

STANDING COMMITTEE ON CROWN CORPORATIONS



Channel Lake Inquiry

October 15, 1998

3rd Session of the 23rd Legislature

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

STANDING COMMITTEE ON CROWN CORPORATIONS



Channel Lake Inquiry

October 15, 1998

*Being the Eighth Report of the Committee
of the 23rd Legislature*

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

Pat Lorje
Legislative Building
Regina, Saskatchewan
S4S 0B3

October 15, 1998

To the Honourable Members
of the Legislative Assembly of
the Province of Saskatchewan

HONOURABLE MEMBERS:

It is my honour to present the final report of the Standing Committee on Crown Corporations into the Channel Lake Inquiry.

The Committee held 27 meetings. All Members worked diligently. I particularly thank the following Members who were able to attend most, if not all, of the meetings: the Vice-chair Mr. Trew, Mr. Shillington, Mr. Tchorzewski, Mr. Kowalsky, Ms. Hamilton, Mr. Thomson, Mr. Gantefer, Mr. Bjornerud, Mr. Heppner, Mr. Hillson and Mr. Osika.

Our work was aided immeasurably by the calm and judicious assistance of Mr. Ted Priel, Q.C.

This was an historic opportunity for the Standing Committee on Crown Corporations to investigate a business transaction of one of Saskatchewan's Crowns in great detail. The all-party Committee was able to do this work thanks to the dedication and diligence of all our support staff and the cooperation of all honourable Members. I thank them all.

Respectfully submitted on behalf of the Standing Committee on Crown Corporations.

Pat Lorje
Chairperson
MLA Saskatoon Southeast

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ACKNOWLEDGMENTS

The Standing Committee on Crown Corporations expresses its sincere thanks for the assistance it has received from many sources.

The Committee would first like to acknowledge the work and dedication of its staff from the many branches of the Legislative Service. The Committee's extensive hearings coincided with the spring session of the Assembly, a time when the greatest demands are placed on the staff. The Committee extends its appreciation to its Clerk, Margaret Woods and to Robert Cosman, the Legislative Counsel and Law Clerk. The Committee benefited greatly from the knowledge and guidance of its Special Advisor, Ted Priel, who contributed sound legal advice during the hearings and in the preparation of this report. Procedural advice was given by the Assembly's table officers, Gwenn Ronyk, Greg Putz and Margaret Woods. Administrative support came from Pam Scott and Monique Lovatt from the Office of the Clerk, Allison Gartner and Kathy Beck of the Office of the Legislative Counsel and Law Clerk and Rhonda Romanuk of the Office of the Speaker.

The Committee thanks Donelda Klein and her colleagues in the Hansard Branch for their work in the preparation of the verbatim record. Committee Members recognize the value that the televising of its proceedings had and acknowledge the indispensable role played by the Director of Broadcasting Services, Gary Ward and his technical staff of Ihor Sywanyk and Kerry Bond, as well as the camera operators. Others deserving mention include Michelle Howland, Pat Kolisar and Tim Prince of the Legislative Library and the Legislative Pages, particularly Pamela Kovachs, who provided research and support assistance respectively to the Committee. Members of the Committee were also ably served by their caucus researchers and assistants.

The appreciation of the Committee is especially extended to all the individuals who accepted the Committee's invitation to appear. The oral presentations, written documents and submissions from these individuals proved invaluable in enabling the Committee conduct its investigation and arrive at its report. The Committee would also like to acknowledge the exemplary manner in which the legal counsel who accompanied many of the witnesses conducted themselves. Finally the Committee thanks all the individuals, crown corporations and government departments who were instrumental in completing the mammoth task of collecting, photocopying and binding all of the documents requested by the Committee.

MEMBERS WHO ATTENDED COMMITTEE MEETINGS

Ms. P. Lorje, MLA Saskatoon Southeast, Chair
Mr. K.D. Trew, MLA Regina Coronation Park, Vice-Chair
Mr. B. Belanger, MLA Athabasca ¹
Mr. W. Boyd, MLA Kindersley
Mr. B. Bjornerud, MLA Saltcoats
Mr. D. D'Autremont, MLA Cannington
Ms. J. Draude, MLA Kelvington - Wadena
Mr. D. Flavel, MLA Last Mountain Touchwood
Mr. R. Gantefoer, MLA Melfort – Tisdale
Mr. J. Goohsen, MLA Cypress Hills
Hon. Ms. D. Hamilton, MLA Regina Wascana Plains
Ms. L. Haverstock, MLA Saskatoon Greystone
Mr. B. Heppner, MLA Rosthern
Mr. J. Hillson, MLA North Battleford
Mr. L.E. Johnson, MLA Shellbrook – Spiritwood
Mr. L. Kasperski, MLA Regina Sherwood
Mr. P.M. Kowalski, MLA Prince Albert Carlton
Mr. G.A. McPherson, MLA Wood River ²
Hon. Mr. R.W. Mitchell, MLA Saskatoon Fairview
Ms. S. Murray, MLA Regina Qu'Appelle Valley
Mr. R. Osika, MLA Melville
Mr. A.J. Renaud, MLA Carrot River Valley
Hon. Mr. E. Shillington, MLA Regina Northeast
Ms. V. Stanger, MLA Lloydminster
Mr. E.L. Tchorzewski, MLA Regina Dewdney
Mr. A. Thomson, MLA Regina South
Mr. J. Wall, MLA Swift Current
Mr. G.D.G. Whitmore, MLA Saskatoon Northeast

¹ Mr. Belanger resigned his seat in the Assembly on September 2, 1998.

Note: Membership on the Standing Committee on Crown Corporations is authorized by Rule 94(4) of the *Rules and Procedures of the Legislative Assembly of Saskatchewan* to be transferable. When written notice is filed with the Chair transferring membership on the Committee to another Member, the substituting Member possesses all the rights and privileges of a regular Committee Member.

STAFF

Ms. Margaret A. Woods, Clerk Assistant, Legislative Assembly
Mr. Bob Cosman, Legislative Counsel and Law Clerk
Mr. Ted Priel, Q.C., Priel Stevenson Hood law firm, Special Advisor to the Committee

ORDER OF REFERENCE and METHOD OF OPERATION

The *Rules and Procedures of the Legislative Assembly of Saskatchewan* empowers the Standing Committee on Crown Corporations in Rule 100(1) “to review the annual reports and financial statements of the various Crown corporations and related agencies” as tabled in the Assembly and further, to question the operations of those same Crown corporations and related agencies for periods outside the year under review. Rule 100(2) provides for the permanent referral to the Standing Committee on Crown Corporations of all reports and financial statements provided to the Assembly by these Crown corporations and related agencies.

