mr. Johnson:** — Because by that length of time you've increased the value of the corporation's assets by a hundred million. And in order then to maintain your return on equity, you'd have to generate an extra \$10 million.

**Mr. Montgomery:** — Well you will be recording an extra 15 million a year in revenue and net income.

**Mr. Johnson:** — But at the 10 year one is when the depreciation . . . is when it balances. Your depreciation is half, for every ten, is half a million. So it comes, at that time, it starts to balance out.

**Mr. Montgomery:** — We don't know actually to be perfectly . . . I haven't looked at your figures. But I don't expect it to balance out in 10 years because the depreciation rates are actually 33 to 45 years.

**Mr. Johnson:** — Yes, okay.

**The Chair:** — All right. Mr. Johnson, perhaps you may wish to pursue this matter in private meetings with the Provincial Auditor at some other point.

**Mr. Boyd:** — Thank you, Madam Chair. I wanted to turn my attention now to the Delta project within SaskPower. Can you tell me what kind of computer system this is and what exactly does it do that the current systems do not do?

**Mr. Staudt:** — First of all, Mr. Boyd, it's not a computer system per se. The Delta project is a business process change process that we're implementing in SaskPower to try to improve the procedures that we have in place and the way people work. It's trying to increase the efficiencies of the corporation through changing the procedures that have been in place for 20 or 30 years or more in this corporation. It is replacing a lot of our legacy systems that are going to be expensive to operate and maintain and update in the future.

But the biggest cost of this is the human cost of getting the new procedures in place. And I will say that's being done throughout the corporation with employee involvement throughout the corporation, getting their input into what practices and what procedures will work best in this corporation in a future environment.

And then the hardware associated with this is IBM — mostly — equipment. And the . . .

**Mr. Boyd:** — And the operating system?

**Mr. Staudt:** — Yes, and the operating system is called SAP, it's a German company, very widely . . . it's a New York Stock Exchange listed company, a very big corporation.

**Mr. Boyd:** — What will the cost be of the project?

**Mr. Staudt:** — Fifty-five point four million is what we're tracking.

**Mr. Boyd:** — Fifty-five point four million. As you know, there was various media reports that it would be in the range of 90 to \$100 million.

**Mr. Staudt:** — Those reports took into how long it's going to take us to operate the system over time. Obviously there's ongoing . . .

**Mr. Boyd:** — Operator implement.

**Mr. Staudt:** — \$55 million to implement. When we go live on August 3 — is our latest target — 1999, it will have cost the corporation about \$55 million.

**Mr. Boyd:** — Okay. Are the current cost projections still in line with that?

**Mr. Staudt:** — Yes they are. We are tracking almost to the penny, except we've had a little bit of a slippage in time related to our labour dispute.

**Mr. Boyd:** — I understand the system, SAP, is noted for a couple of things. One is, it's an excellent system worldwide, recognized as one of the top systems in the world. On top of that though, it's also noted for a tendency to run way over cost estimates. Is that correct?

**Mr. Staudt:** — There has been some history to that and it depends on your approach to the project, Mr. Boyd. We have taken a very pragmatic approach. We did a lot of research before the fact. We did a lot of . . . I talked to individuals who have implemented, got from BC TEL. . . was one of the ones we talked to. We also talked to Oklahoma Power. We learned from their mistakes and we found out what works for them.

As well we have hired Deloitte Touche to assist us and Deloitte Touche has done many of these implementations. And so I think some of the ones that did get the bad press and then probably have been talked about a lot, were some of the ones that were implemented in the early stages of SAP when people didn't necessarily have the right consultants to do it and the right approach. We feel we have a very good approach and we've been tracking very closely to our targets.

**Mr. Boyd:** — So it's your expectation and SaskPower's expectation, that it can come in on time and on budget.

**Mr. Staudt:** — Absolutely.

**Mr. Boyd:** — Good. With respect to SaskPower advertising, I understand that the program called — advertising campaign — called "Power to You" had a cost of \$319,000. Is that correct?

**Mr. Staudt:** — I will have to check that for you, Mr. Boyd. All

I have here is 1997 expenses.

**Mr. Boyd:** — Okay. What particular product or service does this ad campaign promote?

**Mr. Staudt:** — The ad campaign is trying to reposition our corporation from being one that we have been described as an insensitive, arrogant bully. And we are trying to reposition the corporation for when competition is pending to be a much more family-oriented, community-minded organization.

**Mr. Boyd:** — And do you think that to this point SaskPower has achieved those goals or is working towards achieving those goals with that \$319,000 advertising campaign?

**Mr. Staudt:** — I think I would characterize that, if your figures are correct, Mr. Boyd, as it's being an investment in the future, that we are trying to position . . . You don't position overnight. It takes time.

I believe, if you would ask SaskTel, it took them a long time to change from the same kind of things that we are being perceived of to what they are being perceived of. And if you talk about their focus grouping and things, I think they are perceived as a much different organization today than they were five, six years ago before they started positioning themselves.

**Mr. Boyd:** — So it's in an effort to deal with competition that you will be facing soon.

**Mr. Staudt:** — Yes. That's one of the reasons we're doing it. We're trying to change the image of our corporation.

**Mr. Boyd:** — Thank you. The next area that I wanted to deal with was with the whole idea of foreign investments. Can you tell us what foreign equity investments SaskPower is currently involved in?

**Mr. Staudt:** — None.

**Mr. Boyd:** — None. Is SaskPower contemplating future foreign equity investments?

**Mr. Staudt:** — Not at this time, although we are repositioning SaskPower Commercial which is now called SaskPower International to look at opportunities. We are looking at opportunities first in the province of Saskatchewan, cogeneration opportunities that we may be get involved with, with a strategic partner.

And if the opportunity works out in Saskatchewan and if the strategic partner is the right partner, based on the experience we have operating with them in Saskatchewan, we may take that outside the province of Saskatchewan. That is our objective.

**Mr. Boyd:** — Take it outside in terms of equity investments or expertise . . .

**Mr. Staudt:** — It would be equity investments in that instance, but our focus at this point would be North America.

**Mr. Boyd:** — After the problems with the Guyana investment, Mr. Lingenfelter, the current minister, stated to the effect that

the Crowns would be reviewing their criteria for foreign investments. Can you tell us what SaskPower . . . what has changed at SaskPower in terms of their criteria for foreign investments?

**Mr. Staudt:** — What we have done is we have restricted our marketplace to North America at this time. But specifically our marketplace today for that corporation in terms of equity investments is Saskatchewan. That is a radical change from what we were before, which was Central and South America.

**Mr. Boyd:** — And that is likely to remain then?

**Mr. Staudt:** — That is my focus on it but someone may change that.

**Mr. Boyd:** — Can you give us an update on the threat of a lawsuit against SaskPower by the Guyanese government?

**Mr. Staudt:** — We have not heard back from them. They are in discussions right now with a company called Commonwealth Development Corporation out of England.

In fact we have signed an agreement with CDC (Commonwealth Development Corporation) where we gave them all our documentation that we utilized to negotiate that contract, and if they are successful, they will pay us for that documentation.

We believe that if CDC is successful that will mitigate the lawsuit, although we have never been formally served or notified that there is any pending lawsuit. It's just what we've heard in the newspapers more than anything.

**Mr. Boyd:** — Is part of their mandate to . . . would it include a out-of-court settlement, to negotiate a out-of-court settlement?

**Mr. Staudt:** — I don't think we've done anything that we think at this time that we can successfully be sued from in the jurisdiction of Saskatchewan. I think we can be sued in the country of Guyana . . .