It was pursuant to these provisions that the Standing Committee on Crown Corporations began its investigation into Saskatchewan Power Corporation’s subsidiary corporation, Channel Lake Petroleum Ltd. Integral to this investigation was the role played by SaskPower’s President and Chief Executive Officer, Mr. John R. Messer and the severance he subsequently received.

On March 31, 1998 at the initial meeting of the Committee into the Channel Lake Petroleum Ltd. matter, Mr. Trew’s motion defining what the Committee saw its focus of inquiry to be, was agreed to:

The Committee interprets that its terms of reference are to undertake a full, open, orderly and thorough review of the following matters:

- a) The acquisition, management and sale of Channel Lake Petroleum Ltd. by SaskPower; and
- b) The payment of severance to Mr. John R. Messer when he ceased to serve as President and CEO of SaskPower;

And further, that once the Committee is satisfied that it has verified the facts to its satisfaction, the Committee will do the following:

- a) Report any pertinent fact not already reported by the Provincial Auditor or the Minister to the Legislature;
- b) Report what steps should be taken to learn from and act on mistakes made;
- c) Report any opportunities the Committee may believe exist to recover public funds through civil action, and if appropriate, recommend that the government undertake such civil action; and
- d) In the event the Committee believes it has uncovered evidence of criminal wrongdoing, the Committee will report this to the House and request that the Department of Justice undertake what action it deems appropriate.

This then formed the guiding basis of the Committee’s investigation. In total, 27 meetings (*being minutes 28 – 54*) were held, totaling over 82 hours. Two sub-committees were also struck. The Sub-committee on Agenda and Procedure met four times to address questions regarding the tabled documents while the Sub-committee on Drafting met once to review the final report. 28 witnesses were called to testify, including three

current or previous cabinet ministers. Three experts from the oil and gas industry gave briefings to establish the background context in which the events transpired.

The Committee's work would not have been possible without the cooperation of the several Government departments, crown corporations and private individuals, who waived their privilege (both solicitor-client and executive privilege) and overlooked concerns of commercial sensitivity to release documents to the Committee. 593 documents were officially tabled, amounting to over 5 feet of binders.

The Legislative Assembly took the unusual step and permitted the Committee to televise its proceedings live around the province on the legislative broadcasting service. The Committee felt strongly that this gave the investigation credence by enabling the public to observe the review process, despite all the meetings being held in the capital.

The Committee believes that its report and the recommendations contained therein will help to clarify what transpired during the acquisition, management and sale of Channel Lake Petroleum Ltd. by SaskPower and outline what circumstances were considered in the decision to pay severance to Mr. John R. Messer when he ceased to be President and Chief Executive Officer of SaskPower.

RECOMMENDATIONS

Recommendation 1

Mr. Michael Hurst was negligent in not supplying copies of all drafts of the sale agreement to Mr. Kram, as required by his letter of engagement. It is recommended that this fact to be borne in mind should Mr. Hurst be considered for future retention as a lawyer by any arm of government or the crown sector.

Recommendation 2

It is recommended that the facts outlined in the report concerning Mr. Portigal be borne in mind should he be considered for a role of any kind in any future transaction, involving any arm of government or the crown sector.

Recommendation 3

We note that the Executive Director of the Civil Law Division of the Department of Justice, Mr. Daryl Bogdasavich, Q.C., was unambiguously clear in his legal opinion that at law, Mr. Messer was due approximately 18 months salary in lieu of notice if terminated. Mr. Fair and the solicitor he consulted arrived at essentially the same conclusion. Ms. Batters demurred. Faced with conflicting legal opinions, in our view it is generally appropriate for government to base legal decisions on the advice of the Department of Justice. Having reviewed the evidence, we see no compelling reason to recommend that Mr. Fair's decision be revisited.

Recommendation 4

It is recommended that the Crown Investments Corporation should implement a new and substantial training program for the members of the Boards of Directors and key Board committees.

Recommendation 5

CIC officials should have acted earlier. Although the information provided was gravely deficient, the Crown Investments Corporation was in possession of sufficient information after the June 20th meeting of the SaskPower Board of Directors to know that serious issues had arisen around Channel Lake. CIC should have recommended that the SaskPower Board order an independent review of the issues that had arisen – or undertaken such a review itself if the Board failed to do so.

Recommendation 6

It is recommended that the President and CEO of Crown Investments Corporation (or a senior CIC Vice-President) should be appointed to the Board of Directors of SaskTel, SaskPower, SaskEnergy, Saskatchewan Government Insurance, and STC.

Recommendation 7

It is recommended that the President and CEO of CIC (and the other officers of CIC) should assume a greater role in ensuring firstly, that the Minister responsible for the crown sector and the Board of CIC are fully and appropriately briefed on issues; secondly, for ensuring that the Boards of Directors of these crowns are provided with the information and resources they require to do their jobs; and thirdly, for ensuring that management faithfully implements board policy.

Recommendation 8

To assist the President and CEO of CIC, it is recommended that the corporate secretary of the Boards of each of these Crowns should be an officer or employee of the Crown Investments Corporation. Furthermore, a specific individual should be assigned to each Crown by CIC. This individual should be assigned not only to record Board proceedings, but to analyze and understand the business decisions before the Board, and the manner in which Board policy is implemented.

Recommendation 9

It is recommended that legislation should be amended immediately to ensure that subsidiaries of crown corporations are subject to the same financial reporting requirements and are open to the same Freedom of Information access as the parent crown corporations.

Recommendation 10

It is recommended that the Crowns must develop policies which will assure the Legislature that information will be delivered accurately and promptly.

Recommendation 11

It is recommended that it should be standard practice for committees of the Legislature to review reports within one year of their release.

Recommendation 12

It is recommended that each crown corporation should prepare a strategic plan founded upon the shareholders' objective for that crown corporation, and which includes specific reference to the role for investment, expansion and divestment, and diversification initiatives.

Recommendation 13

Building on current practice, it is recommended that an annual approved business plans should be prepared for all controlled subsidiaries, which include performance expectations, resource allocation and capital/operating budgets. These business plans should be approved and regularly monitored by the Board of Directors of the parent Crown Corporation.

Recommendation 14

It is recommended that subsidiaries should only be created and divested after clear, complete, and timely prior approval by the Crown Board, the CIC Board and by order-in-council.

Recommendation 15

It is recommended that subsidiaries should be required to report significant transactions in a clear, unambiguous, and timely fashion to their parent Crown Boards. Fundamental transactions involving substantial sums of public money should be reported to CIC Board and to Cabinet in a clear, unambiguous, and timely manner -- and are subject to the significant transactions rules of the Legislature's Crown Corporations Committee.

Recommendation 16

It is recommended that the Boards of both parent Crown corporations and of subsidiaries should meet regularly and in logical order, in step with key committees. Meetings should be held properly, face-to-face, when dealing with substantive matters.

Recommendation 17

It is recommended that CIC should prepare and table a report before this committee on its efforts to implement an appropriate training program for the Directors of Crown Corporations – and suggest further improvements for our review.

Recommendation 18

It is recommended that management information and monitoring systems should be carefully reviewed by CIC, consistent with the needs of commercial enterprises engaged in increasingly competitive markets. Clear, unambiguous and timely monthly performance reports should be provided to Crown boards. Clear, unambiguous and timely quarterly performance reports should be provided to the Board of CIC.

Recommendation 19

It is recommended that CIC should coordinate regular and appropriate executive management reviews in Crowns and their subsidiaries. Appropriate action should be taken to respond to management which is deficient in meeting its responsibilities.

Recommendation 20

It is recommended that because the Government of Saskatchewan is a single interest, it is inappropriate for officers of Crowns or subsidiaries to use public funds to retain outside consultants or attorneys for the purpose of undermining, frustrating, or delaying direction properly given to them by CIC or the Government.

Recommendation 21

It is recommended that the Crown Corporations and Government of Saskatchewan require conflict of interest guidelines for senior employees both during their years of service and upon leaving the public service.

Recommendation 22

As outlined in several opinions rendered by the Civil Law division of the Department of Justice, three factors (the likely difficulty in proving real damages; the contributory negligence of SaskPower officials; and the decision taken by the SaskPower Board on June 20, 1997) make it highly unlikely that the public interest would be served by launching civil actions against any of the parties involved in these events. We have heard no evidence that suggests this is not still true today. We therefore do not recommend that civil action be launched. We do not, of course, preclude civil action if further information comes to light justifying it.

In March of 1998, the Crown Corporations Committee undertook a review of the purchase, management and sale of Channel Lake Petroleum Limited by SaskPower.

This committee also reviewed the dismissal of and payment of severance to Mr. John R. Messer, former President and Chief Executive Officer of SaskPower.

We heard testimony from 28 witnesses and experts over 25 hearing days. We also reviewed over 1,300 documents.

We are grateful to those who appeared before us for making themselves available to our committee and for their assistance in getting at the facts.

We believe the witnesses who appeared before us told the truth as they understand it. In some cases we heard conflicting evidence. This report represents this committee's best efforts to reconcile the evidence, to outline what we believe occurred, and to recommend measures to ensure that errors committed are not repeated.

A. GENERAL RECORD OF SASKPOWER

It is proper to set the events our committee will discuss in this report within the context of SaskPower's recent history.

SaskPower's workers and management have overseen a remarkable turnaround in the state of our province's power utility since 1991.

The achievements of the people who work at SaskPower include:

- A substantial reduction in the corporation's debt;
- Steady progress towards a fair return to the people of Saskatchewan for the public capital invested in the utility;
- A five-year power rate freeze (planned between 1995 and the year 2000);
- A fundamental restructuring, to bring SaskPower into line with North American standards;
- Success in retaining major industrial customers, the foundation of the utility's revenues, as the power supply industry quickly opens up to continent-wide competition; and
- A top-to-bottom review of the utility's operations, leading to substantial efficiencies in administration, input and operating costs.

Since 1991 SaskPower has invested over \$500 million in capital expenditures to improve the quality and reliability of Saskatchewan's power grid, to the benefit of rural, urban and business customers across the province.

Since 1991 the utility has engaged in numerous acts of good corporate citizenship. SaskPower's commitment to sounder environmental practices is of particular note.

These excellent results were achieved through a great deal of hard work by SaskPower's workers and management, led by former President and CEO Mr. John R. Messer.

Change comes at a price. The workers and lower and middle managers of SaskPower deserve particular gratitude from the people of Saskatchewan for their forbearance and commitment to their work, in the face of wrenching change within the utility.

Fundamental change in a corporation can require senior officers to adopt approaches that have downsides. SaskPower's excellent results were achieved in part because senior management approached their work in a way that is highly valued in the business world of the 1980s and 1990s. They demonstrated an extremely high level of determination; a willingness to force controversial change; and a focus on financial and operating results.

SaskPower has correctly seen that the business environment in which our province's crowns operate is changing rapidly. It is not in the public interest for Saskatchewan's crown enterprises to become bureaucratized, entangled in red tape, or excessively focused on procedure. The public interest requires our province's crown sector to become more entrepreneurial, more imaginative, more responsive to the needs of customers, and more flexible.

The people of Saskatchewan own the crowns. That means that new approaches must be pursued in proper balance with legitimate requirements for public accountability.

In our view, the root cause of the events that led to our inquiry are found here: in a failure, rooted in SaskPower's management culture, to find the right balance between entrepreneurial effectiveness, and the level of accountability and public policy compliance appropriate in a publicly-owned utility.

B. WHAT HAPPENED

1. Hiring of Mr. Messer as President and CEO

In October 1991, the government of Premier Grant Devine was defeated in an election, and a new government under Premier Roy Romanow assumed office. The new government replaced the existing Board of Directors of SaskPower. The Honourable Dwain Lingenfelter was named to Cabinet, and was made Chair of the Board of SaskPower. Pending the appointment of a new Board, three other Cabinet ministers (the

Hon. Ed Tchorzewski, the Hon. Louise Simard and the Hon. Robert Mitchell, Q.C.) were named to make up the balance of the Board.

Mr. John R. Messer was named Special Assistant to Minister Lingenfelter. His duties included working in close liaison with Mr. George Hill, the then-President and Chief Executive officer of SaskPower.

Mr. Messer is a Saskatchewan farm producer and businessman. He served as a Member of the Legislative Assembly between 1967 and 1980. He served as a Cabinet Minister in the government of Premier Allan Blakeney in a number of portfolios. He served as Chair of the Board of Directors and Minister responsible for SaskPower between 1975 and 1980.

It is a matter of public record that in November 1991, the new SaskPower Board became aware that the former Board had approved a \$1.3 million severance package for Mr. Hill in the event he was terminated as President and CEO of SaskPower. The former Board took this action on October 10, 1991, a few days before the provincial election, at a time when its mandate had technically expired.

At the direction of the former Board, \$1.3 million had been transferred to an account controlled by a law firm.