**Mr. Boyd:** — Which was where you were doing business.

**Mr. Staudt:** — . . . when we don't have any property or holdings there. So a lawsuit there, if we chose not to defend it, would be meaningless. So although . . .

**Mr. Boyd:** — One would wonder about SaskPower's international reputation of entering into other jurisdictions, finding yourself in legal difficulties, and leaving in the dead of night though. Would they not?

**Mr. Staudt:** — I don't think we left in the dead of night. I guess it would be . . . It's going to be a business call, Mr. Boyd, as to if a lawsuit . . .

**Mr. Boyd:** — A business call meaning that you would consider the decision to settle or not to settle and leaving, essentially, unfinished business.

**Mr. Staudt:** — I think our business there is done.

**Mr. Boyd:** — No, it's not quite frankly. There seems to be concern in that country that the business is far from concluded. Recent media reports from Guyana indicate that they are seriously considering a lawsuit.

**Mr. Staudt:** — But I can't comment on that, Mr. Boyd, until I actually see something other than media reports.

**Mr. Boyd:** — Well what I'm asking though is, is one of the things that you're negotiating now with whomever or whatever company you're operating with in Guyana currently, is one the things that they have as part of their mandate to seek an out-of-court settlement?

**Mr. Staudt:** — No.

**Mr. Boyd:** — Would it be considered?

**Mr. Staudt:** — I don't want to encourage the Guyanese to sue us, so I would say that at this time we're not interested in settling anything with the Guyanese government. I think the more we start saying that, yes, we will settle out of court, or no, we won't settle out of court has . . . might have an effect as to making them make their decision as to whether or not they're going to pursue us or not.

**Mr. Boyd:** — Well what would be the reason you have someone acting as an agent on behalf of SaskPower there then?

**Mr. Staudt:** — We don't.

**Mr. Boyd:** — Well did you not say you had some sort of company working?

**Mr. Staudt:** — No. I said CDC is negotiating with . . .

**Mr. Boyd:** — Oh, CDC. Sorry.

**Mr. Staudt:** — . . . the Guyanese government on their own volition.

**Mr. Boyd:** — I see.

**Mr. Staudt:** — We're not involved in that at all.

**Mr. Boyd:** — Okay.

**Mr. Curran:** — I also want to add that CDC has offered \$600,000 U.S. (United States) more than our offer price was. And so this is going to obviously reduce the claim for damages, if there are any, against us by the Government of Guyana.

**Mr. Boyd:** — Has SaskPower made any contingency plans in that area then?

**Mr. Staudt:** — We have noted it in our financial statements that there is a possibility of a loss.

**Mr. Boyd:** — Yes.

With respect to the whole area of foreign investments, I note that in years past in the annual reports the corporation provides basically what some might consider a mission statement as to

what SaskPower's involvement is. SaskPower aims to provide the people of Saskatchewan with a reliable, safe, affordable, environmentally responsible supply of electricity and energy management services. That has flowed through since 1993. I don't note that in your annual report of 1997.

**Mr. Staudt:** — It's not in there.

**Mr. Boyd:** — That has changed?

**Mr. Staudt:** — Well I think in fairness, Mr. Boyd, I did mention in my opening statements yesterday that we are looking at changing or putting together a strategic plan in 1999 to move to give this corporation some direction in the future. When you do a new strategic plan you re-evaluate your mission, you re-evaluate your vision, you re-evaluate your values, and you come up with a new statement. I would say that because it's not in that statement perhaps we haven't been living and breathing our mission and our vision and therefore that's why we need to change it.

**Mr. Boyd:** — Is it in reaction to failed investments in other areas?

**Mr. Staudt:** — Not consciously, no.

**Mr. Boyd:** — Well what will be the things . . . what would you consider then to be SaskPower's current and future mission statement with regard to its service to the people of Saskatchewan.

**Mr. Staudt:** — It will be the same in order to provide reliable safe power to the people of Saskatchewan, affordable power to the people of Saskatchewan. But that may not be our total mission statement or our total position.

**Mr. Boyd:** — SaskPower currently doesn't have a mission statement?

**Mr. Staudt:** — Oh they do. It's published. It's published, it's in . . . we look at, it's in our board books, it's in our . . .

**Mr. Boyd:** — Could you, would you mind reading it into the record.

**Mr. Staudt:** — SaskPower's mission or vision?

**Mr. Boyd:** — Both.

**Mr. Staudt:** — Okay. SaskPower's vision:

We will shape our competitive future through the skills of our employees and support of our shareholder and customers. We will be a recognized leader in electrical energy and related services and a catalyst for economic development.

SaskPower's mission:

We provide value added electrical, energy, and related services. We achieve this through employee innovation, a competitive spirit, and pursuing opportunity for our customers and shareholder.

**Mr. Boyd:** — So that is a considerable departure from the past of confining your activities to Saskatchewan?

**Mr. Staudt:** — Of confining our activities to Saskatchewan? This, this is . . .

**Mr. Boyd:** — The vision statement of the past has been:

SaskPower aims to provide the people of Saskatchewan with a reliable, safe, affordable, environmentally responsible supply of energy and management services.

**Mr. Staudt:** — And what year was that, Mr. Boyd?

**Mr. Boyd:** — That was in 1993, that was again in 1994, that was again in 1995, and I don't know about 1996. I don't have that.

**Mr. Staudt:** — 1995, somebody wasn't paying attention because the one I read to you was approved September 28, 1994. And I'm not saying that you're wrong, Mr. Boyd. I'm just saying somebody, somebody must have been wrong.

**Mr. Boyd:** — Yes, and in your report of 1995:

SaskPower's long standing commitment is to delivering a reliable, safe, affordable, environmentally responsible supply of energy and energy management services to the people of Saskatchewan.

**Mr. Staudt:** — I'm just saying, somebody must of made a mistake to put it in there if this was approved in '94.

**Mr. Boyd:** — I guess what I'm getting at is, do your investments into foreign equity investments into other jurisdictions meet with your mission statement?

**Mr. Staudt:** — Yes it does because this . . . the mission statement and the vision that I read to you does not specify Saskatchewan.

**The Chair:** — Mr. Boyd, would you start to wrap up?

**Mr. Boyd:** — So you would consider part of your SaskPower's current mandate to include making investments into other jurisdictions?

**Mr. Staudt:** — It certainly would lead me to believe that I have the latitude to do so.

**The Chair:** — Thank you, Mr. Boyd.

**Mr. McPherson:** — Thank you. The Poplar River station — I don't recall what length of period of time they were using Wyoming coal.

**Mr. Staudt:** — I believe it was just a test burn, Mr. McPherson, that we did. I think we brought in a train full and we tested it to see if it would burn properly.

**Mr. McPherson:** — Was there more than one train or just one train?

**Mr. Staudt:** — It might have been. Tony, do you remember? I thought it was only one, but . . .

**Mr. Harras:** — My recollection, it was one test burn.

**Mr. Staudt:** — Yes. I think it was just one.

**Mr. McPherson:** — What did you conclude from that?

**Mr. Staudt:** — We concluded that although the coal burned in a very . . . it met our expectations from a technical standpoint, it didn't meet our expectations in an economic standpoint.

**Mr. McPherson:** — So the cost of transportation . . .

**Mr. Staudt:** — The cost of transportation meant that it was not economical to bring in Wyoming coal. Although the coal was, when it was blended with the coal we currently use, it gave us a better heating value. And there was less . . . It was cleaner burning so therefore it would have been better for our equipment in the long term. But the economics weren't there.