The Board of Directors of SaskPower requested that these funds be returned, and they were. The Board terminated Mr. Hill as President and CEO of SaskPower.

Mr. Hill and SaskPower engaged in litigation over the issue of Mr. Hill's severance. In September 1993, an out-of-court settlement was reached. Mr. Hill received a \$325,000 severance package after a term of employment of five years.

The SaskPower Board named Mr. Messer interim CEO of SaskPower.

In January 1992 the Government of Saskatchewan named three new individuals to the Board of SaskPower. Minister Lingenfelter remained as Chair and Minister responsible (Minister Tchorzewski remained as a member for a few additional meetings).

In March 1992, the Board named Mr. Messer as permanent President and CEO of SaskPower.

2. Difficulties with natural gas fuel supply from SaskEnergy

In the summer of 1992, SaskPower management engaged in a dispute with the management of SaskEnergy over a number of issues.

It is a matter of public record that in 1988, the former Devine administration privatized Saskatchewan's natural gas reserves – sold for \$325 million. Further, in 1988 the Devine

government carved off SaskPower's natural gas division and set it up as a separate Crown Corporation (SaskEnergy) for the purpose of privatizing it.

Mr. Messer told us that in his view, a number of non-market financial and business arrangements were established to the benefit of SaskEnergy – subsidized by SaskPower.

He told us: "The company [SaskEnergy] was set up in that SaskPower was a cash cow for it. We were paying higher than industry standards for storage. We were paying higher transportation costs. We were paying higher charges for virtually all of the services that we were receiving from them. We had also had transferred to us about a \$250 million debt that had no business logic behind it. There was some animosity, to say the least, between the managers of SaskPower and SaskEnergy."

In addition, according to Mr. Lawrence Portigal, SaskEnergy (now shorn of its gas reserves) was having a difficult time supplying SaskPower with its natural gas needs. "In late August or early September 1992 a very serious problem with natural gas supply was developing," Mr. Portigal told us. "Simply put, SaskPower was running out of natural gas and was being told by SaskEnergy that SaskEnergy could not, allegedly due to physical and technical constraints with their storage facilities, supply SaskPower with more natural gas."

3. Hiring of Mr. Portigal

Mr. Portigal is a lawyer and businessman. He practiced law in Alberta between 1966 and 1973. He then joined Manalta Coal Ltd., and remained there until 1986, serving as Secretary and General Counsel (1973-1977); Vice-President, Corporate Affairs and Secretary (1977-1979); Vice-President, Administration (1982-1985); Executive Vice-President (1980-1981); and Vice-President, Marketing (1979-1980, 1982-1986).

Mr. Portigal testified that he "worked with SaskPower in November and December of 1986 before I joined them." He testified that his contact was Mr. Hill, then President and CEO of SaskPower, who he had known since about 1979.

Mr. Portigal joined SaskPower in 1987. He served as Vice President, Law (1987-1988), and as Senior Vice-President, Corporate Affairs (1988-1989). He then moved to SaskEnergy, where he served as Executive Vice-President and Chief Operating Officer (1989-1990).

In the course of his duties at SaskEnergy he worked with the Barber Commission, set up by the Devine administration to study the privatization of the corporation. Mr. Gary Drummond, who we will introduce below, served as legal counsel to that commission and told us he recalled working with Mr. Portigal at that time.

Mr. Portigal resigned from SaskEnergy in 1990, and testified that he received approximately \$350,000 in severance. He joined the law firm of Balfour Moss in 1991, and worked there as an associate until 1993.

Mr. Portigal first contacted Mr. Messer in November of 1991, introducing himself by letter. He told Mr. Messer he had considerable experience in fuel supply matters and felt he could contribute to SaskPower by conducting a review of the fuel supply area.

During the spring and summer of 1992, Mr. Portigal had several discussions with Mr. Messer regarding problems in the fuel supply area, especially with regard to the coal supply contracts SaskPower had in place with Manalta Coal Ltd. (Mr. Portigal's former employer) and Luscar Ltd.

On July 24, 1992, Mr. Messer established the Fuel Supply Task Force to review SaskPower's fuel supply arrangements and to determine whether there were more economical and efficient methods to obtain its coal and natural gas supplies. Mr. Messer appointed Mr. Portigal and Mr. R. Owen Mickleborough to the task force.

Mr. Portigal was retained on a consulting contract. The contract was for an initial six months, renewed monthly thereafter. Mr. Portigal committed to work 150 hours a month for SaskPower, and considered himself free to work with other clients during the rest of his working time. In his view he never joined the payroll of SaskPower or any of its subsidiaries as an employee.

On September 29, 1992, the Hon. Lorne Calvert was named Chair of the Board and Minister responsible for SaskPower.

4. Purchase of natural gas reserves

On November 2, 1992, Mr. Portigal and Mr. Mickleborough presented a paper to the Board of SaskPower, entitled "Long-term Gas Supply Strategy". They reported:

SaskPower requires a "window" into the market for each fuel it utilizes in order to be assured that it is acquiring and managing its fuel supply in the most economic and efficient manner possible. In the past SaskPower has experimented with various approaches to fuel supply management and found that the more control it gives up, the more expensive the fuel becomes. Ownership of natural gas reserves promises to provide more flexibility and lower cost to SaskPower.

The flexibility that SaskPower requires is the ability to turn the natural gas supply on and off as the demand for electricity changes. SaskPower's customers are not required to nominate and balance their electricity consumption. Ideally SaskPower's fuel supply arrangements should reflect its electricity supply requirements. This cannot be achieved without investment in reserves. (...)

Flexibility to utilize the least expensive form of generation is essential to the long-term economic health of SaskPower. This flexibility can best be achieved by adoption of a natural gas reserve acquisition policy.

The Board of Directors of SaskPower approved a minute that resolved that "SaskPower adopt a policy of securing its long term natural gas supply by the acquisition of natural gas reserves".

On February 12, 1993 Mr. Portigal wrote to Mr. Messer, reporting continued perceived problems with SaskEnergy. "SaskPower's main fuel supply problem is the lack of a secure long-term natural gas supply with predictable prices," Mr. Portigal wrote. "Although SaskPower has communicated this need to SaskEnergy there has been no effective response from SaskEnergy. The responses received have generally been unhelpful as the tone has been that SaskEnergy has its own supply problems and does not have the capacity to meet SaskPower's requirements."

On March 1, 1993, Mr. Portigal wrote to Mr. Messer and informed him that the Fuel Supply Task Force was evaluating the gas reserves held by Dynex Petroleum Ltd. Dynex was effectively controlled by the Bank of Montreal, to whom it owed about \$61 million.

On March 8, 1993, SaskPower made a non-binding offer to purchase all of the assets of Dynex for \$25 million, subject to certain conditions. The letter concluded: "Dynex is requested to contact and correspond with Lawrence S. Portigal, Fuel Supply Task Force, regarding this offer."

Discussions ensued between SaskPower, Dynex, and the Bank of Montreal.

On March 17, 1993, the Honourable Doug Anguish was appointed Chair of the Board and Minister responsible for SaskPower.

5. April 22, 1993 SaskPower Board meeting

On April 22, 1993, Mr. Portigal and Mr. Mickleborough presented a topic summary to the Board of Directors of SaskPower. They recommended that the Board "provide up to \$30 million to its subsidiary, Channel Lake Petroleum Ltd. (formerly Many Islands Pipelines Ltd.), to enable Channel Lake Petroleum Ltd. to purchase substantially all of the assets of Dynex Petroleum Ltd."

This topic summary included the following information:

On April 1, 1993 a letter of intent was executed between the Bank of Montreal and SaskPower, as well as a commitment letter between Dynex and Channel Lake. The purchase and sale agreement is now substantially complete, however it will be another two or three weeks until the schedules are completed. The target date for the execution of the purchase and sale agreement is April 30, 1993, with closing set for June 30, 1993.

In other words, the Board was asked to approve the terms of a sale agreement that was not yet final. SaskPower management intended to execute the agreement within eight days of the Board meeting. But schedules and other details would require several weeks to complete, meaning that the terms would not be final until some time after the sales agreement was executed.

The topic summary reported that:

The Fuel Supply Task Force reviewed the Dynex acquisition with Jullian Olenick, Acting President of SaskEnergy. Sask Energy is not interested in this type of property... Mr. Olenick agreed that the Fuel Supply Task Force assessment of the natural gas market was correct and that it was in SaskPower's interest to acquire natural gas reserves for security of supply. The acquisition of the Dynex property by Channel Lake would have no adverse effect on SaskEnergy.

Thus, the Board could conclude that this purchase was acceptable to SaskEnergy and might help resolve the on-going dispute between the two crown corporations.

Finally, the topic summary concluded:

The purchase of the Dynex assets is a very sensible and practical step as it has the potential to supply one-half of SaskPower's anticipated median annual requirements for 18 years. ... The overall goal of SaskPower's fuel strategy is to obtain a secure supply of each fuel at reasonably predictable prices. The Dynex acquisition will meet that test.

The Board of Directors and the Minister responsible for SaskPower could and apparently did reasonably conclude from this report (and from all previous and future briefings on the issue of natural gas supply) that the purpose of the exercise was to supply SaskPower with natural gas.

No other objectives or plans are suggested.

Specifically, it was not suggested then or ever that a free-standing corporation be created with a general mandate to operate in the Alberta natural gas industry, in any field of business likely to return a profit.

At its April 22, 1993 meeting, the Board of Directors discussed this topic summary, and concluded by approving the following minute:

86. The Board received a report from Management concerning the purchase of the assets of Dynex Petroleum Ltd. (Dynex). On March 8, 1993, Sask Power submitted a non-binding offer for the assets of Dynex which was approved on April 8, 1993. It was stressed by Management that the Corporation does not intend to manage the assets. The Board does not want SaskPower to enter the gas business beyond activities necessary to provide security of supply and predictability of price. Therefore the Board agreed that the Corporation should dispose of any excess Dynex assets with deliberate haste.

The Hon. Doug Anguish told us that this minute reflected a considered government policy. Mr. Anguish testified:

We did not want SaskPower — directly or through a subsidiary — to become a competitor or an active player in the natural gas business. There was a very clear public policy reason for this. The government was committed to promoting private sector investment in Saskatchewan's oil and gas industry. A pro-development policy had been

communicated with dedication and commitment. The policy was receiving a good degree of success, showing record activity and revenues for the province. We did not want to send a confusing message to the industry having a Crown corporation appear to be in direct competition. Therefore, I told SaskPower not to engage in any activity that could be construed as entering the oil and gas business. At my request the board of directors of SaskPower established this as corporate policy in the minute.

This explanation is consistent with the minute approved by the Board. SaskEnergy was, of course, already active in the industry. But it was reasonable for the reasons given for the government not to want to enter the market with a new player – SaskPower.

Mr. Anguish testified that this issue was discussed in these terms at the Board, and the plain meaning of the words of the minute confirm that this was so. SaskPower management understood or should have understood that the Board of Directors and the government were approving the purchase of the Dynex assets in order to ensure SaskPower's security of supply and predictability of price – and not in order to engage in other activities.

The Board of Crown Investments Corporation approved the Dynex purchase on May 6, 1993. Cabinet approved the purchase on May 18, 1993.

On September 1, 1993, Channel Lake Petroleum Ltd. and Management Ventures Inc. (MVI) entered into an agreement with respect to the management of Channel Lake's assets. MVI was a firm made up of Dynex's former employees.

Mr. Portigal assumed the duties and responsibilities of general manager of Channel Lake.

6. February 23, 1994 SaskPower Board meeting

On February 23, 1994, the Board of Directors of SaskPower reviewed a topic summary prepared by Mr. Portigal entitled "Sale of Natural Gas – SaskPower Natural Gas Supply Management".

In this topic summary, Mr. Portigal presented the following argument:

In order to minimize the average cost of natural gas, SaskPower sells, exchanges and trades surplus natural gas. If natural gas usage is less than forecast during the winter months, SaskPower may have natural gas surplus to its short-term generation needs at a time when natural gas prices may be high and supply tight. These sales, exchanges and trades then create space in the storage for SaskPower to purchase additional natural gas supply during the lower cost higher supply summer months, thus enabling SaskPower to minimize both its average cost of natural gas and its storage costs.

On the basis of this argument and on the recommendation of SaskPower management, the Board of Directors adopted the following minute:

It was duly moved, seconded and resolved that approval be granted for:

(1) SaskPower's prior and future disposal of natural gas by sale, exchange or trade in circumstances where such natural gas is surplus to SaskPower's short-term generation requirements and where such disposals provide a return to SaskPower of above the average cost of acquisition of the natural gas then in storage combined with related carrying costs, including administration, provided the price of any single sale, exchange or trade transaction does not exceed \$1,000,000.

There are two significant features of this request and decision by the Board.