**Mr. McPherson:** — And with that blended . . . with the blended coals, it burned a lot hotter? Quite a bit hotter?

**Mr. Staudt:** — It was of magnitudes hotter, yes.

**Mr. McPherson:** — And how did that affect the equipment? Will the equipment handle it if you were to do that?

**Mr. Staudt:** — It was . . . Tony, you're more of an expert on this. It was cleaner burning so therefore we don't get all the problems that we have in our current things, which is slagging and other types of problems we have with our current coal.

**Mr. Harras:** — Overall the coal technically performed better. It has a higher heating value, as Kelly mentioned. It's less abrasive, so there's less maintenance on the boiler equipment as you blow the pulverized coal into the boilers.

There's less slag, less ash, as a result of . . . You know, the Saskatchewan coal has a 30 per cent . . . pardon me, 15 per cent ash content. And as far as I recall, this has slightly less ash content. So there's less disposal issues.

The fact that it's a higher Btu (British thermal unit) value, heating value, I don't recall there was any talk that we would have to make any modifications as a result of this. I don't remember offhand if there would have been anything that we would have to do to accommodate that.

**Mr. McPherson:** — So it wouldn't shorten the life of the boiler as far as you know?

**Mr. Harras:** — Yes, as far as I . . . Again it was one test burn. And whether or not those kind of problems would show up immediately, I don't recall offhand. But I certainly don't remember any discussions based on that one test burn that we would have had to make costly modifications to the boilers.

**Mr. McPherson:** — And I notice now that there's a lot of exploration of natural gas in and around the generating station there. And so is there consideration of mixing perhaps natural

gas and the coal from that area?

**Mr. Harras:** — I'm not aware of significant natural gas exploration in the Coronach area. So you obviously are aware of something that I'm not aware of.

The issue of converting those boilers to burn natural gas, I mean that can be done. Certainly depending on what the price of natural gas is, your operating costs will increase because, you know, the incremental cost of burning coal is considerably less to produce a megawatt hour of energy as compared to burning natural gas to produce a megawatt hour of energy.

**Mr. McPherson:** — Right. I just note that quite close to the mine, within a few miles, there was a large camp set up throughout the summer . . . (inaudible) . . . to do with the exploration of natural gas and I thought perhaps it was spurred on by SaskPower.

**Mr. Staudt:** — I did see that when I went out to Coronach, I did see that camp.

**Mr. McPherson:** — And I didn't talk to anyone from that operation.

**Mr. Staudt:** — I think they were just doing survey work, Mr. McPherson, from what I was told. But certainly SaskPower has not been in discussions with anyone concerning mixing coal and natural gas at Coronach or Poplar River.

**Mr. McPherson:** — It would be profitable if they were to strike natural gas, though, to mix it with the coal that's there present?

**Mr. Harras:** — I mean the incremental costs of natural gas to produce . . . You see if you were starting off with a brand new plant right now, building a plant using natural gas, be it a combined cycle or co-gen on the life cycle basis, would be very competitive, in fact less expensive than coal.

The issue, however, is that the Coronach plant is built. I mean there all the capital has been sunk and now what you're talking about is replacing coal with natural gas. And on a heating value basis, you have to spend more for natural gas than coal.

So from a purely economic point of view, it would be more expensive now to use natural gas than coal because the facilities are physically there.

**Mr. McPherson:** — There was a lot of concern expressed, I'm sure, to yourselves — I know it was to me — from people in the community of Coronach in regards to using coal from Wyoming or wherever it was coming from but not from Coronach. So by the sounds of it I can assure them that we'll be using just the coal from that area in the future.

**Mr. Staudt:** — You may do that, Mr. McPherson. Yes, we won't be doing any more test burns.

**Mr. McPherson:** — All right.

As far as the royalties that SaskPower would be paying to the Saskatchewan government. Is there a change coming there as

far as a lessening of being in negotiations with the government to ease those royalties?

**Mr. Staudt:** — We've been pursuing that for a number of years. I believe I have been told that Treasury Board will be dealing with that before the end of the year; whether or not the government will decide to give it to us or not, I'm not aware.

**Mr. McPherson:** — What kind of dollars are we talking about in royalties?

**Mr. Staudt:** — I believe the reduction we were asking for was 7.5 million a year.

**Mr. Harras:** — That's the thing that we negotiated as far as going to Treasury Board.

**Mr. McPherson:** — Okay. As far as use of engineers from outside of Saskatchewan, I've been told that we fly engineers from I think it's Ontario for two-week shifts in and out to work at head office, is this correct?

**Mr. Harras:** — From time to time we do contract, we enter into contracts to do specific assignments. If we aren't successful . . . able to find, you know, a contractor or consultant in Saskatchewan that could provide the service for, you know, the same kind of costs. I don't know specifically of an assignment that we have right now but there may be. I mean I don't . . .

**Mr. McPherson:** — I'm going . . . like I said, it's assignment specific, right?

**Mr. Harras:** — Nothing that I . . . nothing that comes to my mind.

**Mr. McPherson:** — The other question that was asked on reconstruction charges, 14 or \$15 million a year . . .

**Mr. Staudt:** — It varies between 14 and 15; I think it's about 14.6.

**Mr. McPherson:** — All right. Can we expect that that as far as going into reconstruction and refurbishing, that's in addition to monies that were always being spent? Has the percentage of monies that SaskPower were spending on reconstruction, refurbishing changed as a result of reconstruction? Or in fact has the one hand sort of backed away while the other one filled in?

**Mr. Staudt:** — Well the board has set a target for SaskPower to spend \$150 million per year on capital projects. And we go through a process to rank the projects to see which ones are more beneficial in that given year for the corporation as a whole and the reconstruction is separate from that 150 million.

**Mr. McPherson:** — All right. But previous . . .

**Mr. Staudt:** — That doesn't count generation.

**Mr. McPherson:** — Okay. Previous to the reconstruction charge, there were monies set aside or a percentage each and every year. Has that changed? Has that decreased? Because I'm asking . . . I think you'd mentioned before that it was outside of

capital construction money.

**Mr. Staudt:** — It is. It's outside of it.

**Mr. McPherson:** — So you'd have . . .

**Mr. Staudt:** — A hundred and fifty and then the reconstruction charge is separate and above that.

**Mr. McPherson:** — Right. But monies spent previous to the reconstruction charge, that was in a separate category as well? So if say you were spending \$40 million a year on reconstruction and refurbishing, did that all of a sudden become 20 million and you add 15 from the reconstruction charge?

**Mr. Staudt:** — I don't know the answer to that. Do you, Tony?

**Mr. Harras:** — I don't think we had a separate category for reconstruction prior to the reconstruction charge.

**Mr. Staudt:** — Or that we have now decreased the amount that we spend. Again, we do it on the basis, Mr. McPherson, of ranked projects and we rank them according. So there was no money that was always set aside and so we have to spend 40 million or 30 million or 20 million on reconstruction if it ranked.

In fact some of the things we found out looking backwards and as we go forward is perhaps we didn't spend as much money on refurbishment as we have in certain areas. And we are looking at that for 1999.

**Mr. McPherson:** — Would it be impossible or near possible to get that separate category for the years leading up to the reconstruction charge? And I will ask it . . . I don't want to put SaskPower management into a position where they're going to go through a lot of expense and time and effort on something. But from the people's point of view, they look at the reconstruction charge as a tax, and of course, you were able to pull money back from the other hand so to speak. Really just jacking up the rates on them.

**Mr. Staudt:** — I don't know how difficult or easy that would be to get, Mr. McPherson. I do have a chart here, but it just breaks it down into capital expenditures for transmission distribution and it fluctuates quite a lot. But that's not surprising as our capital needs are based on . . . I mean in the oil field, when the oil field was booming, we were spending a lot of money on distribution.