First, Mr. Portigal asked for and received approval for "PRIOR and future disposal of natural gas". In other words, Mr. Portigal and Channel Lake had already engaged in transactions without Board approval, and were now seeking both retroactive and prospective approval. This was an unhelpful precedent.

Second, the Board could reasonably conclude from the reasoning advanced that they were making decisions about managing Channel Lake's natural gas inventory. The title of Mr. Portigal's topic summary speaks only of "SaskPower Natural Gas Supply Management". The argument presented only addresses issues surrounding the management of inventory.

Mr. Anguish told us:

This decision provided SaskPower with the ability to manage their inventory. Neither the original mandate nor this minute envisaged an entry into the gas arbitrage business, unrelated to SaskPower's own gas supply requirements and the prudent management of that gas supply. I would not have approved of such a venture, for public policy reasons I've outlined.

7. The Dombowsky report

In early 1994, Mr. Messer retained the services of Mr. David Dombowsky, who was then working as a consultant employed by Matrix Enterprises Limited. On March 14, 1994, Mr. Dombowsky provided Mr. Messer with a report entitled "Organization for the Fuel Supply Function Within SPC".

In this report, Mr. Dombowsky reviewed a number of issues surrounding SaskPower's natural gas needs, its use of Channel Lake Petroleum Ltd. to supply those needs, and the structure and practices of Channel Lake.

Mr. Dombowsky suggested that the Board of Directors of Channel Lake "should be expanded to include the President of SPC as the chair, SPC's VP of Operations, SPC's VP of Finance, and a person experienced in the industry. The Board of SPC may also insist on a member."

Mr. Dombowsky was aware of the discussion at the February 23, 1994 SPC Board meeting about gas trading – clearly focused on managing natural gas inventory:

It is also generally accepted that since the supply requirements of the corporation are volatile, the corporation should seize short term opportunities that present themselves in terms of acquisition and sale of inventories and reserves. The Board has now also mandated the corporation to sell gas.

However, Mr. Dombowsky believed that matter required further clarification. He recommended:

The company should be given a specific mandate which will specify its powers and quantify its financial capacity. It should clarify with Board approval the capacity of the subsidiary to trade or sell natural gas.

There is no evidence SaskPower acted on these recommendations.

8. May 25, 1994 SaskPower Board meeting

The accounting firm Ernst and Young are the external auditors for SaskPower. In 1994 the firm began work to audit Channel Lake's books and to review its management practices.

On April 20, 1994 Mr. Gordon Wicijowski and Mr. Rupert James of Ernst and Young met with the audit and finance committee of the SaskPower Board of Directors.

Ms. Susan Milburn, then chair of the audit and financial committee, prepared a report flowing from that meeting, which she presented to the SaskPower Board of Directors on May 24, 1994.

Ms. Milburn wrote:

Somewhat more serious are transactions regarding the Channel Lake purchase. Again these items are being addressed by the Finance Department, and we are confident that the issues are receiving attention. They have received a priority ranking. Specifically the issues dealt with the accounting of purchases, sales, and exchanges of natural gas, and with the closing of books once the purchase of Channel Lake had been completed.

Ernst and Young suggested that some natural gas transactions are not directly related to the generation of electricity, and should therefore be accounted for in a manner so that they are separated and easily identifiable.

Given the reassuring tone of the second and third sentences of the extract above, the Board of Directors can be forgiven for assuming that the issues being raised by Ms. Milburn related to bookkeeping problems, and were being addressed properly by SaskPower management.

Nevertheless, this report constituted an early warning to the Board that SaskPower management and the management of Channel Lake were beginning to engage in “transactions” unrelated to SaskPower’s natural gas supply, and that there were “issues” around how they were doing so. The Board should have carefully reviewed what was occurring.

9. CEO evaluation

In early 1994, the Crown Investments Corporation asked the Boards of all crown corporations to conduct evaluations of their Chief Executive Officers.

The Board of Directors of SaskPower discussed the evaluation of Mr. Messer at several in-camera meetings. During an extended meeting in July 1994, Mr. Anguish came to the conclusion that most of his fellow Board members wished to replace Mr. Messer as CEO of the corporation. He told us:

There was no single issue. It would more be described [as] a build up of events that had taken place on a number of different issues over a period of time. And you need to appreciate that Mr. Messer is quite a capable manager. He has very strong opinions about how an entity should run. He views the crown corporations as a business and should be run as a business.

And I believe he was frustrated with the board and myself as the chairman at some points in time because of the relative slowness that government makes... I’m of the view that Messer became frustrated with us because of the lack of timely decision making, and on our part we became frustrated with Mr. Messer because he pushed too hard to make those decisions too quickly.

Once it became clear to Mr. Anguish that the Board wished to replace Mr. Messer, he temporarily adjourned the meeting and requested a meeting with Premier Romanow. Mr. Anguish reported the Board’s mood to the Premier. The Premier and Mr. Anguish discussed SaskPower’s performance and concluded that the issue seemed to be about a clash of personalities. Mr. Anguish told us:

It was decided that I would return to the board and try to work out a better relationship between Mr. Messer and the Board. I did return to the Board and told them that in my view we should try to work out our differences with Mr. Messer. That led to discussions about the Board’s concerns with Mr. Messer. Mr. Messer committed himself to a better relationship with the Board. I therefore considered the matter resolved, and it did not resurface during the remainder of my tenure.

Mr. Anguish testified that he did not believe the Premier unconditionally vetoed Mr. Messer’s termination. Had he and the Board insisted, Mr. Anguish told us, he believes Mr. Messer would have been terminated.

SaskPower is owned by the public. The government is therefore accountable for SaskPower’s policies and priorities before our committee, before the Legislature, and ultimately before the people of Saskatchewan.

It is therefore proper for the government, acting in the public interest, to play an appropriate role in the selection, evaluation and (when indicated) replacement of Presidents and CEOs of crown corporations – and this will be true under any conceivable governance model for publicly-owned crown corporations.

Individuals serving the public as Directors of Crown Boards need to be sensitive to these relationships – and not permit them to inhibit their exercise of their own authority and responsibility as Directors to set direction and ensure management acts on that direction. Judging from subsequent events, that may have occurred to some extent in this case.

10. Structure of Channel Lake Board

On October 26, 1994, the Board of Directors of SaskPower approved a minute setting up the Board of Directors of Channel Lake.

Mr. Messer was appointed chair of the Board. Mr. Richard Patrick (SaskPower's Vice-President, Operations) and Mr. Kenneth Christensen (SaskPower's Vice-President, Finance) were appointed directors.

There is no evidence that Mr. Messer discussed Mr. Dombowsky's recommendation to include an outside director on the Channel Lake Board with the SaskPower Board. Mr. Messer told us that there was no particular reason why an outside director was not named. "It just didn't happen."

At the same meeting, the Board of Directors of SaskPower approved a minute authorizing SaskPower to enter into an agreement with Channel Lake for the long-term supply of natural gas. The topic summary presented to the Board dealt solely with the management of SaskPower and Channel Lake's natural gas inventory.

11. December 14, 1994 SaskPower Board meeting

On December 14, 1994, the Board of Directors of SaskPower met and reviewed a topic summary entitled "Appointment of SaskPower Representatives re Channel Lake Petroleum Ltd. and SaskPower Commercial Inc.", prepared by Mr. Larry Kram, General Counsel to SaskPower.

In this topic summary, Mr. Kram argued:

From time to time it is necessary that SaskPower, in its capacity as shareholder, carry out certain acts and execute certain documentation. Without restricting the foregoing, examples would include confirmation of bylaws adopted by the subsidiary and ratification of acts and proceedings taken by the subsidiary.

In order that all such activities be carried out in an expeditious and efficient manner it would be prudent that SaskPower appoint an officer to act as its representative as shareholder.

The President is Chairman of the board of directors of each of these corporations. Given that position and responsibility, as well as the relationship of the President to the SaskPower Board of Directors, the appointment of the SaskPower President is recommended.

The Board of Directors of SaskPower approved a minute reading as follows:

The Board received a recommendation from management concerning the Appointment of an officer to act as SaskPower's representative for Channel Lake Petroleum Ltd. and SaskPower Commercial Inc.

It was duly moved, seconded and resolved that the President of SaskPower be hereby appointed as the representative for SaskPower to act at any and all meetings and to execute any and all resolutions on behalf of SaskPower as sole shareholder of Channel Lake Petroleum Ltd. and SaskPower Commercial Inc. with the authority to exercise the same power on behalf of SaskPower as the President could exercise if he were an individual shareholder of Channel Lake Petroleum Ltd. of SaskPower Commercial Inc., inclusive of all voting rights.

This resolution contains the phrase "to execute any and all resolutions on behalf of SaskPower". The Board of Directors of SaskPower was thus directing Mr. Messer to use the authority conferred on him by this resolution to implement its resolutions.

By accepting both the authority and the duty set out in this resolution, Mr. Messer accepted personal responsibility for ensuring that SaskPower Board policy was respected in spirit and to the letter, by Channel Lake.

In his closing statement, Mr. Messer speaks about himself this way:

SaskPower is one of the largest corporations in Saskatchewan. Channel Lake was a very small part of the business of the corporation, and the sale of Channel Lake was a single transaction relating to the sale of less than 1% of the Corporation's assets. As President and CEO for in excess of seven years, Mr. Messer was responsible for the entire corporation.

This being so, Mr. Messer was unwise to ask for and to assume such heavy personal responsibility for Channel Lake, and specifically for Channel Lake's compliance with policy set by the Board of Directors of SaskPower. He should have delegated this responsibility to an official in a position to give the subsidiary fuller attention.

12. Ernst and Young's 1994 audit and management letter

Ernst and Young prepared a management letter, which it attached to SaskPower's 1994 Financial Statements. This letter was submitted to the SaskPower Board's audit and finance committee on May 9, 1995 attached to an "information item", prepared by Mr. Portigal and Mr. Christensen. The recommendation from these two officials read: "For information only".

The management letter included the following:

Observation

We understand that SaskPower has made a portion of its inventoried natural gas available to Channel Lake so that Channel Lake may engage in gas trading activities. These activities are to be governed by an agreement signed in 1994 between Channel Lake and SaskPower. In addition to any third party market transactions, the SaskPower/Channel Lake agreement also allows Channel Lake to buy, sell, borrow and repay gas from and on behalf of SaskPower. Channel Lake completed a few transactions in this regard in 1994.

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

Recommendation

An active gas trading program represents a sensitive and significant activity for Channel Lake to engage in. We recommend that formal policies and procedures be developed, documented and approved by Channel Lake's Board of Directors to govern such gas trading activities. Those policies could include appropriate approval procedures and procedures for pricing and recording any transactions completed on behalf of SaskPower or using SaskPower's excess inventories or gas storage facilities.

Management's comments

Natural gas trading activities and procedures are currently being developed, in conjunction with discussions with Ernst & Young, and will be submitted to the Board of Directors for approval. Separate general ledger accounts will be established to record all trading transactions.

As it did in May, SaskPower management assured the audit and finance committee (through the "Management's comments" section set out above) that problems related to natural gas trading were being quickly addressed. Because of what they had been told in earlier topic summaries to the Board, the audit and finance committee could reasonably conclude that the trading activity at issue related to managing Channel Lake's gas inventory.

Nonetheless, the 1994 Ernst and Young management letter represented an important missed opportunity for the audit and finance committee to inquire closely into Channel Lake's gas trading plans, and to raise the issue at a full meeting of the Board, on its own initiative.

13. 1995 developments within Channel Lake

On February 3, 1995, the Hon. Eldon Lautermilch was appointed Chair of the Board and Minister responsible for SaskPower.

On February 13, 1995, the Board of Directors of Channel Lake Petroleum Ltd. appointed Mr. Kram as board secretary.

Mr. Portigal presented a business plan to the same meeting of the Board. He proposed that one of Channel Lake's goals be to "achieve maximum benefit from utilization of resources and otherwise sunk costs." One of the strategies listed to attempt to achieve this goal is "gas trading activities". These words are retained in the final version of the business plan approved by Mr. Messer and the balance of the Channel Lake Board at a meeting held on July 11, 1995.

At the July 11, 1995 Channel Lake Board meeting, Mr. Portigal advised that action was being taken to address Ernst & Young's management letter. The need for a gas trading policy was the only issue outstanding. Mr. Portigal advised that "this was being worked out and the resolution of this would be brought back to the Board at its next meeting."

Under "New Business", the minutes of the meeting note:

Lawrence S. Portigal advised the Board that it would be necessary to obtain the Board's direction with respect to an execution of documents resolution. A discussion ensued. The Secretary advised the Board that there were a number of other issues that need to be addressed to the Board with respect to the delegation of authority. It was determined that a recommendation with respect to these matters be forthcoming from management to the board for consideration at its next meeting.

In a memorandum dated October 30, 1995, Mr. Portigal reported to Mr. Messer that SaskPower's erratic consumption of natural gas was leading to difficulties for Channel Lake. "The most significant problem facing Channel Lake at the moment is SaskPower's inability to provide anywhere close to accurate natural gas consumption forecasts," Portigal wrote.