**Mr. McPherson:** — Right.

**Mr. Staudt:** — As the oil field dropped off, the construction costs associated with distribution would have gone down associated with that.

**Mr. Harras:** — Just working . . . We did not spend that much money rebuilding our distribution system because if you reflect on how old our distribution lines are in Saskatchewan, the bulk of them were starting to be built in the late '50s and early '60s. So it's only as a result that these facilities have, you know, reached 30, 35 years that we got ourselves into a situation where we have to start systematically rebuilding portions of

those, you know, facilities.

**Mr. McPherson:** — As far as distribution lines, do you have a cost per kilometre, per mile, of what it would cost to run you know a 14.4 or a three phase as compared to an underground project?

**Mr. Harras:** — Sure. We have costs for overhead versus underground, yes.

**Mr. McPherson:** — We can get those?

**Mr. Staudt:** — We can get those; I don't have them here with me.

**Mr. McPherson:** — Right. Now on lines where in fact the old overheads are becoming a problem and people are wanting an underground system going across the land not just into the yard, when you calculate the cost out for people, do you deduct the amount of cost it would be to replace the overhead which would be at your expense entirely?

**Mr. Staudt:** — When we're refurbishing a line or somebody who wants to have it buried?

**Mr. McPherson:** — No, if . . . Well I guess that would be the decision of somebody looking at the cost. If the line is going to be replaced and it's a single phase 14.4 and you're going to . . .

**Mr. Staudt:** — If we have announced we're going to replace it you mean?

**Mr. McPherson:** — Right. If you intend to replace it, do you go to the customer whose land that it's going across and say, well listen you know, here's the cost of us having to spend on the overhead. Now if you chose to go underground, here's what your cost would be and we'll deduct this overhead expenditure because it's a cost to you regardless, one way or another.

Would you consider doing that especially since, you know, your manpower over the years is going to be far less in dealing with that underground versus the overhead?

**Mr. Staudt:** — I'm not aware of a policy in that regard. It sounds logical but I don't know if that is our policy or if it is not. I do know that it is quite a bit more expensive to bury lines than it is to string them overhead.

**Mr. Harras:** — It becomes particularly more expensive if you have short distances because you have to bring in the ploughing equipment. I mean the truth of the matter is if you have an overhead line, 14.4 line, is that often it's a matter of restubbing a pole or replacing a pole. So, you know, the approach that we're trying to use is keep the facilities, you know, in service as long as practical because it does cost quite a bit to replace let's say a kilometre of overhead line by burying it.

If you have a long, large area then you can cost justify bringing in the equipment and, you know, burying significant portions but if it's just a short distance it probably is fairly expensive but we can try it out . . .

**Mr. Staudt:** — Our tendency would be that we would not want

to do that if we've got overheads and then go underground and then come up and go overhead just because one customer would prefer underground. It would . . .

**Mr. McPherson:** — I'm thinking more of a farm service where perhaps you're going a quarter-mile or a half a mile to a dead end.

**Mr. Staudt:** — To an individual farm, yes. We will find out.

**The Chair:** — Thank you, Mr. McPherson. I'll now recognize government members.

**Mr. Trew:** — Thank you, Madam Chair. Mr. Staudt, I think I heard you respond to Mr. McPherson about the Wyoming coal saying the economics were just not there. Is that . . .

**Mr. Staudt:** — Yes.

**Mr. Trew:** — Okay. good. I don't want to beat that to death. I appreciated the question and likewise appreciate the answer.

Mr. Johnson was talking about the EnerSave program of the '70s. I'm familiar with it because as a homeowner I utilized it and what it was was a program of up to three years to repay . . . You do some upgrading of your insulation, for example, SaskPower would pay the bill and divide that by 36, whatever the bill was. So the consumer would pay it over three years back to SaskPower.

I don't know the details whether SaskPower in fact swallowed the interest or whether the government put some money into SaskPower; don't particularly care. But as a consumer it was a very good program I felt, and I'm wondering what is SaskPower doing with respect to energy conservation and consumers . . . is it anywhere on the map? Is energy conservation being addressed in any way?

**Mr. Staudt:** — I'm looking at it from a number of angles, Mr. Trew. One of the things we're looking at and I've tasked my people with trying to come up with a way to do it, is to make energy conservation more aware in the school systems, public schools mostly would be our focus, and to try to come up with some programs that we would challenge students to get their parents involved in. Certainly not from a monetary aspect where SaskPower is funding any programs; it's just more of an awareness program.

As well we've recently started a pilot project with Honeywell Canada to go to our large industrials and try to work with our large industrials on energy management in their facilities and try to create efficiencies for them to reduce their energy bills. And that sounds somewhat contrary to what you would expect a power company to want to do to actually reduce our revenues.

But we're looking at it as a strategic issue that if we can go into a corporation and create value for them, that it's a much better opportunity for us to remain their supplier when competition does come in.

There are some other things that we have done in terms of some of the rinks throughout the province but that has met with limited success and we're not really pursuing that. So I would

say at this point we're looking at the school system and the large industrials.

**Mr. Trew:** — Thank you. I wish I had more answers for you. I confess to being not all that satisfied in that there's huge potential for dollars to be saved by consumers and for jobs to be created in Saskatchewan in retrofitting and those sorts of things. I'm not sure that it's SaskPower that should be tagged with it. I want to be clear about that. I'm just expressing a frustration.

**Mr. Staudt:** — Power and SaskEnergy, I believe it was 1996, funded the Saskatchewan Research Council to implement a program. The program ran out of funding. SaskPower and SaskEnergy both had a one-year commitment and we weren't satisfied that the program had made any benefits and really had done a very minimal amount of audits. And so we discontinued the funding and I don't think they're continuing with that.

So we had challenged them to do something and they really hadn't carried it out to our satisfaction so we didn't want to spend any more money, but we're always looking for ways where we can improve energy efficiency in the province. It's to our benefit as well.

**Mr. Trew:** — Good, thanks. I don't want to beat that particular thing to death. I think you understand just by the expression on my face that I'm frustrated by it.

I want to turn to alternate energies and I want to start by saying I've read an interesting book on wind power in America recently. Amongst other things I learned that in California, with respect to wind, it got underway big time while Governor Jerry Brown was in, and they introduced a tax credit system, that near as I could tell it was a tax credit based on investment, so there's a fair number of legitimate power producers in wind. But a tax credit based on investment also encouraged a fair number of shysters to come in with, you know, something that looked like it might generate electricity but didn't necessarily. They should have had a tax credit on electricity produced and it had had far, far, far superior results.

California also directed — and this, this I guess is tied into earlier, I think it was Mr. Boyd talking about the cheap California power rates — at that time, California directed the wind power, the major companies rather, Con Edison for example, to purchase wind power at seven cents roughly a kilowatt.

I guess I'm curious of two things. One, do you know if that's still basically in effect in California?

**Mr. Staudt:** — California? I know that they have done a lot of things of what they call Green Power, which we have looked at as well. And wind, wind generation is very popular in California because of their location and apparently they get wind in a certain location, where all the wind turbines are located, 24 hours a day — is that not right? — because of the prevailing winds on the ocean.

**Mr. Harras:** — It tends to be daily. It's a function of the ocean and the desert heating so it blows into the inland during the day and then blows out during the night. So it's a very predictable thing.

**Mr. Staudt:** — I think in Saskatchewan the only place where you get constant wind is at the Emerald Park Golf Course.

**A Member:** — That could be.

**Mr. Trew:** — I just want to conclude by asking where is alternate energies on your radar scope? On SaskPower's radar scope? And I'd appreciate if you'd talk about wind a little, solar, maybe there's other things.

**Mr. Staudt:** — Tony, do you want to take this? Yes, biomass.

**Mr. Harras:** — Yes. On the question of wind, I think we all are familiar that SaskPower did look at a wind-demo project that was cancelled. And primarily because of cost. And we still monitor the potential for wind. There have been significant technological changes in wind and I'll just not belabour this too much, but one of the difficulties with wind is that the energy output is a function of the cube group of the wind speed. So what that means is when you build a wind turbine there's a very narrow band of wind speeds that the turbine can actually utilize. So by changing the technical design, you can actually capture a broader range of wind speeds.

So as a result, wind turbines today can operate over a broader range and therefore a larger percentage of the time. There is also cost savings. However still at this point in time, wind is not cost competitive with, you know, natural gas-based generation as an example.

Photovoltaics are even more expensive. So I would imagine that what may happen in the foreseeable future, there may be, you know, cost or relatively cost-competitive wind projects not necessarily, you know, comparable to fossil-based or hydro-based generation but something closer to being cost competitive. Photovoltaics seem to be off, you know, into the horizon a little further, when you look at other alternate energy sources, be it let's say mini-hydro there really are limited opportunities in Saskatchewan for mini-hydro because there's only two rivers in Saskatchewan that flow year round, namely the Churchill and the Saskatchewan River system in the South. Now you go in the North, you have a larger number of smaller, you know, substantial rivers and smaller rivers that you could put mini-hydro but there's no load in the region.

So to develop mini-hydro in Saskatchewan becomes quite, you know, technically expensive because where there are opportunities there are, you know, limited utilization. Beyond that in terms of biomass, certainly you know one of the largest biomass producer was Weyerhaeuser and they're putting in at their own facility. There are other companies that do produce biomass, the Meadow Lake saw mill is an example. There may be some opportunities in the future.

Geothermal there really is, you know at least as far as I know, there are really are no geothermal opportunities in Saskatchewan. There are some other waste products that can be used and you know which could be competitive today. And we certainly have been approached and we may pursue some of these. I'm thinking of flared gas in specific.

**Mr. Trew:** — Thanks, Mr. Harras.

**The Chair:** — Any further questions, Mr. Trew?

**Mr. Trew:** — No. No thank you, Madam Chair.

**The Chair:** — Further questions from government members? There being none I'll recognize . . .

**Mr. Calvert:** — I have one small one. Sorry.

**The Chair:** — There being one at the very end of the table — one very short, brief question.

**Mr. Calvert:** — Just to follow up Mr. Kowalsky's question this morning about equity, employee equity — employment equity. I was a little confused by the chart. Mr. Hyde, I'm sure, can straighten this up. We have a category called employee with disabilities and then we have a category called visible minority employees. I don't know, Bill, if you have the definitions of the categories here. I'm confused about the categories. We have female — I understand. Aboriginal — I understand.

**Mr. Wall:** — I thought they were rather sexist in that there's no column there for male employees. I don't know where they are.

**The Chair:** — Mr. Wall, you're out of order.

**Mr. Calvert:** — My question has to do with the definition of employees with disabilities as opposed to visible minority employees.

**Mr. Hyde:** — These are the categories that are determined by the Human Rights Commission.

**Mr. Calvert:** — Yes.

**Mr. Hyde:** — I'm not sure I understand the question. I mean . . .

**Mr. Staudt:** — Is the definition a visible minority which I believe is any . . .

**Mr. Calvert:** — Using the Human Rights definitions here, my plea is for any agency, Crown related to the Government of Saskatchewan is that we work as hard as we possibly can, particular around the employees with disabilities file. If we note . . . we're not doing well on a lot of the files — and I think that was admitted this morning and that's true not just in Power but in other areas of government or related to government — we're not doing as well as we should be. We're not doing as well as we should be.

I think where we're doing least well is in employees with disabilities. It's my understanding we can say about 10 per cent of our population will be people who are disabled. If we look at the category here in Power we're not . . . we're up to five in supervisory, but we're well below . . . So my plea is and I would encourage the corporation to have one of its officers be in touch with the office of disability issues. And the new person, I'm sure the person there will want to co-ordinate some of that work with the Crown sector too. So I make that plea.

**Mr. Staudt:** — One of the — I don't want to use this as an excuse, Mr. Calvert — but one of the things that we have found



is that people have to self-declare before they can be counted in statistics. So we may have people with disabilities who have decided not to declare. And I don't know if that's a valid statistic or not, but it is something that we're aware of. But certainly we want to improve on all our statistics.

**Mr. Calvert:** — I'll just make one quick comment. I think we're doing a better job at providing educational opportunities for the disabled, particularly through the SIAST (Saskatchewan Institute of Applied Science and Technology) operation, but we're not yet moving to providing the employment opportunities. And sometimes it's just a matter of a bit of technology or a bit of office renovation or things, so . . .

**Mr. Staudt:** — Yes. No, we're trying to improve all our statistics, so we'll look at that one as well.

**The Chair:** — Thank you, Mr. Staudt, and Mr. Calvert. Mr. Boyd now. Do you anticipate that you'll be going much more than about 15 minutes, Mr. Boyd?

**Mr. Boyd:** — Not very likely, no.

**The Chair:** — If it's only going to be about 20 minutes or 25, I would encourage you to just ask all your questions at once.

**Mr. Boyd:** — Thank you. Mr. Staudt, when we spoke the other day, and it was a private meeting — I don't want to . . . certainly want to release any information that was in that private meeting, and I will stop my line of questioning if this announcement hasn't taken place at this point — but you are going to be or are currently searching for a new president. Is that something that's been announced or not?

**Mr. Fair:** — That's probably more in my court, Mr. Boyd.

**Mr. Boyd:** — Okay.

**Mr. Fair:** — Yes, we are . . .

**Mr. Boyd:** — It has been announced, so we can speak?

**Mr. Fair:** — Yes, you can speak. It was actually advertised yesterday in *The Globe and Mail*.

**Mr. Boyd:** — Okay. That's the reason why I asked that question. If it wasn't, I wasn't going to pursue any further questions with respect to it.

But if it's been announced, I would like to know what you are expecting or wanting to find in a new president. And will you be looking within the current corporation to fulfill that position?

I wonder if you could give us a little bit of an outline as to what you are doing in this area. Does the board have, for example, a search committee? Or are you just simply asking, through your advertising efforts, for people to send in resumes? Do you have what's commonly known as headhunting companies that you are using, consultants, things of that nature?

Could you please inform the committee as to what you're doing in this area?

**Mr. Fair:** — Certainly. What we did was developed first of all a job description for the position of president, which outlines the expectations of the board. That was approved by the board a short time ago.

We have gone to five search firms and sought a submission to assist us in that search. And the Caldwell Partners out of Calgary were the successful firm who is assisting us in that search.

We will receive, either directly or indirectly, from interested candidates, a resume, inquiries. The gentleman actually within Caldwell is a gentleman by the name of Tim Hamilton operating out of Calgary who will be primarily of assistance to us.

The Caldwell firm has either just completed or is in the process of completing two searches for . . . at the presidential level specifically in the energy area. So that was one that gave us a good deal of interest in their firm, and in our first meeting in fact provided us with a number of profiles of candidates who we might either look at or not look at.

The ad is in the paper this week. It will be as well in the *Leader-Post* and *Star-Phoenix* and I think the *Free Press* in this province. We will then, we'll be preparing a . . . Well we provided them with the kinds of information, annual reports, organization charts, and so on, and we will be now developing a . . . or they will go through a process first of all of bringing it down to a reasonable list.

The actual process of the involvement, we have of course someone from CIC and someone from Executive Council working along with myself, who will bring the list down to one or two or three. The board will then do an interview and make a recommendation. This is one of the areas in your chart that has a board recommendation, CIC, and cabinet approval.

**Mr. Boyd:** — Have you received any direction from the government, cabinet in this area?

**Mr. Fair:** — No. It's an independent search as . . . I don't know how better to describe it. It is a free and independent search.

**Mr. Boyd:** — So will it be a decision of the board or will it require the cabinet's approval to make the final determination?

**Mr. Fair:** — It will, it will require . . . As I say in that chart I believe that Mr. Shaw shared with you — I think it was in that document — you will find that it has board recommendation, CIC, and cabinet approval.

**Mr. Boyd:** — Okay. Thank you. With respect to my last area of questioning; it surrounds the whole area of accountability. The time frames surrounding the whole issue of Channel Lake were — I stand to be corrected — but early spring, the initial problems developed in '97, was it not, and come to light in late fall of '97?

**Mr. Staudt:** — Yes, '96.

**Mr. Boyd:** — Yes. I can't help but note in the annual report there isn't one word of mention.

**Mr. Staudt:** — Channel Lake?

**Mr. Boyd:** — Yes.

**Mr. Staudt:** — I believe there is but . . . There's no note on it but it is referenced.

**Mr. Boyd:** — Could you draw my attention to it, please?

**Mr. Staudt:** — Note 5 on page 41.

**Mr. Boyd:** — Okay. Thank you. I think it's clear to all in Saskatchewan that SaskPower has had some very bad experiences in the last short time frame.

Your shareholder and the people of Saskatchewan I think have not been well served by the management and decisions made by management in recent times. I believe following on Channel Lake and Guyana and the labour disruption, the current management and board has a huge job to perform in order to repair its reputation here in Saskatchewan and indeed likely abroad.

The Provincial Auditor, arguably the most independent authority in Saskatchewan when it comes to these types of concerns, still appears to have significant concerns about the management practices and systems, at least to the point where he wants to investigate further.

The lessons of the past I trust will not be repeated and . . . or the lessons of the past I trust will be heeded and the practices of the past will not be repeated. Also in the future I would hope that any explanation of failures does not include that excuse that it's only a minuscule amount of SaskPower's revenues. I think any time a Crown corporation loses money it should be of tremendous concern to the management team. Rather than looking for excuses, they should be looking for ways to ensure that it doesn't happen again.

Now when it comes to things like the reconstruction charges, I don't think you communicated, at least to this point in my view, a very good explanation to the people of Saskatchewan — one that they can appreciate anyway.

When we see SaskPower losing millions of dollars in foreign jurisdictions — many people don't even know where they are — it, I think, is very difficult for them to understand why we'd be investing in foreign jurisdictions, very unstable political climates, when at the same time we're instituting a reconstruction fee here in Saskatchewan for a crumbling infrastructure.

It may be an explanation that we can make around this table and there is some degree of logic for it. However, in the mind's eye of the people of Saskatchewan, in the view of, I think, of people here in Saskatchewan, is it's difficult to charge for something that they assumed was an ongoing responsibility of the corporation over the years.

As I said, the job of repairing the reputation of SaskPower is going to be tremendous. I congratulate you for your efforts to date in this area of moving and recognizing, first of all, of recognizing that there is a difficulty. I think you're correct, Mr.

Staudt, in your observation that SaskPower's reputation, at least to this point, has been one of a company out of control and one of a company that has an arrogant attitude with respect to its business operations, and that needs to be changed and changed dramatically.

The search for the president will be a part of that and a very significant part of that. If it is seen, and is indeed free of political interference here in Saskatchewan, I think that will go a long ways towards helping to repair the damaged reputation that SaskPower currently has.

The people of Saskatchewan I think will be watching with great interest and we certainly in opposition will be watching with great interest as to who at the end of the day the successful candidate for that position is.

I think, Mr. Fair, to yourself and to your board, I think that that goes without question, that people will be watching very carefully as to how this is conducted in a fair and open fashion and that at the end of the day it is someone that has expertise in the area, and significant expertise in the operations and management of a very major utility or something of that type, that can be considered an acceptable resumé for a job of this nature. I wish you well. I think you have a big job ahead of you.

**Mr. Fair:** — Thank you.

**The Chair:** — You have no further questions, Mr. Boyd?

**Mr. Boyd:** — None.

**The Chair:** — Okay, thank you. I'm getting an indication that government members have no further questions but that the Liberal Party member does have further questions. I'd like to test committee members: shall we just continue meeting and skip the break?

Now committee members of course are free to move around; but I think I should ask the SaskPower officials, in the interests of perhaps being able to vote this off do you mind foregoing a 15-minute break and just carrying on.

**Mr. Staudt:** — I would prefer carrying on.

**The Chair:** — All right. I would encourage . . .

**Mr. Boyd:** — What length of time are we anticipating?

**The Chair:** — Mr. McPherson, about how long do you think your questions might last?

**Mr. McPherson:** — Oh, it depends on answers, interruptions, a whole host of things.

**The Chair:** — Mr. McPherson can't anticipate a time limit on it.

**Mr. McPherson:** — I suspect I will be brief.

**The Chair:** — Okay. Let's just carry on then.

**Mr. McPherson:** — Thank you. I know we had talked

yesterday, I guess it was, about brokering power, selling and buying power. And I see in this *BusinessLine* of July 31, '97, SaskPower entered into a buying and selling arrangement with Continental Power Exchange. Is that how power is moved at present, through this CPEX (Continental Power Exchange)?

**Mr. Harras:** — We were involved with CPEX primarily last year. It basically was an electronic brokerage system where potential sellers entered, you know, the quantities that they had available and the price and potential owners put in the prices they were prepared to pay. And through, you know, computer software, it basically matched people up. And if the match was there, then the transaction proceeded.

That brokerage facility isn't used any longer. They basically have been replaced by other people who are in this business.

But that isn't the only vehicle that SaskPower buys and sells through. I mean, we do the traditional things that we have done for, you know, 20, 30 years, where we communicate with our neighbouring utilities and make deals in terms of buying and selling.

**Mr. McPherson:** — And those individual deals, they pretty much override what was happening here? Or that's where the bulk of the power would be purchased . . .

**Mr. Harras:** — Historically the bulk of the transactions have been still through, you know, personal to personal contact. This actually supplemented it. But this particular system, CPEX, is not being used any longer.

**Mr. McPherson:** — What replaced CPEX?

**Mr. Harras:** — Well right now we don't have an electronic-based system. There is a system by the utilities in MAPP (Mid-Continent Area Power Pool) which is the utilities of Manitoba and south into Minnesota and the Dakotas. We are looking at using that facility but before we can use that facility we have to offer up transmission tariffs and this sort of thing. There's a few things that we have to get sorted out before we can use that brokerage system.

**Mr. McPherson:** — And then in fact will this Delta, the computers of the Delta project, does that play a role in this buying and selling arrangement?

**Mr. Harras:** — Delta doesn't include this.

**Mr. McPherson:** — Wouldn't have part of it?

**Mr. Harras:** — Not at this time at least.

**Mr. McPherson:** — All right. Another thing that has been raised on a few occasions is the rural industry, especially now with these hog operations and beef feedlots and such. Of course they're using three-phase systems and I was just wondering, is SaskPower . . . What is the policy as far as supplying these three-phase lines? Is there a waiving of the costs of the installation of the power to these facilities?

**Mr. Staudt:** — It's a policy we have is that we pay what we determine to be two years of anticipated revenue and the owner

or the purchaser of that power pays the additional cost to get the facilities to his facility.

**Mr. McPherson:** — Is there a cap on these costs?

**Mr. Staudt:** — No, it's two years' anticipated revenue. Whatever we believe the revenue is estimated to be for the first two years of operation, that's how much we absorb as our capital contribution.

**Mr. McPherson:** — Okay. Are there cases where we could go above that? Any instance where we could go above? And let me first of all say that I'm very much in favour of SaskPower doing this if it's going to get some industry out in rural Saskatchewan and help people that, you know, perhaps are in a bit of a squeeze to make these operations a go. Because I know we're talking sometimes a quarter of a million to get a gas line to a hog operator and that will, you know, stop the project. And I'm not sure what the average costs of a three-phase line to such a facility but . . .

**Mr. Staudt:** — I guess it depends how far they are off the existing line and what distance there is that we have to build a line to their facilities, but the standard policy and the practice that we have implemented and maintain is two years' anticipated revenues. And that's common in the oil field industry as well. It's not unique to hog barns.

**Mr. McPherson:** — Okay. So it's all rural industry. All right. Do you know what that would cost I guess in the oil industry? What the cost would be to supply that to your . . .

**Mr. Staudt:** — Again, it's on a case-by-case basis as you analyze how much revenue you anticipate getting out of the industry or the facility that's being built.

**Mr. McPherson:** — And on the rinks. I mean, as a rural member, I'm sure other rural members would get the same, you know, all the small communities that have the inability to really afford the power rates and such to keep a rink open with depopulation and so on. You had mentioned there is a program that wasn't being very successful. Are you looking at something other?

**Mr. Staudt:** — Yes, that program was to try to assist the towns in reducing the power utilized by the rinks. It wasn't a program to subsidize the use of the rinks. One of the things that is so expensive for the rinks and arenas in the province in these small towns is what we call our demand charge because we don't know when their ice plant is going to come on, so we have to have the energy available for them to turn on the ice plant. And the ice plant — getting not a technical person on this — but I would think the ice plants have to come on to keep the ice at a certain temperature so they're coming on at any given time.

It's much like IPSCO. IPSCO's on demand of 120 megawatts when they need it, not when we choose to give it to them. And they can do that at any time. It's not constant — it jumps up and down. And that's what these rinks do.

So we have in our rate structure a demand charge and a usage charge and it's very expensive to have the energy available for their use.

**Mr. McPherson:** — Right. And so that demand charge, when that motor starts up and it hits its peak, that's charged for the day at that rate or is there so many hours that it's charged?

**Mr. Staudt:** — It's the highest per month, is it not Tony?

**Mr. Harras:** — Yes, there's the demand charge and then they pay for the energy that they actually use.

So as Kelly was saying, you have to make sure that the facilities are there to supply the motor or the compressor. So you have to install the equipment to make sure it has enough capacity to allow the facilities to run. So that's what the demand charge is there for, and then we basically just recover the cost of the energy.

**Mr. McPherson:** — Right. Well I've had it raised where the demand charge is what makes it unaffordable. Is the demand charge based on that peak load at that moment, so your meter's reading . . . it's a demand meter.

**Mr. Staudt:** — Because we have to have that energy available at that level when they need it. So we have to generate enough energy to always have that available to them when they call on it. That's why it's called a demand charge.

So we can't utilize that energy somewhere else and then call it back and give it to them when they need it. It has to be there on demand.

**Mr. McPherson:** — Has SaskPower looked at perhaps doing something with capacitors on the load to take that spike off, because in reality it's not power that's being used. And I don't want to get technical. Tony and I can probably have this conversation.

**Mr. Harras:** — The problem with capacitors — the capacitors can actually clip short-term spikes but you're talking about spikes that are in the order of seconds. The demand meter is 20-minute demand, I would imagine. I'm not technically certain here but it's in order of minutes.

So although a capacitor could clip short-term spikes, it would not solve . . . The problem is that you have to have the equipment, you know, the size of the transformer, the lines to handle the motors, you know, for the compressors when they come on. You know, it's like having equipment that runs 5 per cent of the time but you still have to have the delivery system.

And that's why, you know, they're right. I mean it's a demand charge. It is probably, you know, the biggest component. But it's . . . otherwise you have to have the delivery system to run that equipment.

**Mr. McPherson:** — So you're talking about the hardware that's actually out there. But after a certain amount of years, I mean some of these rinks and the installation that was put there some years ago . . . I mean we're well beyond having that paid for and recoup those costs . . . being recouped by SaskPower.

**Mr. Harras:** — Yes what it is, it's how you do your cost of service. When you look at different customers, classes, you allocate the cost of your facilities. This is why when somebody

builds a new facility, a new home, they don't actually pay the cost of the brand new equipment because the costs are shared in that class. So there's no doubt people say, well, I've had this facility for 20 years, surely I've paid for it already.

Well the truth of the matter is that when they came on they were sharing the costs of those facilities in their customer class which were being averaged out with old equipment. So it's the way, you know, costs are allocated to particular customer classes that requires us, you know, to give them a lower rate when they first hook up, that we continue to charge them for these facilities even though people have the impression that, you know, the equipment now is 20 years and paid for. It's just how the costs when we establish our rates are shared amongst other people in that class.

**Mr. McPherson:** — But if you're taking a look at rural Saskatchewan and the rinks out there, I mean I don't expect that you'll see many more rinks built in rural Saskatchewan after the Devine era. But, you know, I would have to guess that, you know, the last sort of flux of rinks has to be 10, 12 years ago, and that demand charge has to have covered that equipment by this time.

Even though, and I know you're saying the class, I guess the reason I keep bringing this up is that, you know, we may well see rinks that don't operate any longer out there because of this. And is there something more that SaskPower can do to be a little more proactive to help out? Because like I say, if that spiking is part of the, part of the reason, it's really not the power that's being used out there either. You know, we don't want to get technical again, but it really isn't. So I don't know if there's technology that can, that can more treat the people fairly.

**Mr. Staudt:** — I don't know the answer to that either. I think it's . . . I'm going from memory here, Mr. McPherson, and I'm not sure how accurate this is. But I believe one of the things we have tried to do for the rinks is in the first month of operation and the last month of operation I believe we reduce or waive the demand charge so that they're not charged for the entire month. Because perhaps in April they've only had the rink in operation for two weeks — or is it May, whatever month that is. And same with September when they're starting up the rink, they may not start it September 1 — they may start it September 16. We make concessions for them for that month. However, other customers that's not the case, the demand is the spike of the month. So we have done some things for the rinks.

**Mr. McPherson:** — Thank you.

**The Chair:** — Are you finished your line of questioning, Mr. McPherson? Thank you very much. Then Mr. Kowalsky, do you have a motion you wish to put at this point?

**Mr. Kowalsky:** — No. I would just like to take a minute to make a statement of appreciation, if I could.

**The Chair:** — You could do that too. I would have done it anyway.

**Mr. Kowalsky:** — Unless somebody wants to ask some questions, because I don't want to be taking up question time.

**The Chair:** — No.

**Mr. Kowalsky:** — Okay. Well I just want to express to the management of SaskPower, and ask if they would convey this also to people that work for SaskPower, our appreciation — and when I say our, I mean my constituents and it probably applies to everybody else's constituents — appreciation for the work that you are doing, and the fact that you showed in response to a lot of the questions today that the work that we probably would hope that you would be doing has been done or in some cases are even ahead.

I guess first of all I want to make something that may seem very fundamental. But during the time of our deliberations over the last two days and indeed during the time of our Channel Lake committee meetings, the power stayed on. Now we take it for granted, but I know that you and I and most of us have been in jurisdictions where this is not the case. And so we should recognize that there are people and systems in place that the thing keeps going even though there are some political arguments that have to be made.

And that we should ... and I appreciate the professional manner that the staff and the workers have treated and have reacted to the deliberations regarding the Channel Lake and the Crown Corporations' report and the suggestions made by the auditor.

When we were asked today about things that have been done, repairs that have been done, you've indicated that there has been some repair work that has been done. You're well on your way to increasing accountability and communication patterns, and that tells me and it tells really the people of Saskatchewan that it will be done, that the intent is already there without any prodding, any further prodding.

You've got some challenges like the Y2000. I've been reassured that we're not going to get blackouts and brownouts happening in homes at least, even though there may be a power shortage short of some kind of disaster, and we can never prepare for the ultimate disaster.

I want to wish you the best in your change process with the Delta project. It looks like something that is very timely.

You've undergone a change in management. That's always a very difficult thing. But in this particular case I want to single out the work done by Mr. Milt Fair and give him a special thank you because basically he came out of retirement to help us out in this case. And I think you've postponed a move, personal move of your own.

And I just want to say that it's certainly appreciated by us because we needed somebody of your experience and your talent and your calibre to do this. And I can see that you have the confidence of people that are working with you and around you.

And I would appreciate, Mr. Staudt, if you could pass these comments on to your management staff and also to the front-line workers who have also worked under various adverse conditions.

**Mr. Staudt:** — I will do that. And I want to say, Mr. Kowalsky, that it's very nice to hear someone say something positive about SaskPower for a change. Thank you.

**The Chair:** — Thank you.

**Mr. Trew:** — Thank you. I move:

That the Standing Committee on Crown Corporations conclude its review of the annual report and financial statements of Saskatchewan Power Corporation and the financial statements of its subsidiaries, SaskPower Commercial Inc. and Power Greenhouses Inc., all for the year ended December 31, 1997.

I so move.

**The Chair:** — Thank you. All those in favour of the motion, please indicate. Thank you. Hands down. All those opposed. There being none, that report is passed.

Before we adjourn — and I will, Mr. Trew, require a motion of adjournment since we will be adjourning before our regular hour — Mr. McPherson, you did request various reports from SaskPower. I have been assured that they will be providing the committee with those reports and will do it as speedily as possible. They will of course be tabled with the Clerk who will distribute them to all committee members.

I need some guidance though in terms of what committee members want to have customarily tabled before it when you're dealing with the annual report. I recognize that there will always be times when you'll have questions and be asking for special reports that we can't give the corporations advance notice of. But I would like to know what kinds of information committee members customarily want to have tabled with them when the corporations come.

I've reviewed our terms of reference and the report that we made to the House, and at that point it was determined that we would be customarily asking for senior management and executive salary ranges and that was it.

I also reviewed documents that were tabled last year and, committee members, for all the Crowns that we did review last year, that information was tabled. For SGI (Saskatchewan Government Insurance), Sask Water, CIC, SaskEnergy, SaskTel, SOCO (Saskatchewan Opportunities Corporation), STC (Saskatchewan Transportation Company) — you did receive all of those.

But there were other things. Summary of advertising expenses and consulting fees — SaskEnergy did provide that. CIC provided a document, miscellaneous fees and expenses. I'm wondering if there are any other documents other than the senior management and executive salaries that committee members want me to ask the Crowns to customarily provide before we begin our review of the annual reports.

**Mr. McPherson:** — Madam Chair, as I recall, I think it was probably a couple of years ago, yourself, Kim, I think it was Don, myself, came to an agreement that there would be certain things that would be provided with each annual report so that

members could avoid the kind of questions that I don't like asking and it's not fair to put before the board while they're here. And that had to do with legal contracts.

I think it was over 5,000 we agreed. Kim, do you recall some of those.

**Mr. Trew:** — I don't recall that, Mr. McPherson, and I'm not trying to say you're wrong at all. I just don't . . . I have no recollection of it. I'm sorry.

**Mr. McPherson:** — No, it was all off the record. Don, do you recall? Do you remember the meetings?

**Mr. Toth:** — As far as legal fees, I don't remember if we set a figure on it.

**Mr. McPherson:** — Yes, I don't remember the figure, for sure, whether it was 5 or 10,000. I mean we don't want to see anything trivial. It's substantial amounts that we're looking at. So if you want to set a figure of ten or whatever thousand dollars for legal, also consultants' fees, and what they're for.

You know, we want to know if there's a law firm charging 50,000 bucks. We should at least have a one line about what it is they are doing for us for 50,000 bucks. Same with consultants, ad agencies. We used to get this. I recall we had it all in one year. So the ad agency — a record, what it was that, you know, where tendered, if tendered, this information.

**The Chair:** — Certainly in the past, Mr. McPherson, committee members have asked for that kind of information, that sort of detail, and they have received it. In the last couple of years though, they've tended not to ask for those reports. And that's why I'm asking for guidance from the committee members . . .

**Mr. McPherson:** — Right. And Madam Chair, we tended not to ask because we had an agreement that it was going to be brought forward.

**Mr. Trew:** — Madam Chair, to that if I can suggest rather than us sort of wondering or questioning ourselves and each other about what that agreement was, what's the most expeditious way that we could get a copy of that agreement and perhaps discuss it tomorrow?

I'm not comfortable with pulling back from something that we may have agreed but I just simply have no recollection at all of it. And I'm saying so without malice. I just don't recall it.

**The Chair:** — My suggestion at this point is that I will phone SaskEnergy and ensure that they will have prepared for committee members a list of their senior management and executive staff and their salary ranges.

And I would suggest that we have a motion for adjournment now and that representatives from each party meet with me and with the Clerk right after this meeting. We'll review the list of documents that have customarily been tabled in the last few years. We can then draw up a list that committee members would be . . . that party representatives would be suggesting that the committee may wish to have tabled on a regular basis. We

can then report to the committee tomorrow morning on that. Would that be satisfactory?

**Mr. Toth:** — Just one further comment. In the past, it's been noted — years I've been involved — that board per diems, honorariums, travel, certainly out-of-province travel, ministers, and what have you has been part of the process that's been asked.

**The Chair:** — There's been a wide range of documents that have tabled and what I'm seeking is guidance from the committee members as to the questions that you want me to put to each of the corporations to just be tabling regularly. And I think at this point, rather than relying on our memory which seems to be sort of fairly middle-aged, that we meet, decide in the affirmative what it is we want, and then we'll make it a special motion tomorrow. Is that agreed. Okay.

Then before I ask Mr. Trew to make the motion of adjournment, I would like to also extend on behalf of the committee our thanks to the Provincial Auditor, to Ernst & Young, and most particularly to the representatives from SaskPower for sitting here answering all our questions and being forthcoming and also patient.

And to you, Mr. Fair, in particular, I would like to thank you for stepping in and becoming Vice-Chair in an extremely difficult year and dealing with everything with good grace and dignity, and also to all the senior management and staff at SaskPower, and to you, Mr. Staudt, in your position as acting CEO (chief executive officer). I do thank you for the co-operation and diligence that you've shown.

Mr. Trew, will you make your motion now.

**Mr. Trew:** — Madam Chair, I move that this committee do now adjourn.

**The Chair:** — All those in favour? Thank you. That's passed. We will see everyone here tomorrow morning at 9 a.m. to review SaskEnergy.

The committee adjourned at 3:10 p.m.