To illustrate, he noted that SaskPower had forecast purchasing 19 000 10³M³ in October 1995. Actual consumption that month was less than 3 000. Portigal reported that Channel Lake was selling substantial amounts of its production on the open market. "We currently anticipate selling two-thirds of the Channel Lake Medicine Hat production ... through October 31, 1996."

On November 15, 1995, the Board of Directors of Channel Lake discussed a more explicit request from Mr. Portigal for more authority to engage in "transactions". The minutes report:

Lawrence S. Portigal advised the Board that it would be desirable to have clear authorization to enter into specific transactions with respect to the operation of Channel Lake Petroleum Ltd. Many of these transactions require immediate decisions and it is both impractical and inefficient to be required to constitute the Board in order to obtain prior approval of these. These are required in the normal course of business. The President requested that Lawrence S. Portigal and Larry D. Kram prepare a recommendation which would establish appropriate authorization enabling Channel

Lake Petroleum Ltd. management to carry out such transactions with subsequent reporting and ratification by the Board.

Mr. Portigal gave us some insight into what was on his mind at this time in his testimony before the committee. He told us:

During the time that SaskPower was consuming large quantities of natural gas, the natural gas supply agreement provided sufficient revenue for Channel Lake to be self-sufficient as a business unit. However, when water was plentiful and the hydro and coal facilities could be run at full load, then natural gas was not required and revenue was insufficient. This led to a significant increase in trading activities as demonstrated in some of the reports you have received.

On December 12, 1995, the Board of Directors of Channel Lake discussed a still more detailed proposal from Mr. Portigal. The minutes report:

Lawrence S. Portigal presented a request for Board approval of a recommendation authorizing the corporation to purchase and sell up to \$50 million in natural gas and related services during each year of the natural gas supply agreement between Channel Lake and SaskPower... A discussion ensued with respect to the need for the \$50 million maximum amount as well as the use of the term “related services”. The President directed that the recommendation be revised and circulated to each of the directors for their review and comments. This was done and the following was approved by each of the directors [apparently at some point after the meeting]:

That Channel Lake Petroleum be authorized to enter into transactions and to purchase and/or sell up to \$50 million of natural gas and related services, in each year during the term of the Natural Gas Supply Agreement between Channel Lake Petroleum Ltd. and SaskPower. The resolution does not authorized [sic] Channel Lake to enter into transactions involving options, derivatives or similar instruments.

By approving this motion, SaskPower officials on the Channel Lake Board authorized Mr. Portigal and his team to engage in up to \$50 million a year in natural gas arbitrage trading, unrelated to ensuring security of supply and predictability of price for SaskPower.

Officers of crown corporations have a duty to present major decisions clearly and unambiguously, in a form and at a time which allows decision makers – in this case, the Board of Directors of SaskPower and the Government as represented by the responsible Minister – an opportunity to adequately analyze the information at a point in time when other options can be pursued.

This is doubly true when officers wish to reverse existing policy.

The level of annual trading which the Channel Lake board authorized on December 12, 1995 was equivalent to almost 6 per cent of SaskPower’s 1995 electric operation revenues, and equivalent to 62 per cent of SaskPower’s net income that year. Their action was therefore a highly significant and material change to SaskPower’s operations.

There is no evidence that their decision was taken forward (or even reported) to either the Minister responsible for SaskPower or to the Board of Directors of SaskPower – at all, never mind in the clear, unambiguous, and timely manner defined above.

In our view, by approving this resolution, the SaskPower officials making up the Channel Lake Board improperly disregarded the direction given to them by the Board of Directors of SaskPower and by its chair, the Minister responsible for SaskPower.

Further, in our view they authorized a highly significant and material change to the operations of Channel Lake and thus of SaskPower, which should have been proposed as a decision item to the Board of Directors of SaskPower in a clear, unambiguous, and timely manner.

14. Channel Lake enters the arbitrage business

Beginning in late 1995 and continuing throughout 1996, on the basis of this decision by the Channel Lake Board, Channel Lake management engaged in a steadily and dramatically increasing number of market gas purchases and market gas sales.

On page 8 of an SPC Internal Auditors' report dated January 22, 1997, gas arbitrage is defined as follows:

The term “arbitrage” referred to the simultaneous purchase of gas from one company...and sale of the gas to another company...at a specified volume, over an agreed upon period of time. The deals were normally arranged through a gas broker who put together the [buy and sell transactions,] and then offered the deal to a third party. The third party earned the arbitrage profits from the price differential between the purchase and sale of the gas. Typically, ...this price differential was \$0.005/GJs or an average return of approximately 0.4 per cent....

There was a higher level of risk associated with gas marketing arbitrages than with normal gas purchase/sale activities between producers and consumers of natural gas. The risk was inherent in the stability and credit worthiness of the underlying companies upon which an arbitrage deal was based. For any arbitrage to be successful both companies had to be solvent to fulfill their respective obligations throughout the term of the transaction. However, the companies involved in gas marketing arbitrages were not necessarily gas companies with producing assets but gas marketers and aggregators who contracted to finance their activities.

15. Events in July 1996

On July 5, 1996, Mr. Portigal provided Mr. Messer with a management letter reporting in detail on his gas arbitrage activities for the first time. Mr. Portigal reported:

CLP has entered into a number of market gas buy/sell transactions. The average spread on these transactions has been \$0.006/GJ for 17,730,000 GJ to June 30, 1996. The opportunity to carry out these transactions depends upon the volatility of the market

price. Market prices have been range bound for several weeks and thus the opportunities for further transactions have been limited.

Total market gas sales and purchases for the first half of the year, including buy-sell transactions, production sales, and CLP purchases and sales for SPC storage, total \$53,743,220 for 43,001,264 GJ. During the second half of the year there will be higher totals as CLP has entered into approximately \$80,000,000 in buy/sell transactions as well as regular market transactions.

In other words, Mr. Portigal advised Mr. Messer that Channel Lake had entered into gas trading agreements well in excess of the \$50 million authorized by the SaskPower officials making up the Channel Lake Board. There is no record that Mr. Messer or any other SaskPower official responded to this memo.

On July 16, 1996, Mr. Portigal presented a topic summary to a meeting of the Channel Lake Board of Directors, entitled “Natural Gas Sale and Purchase Transactions for Five Years starting in 1996”.

The key points of this topic summary:

- Mr. Portigal requested that Channel Lake be authorized to enter into “transactions to purchase and/or sell up to \$200 million of natural gas and related services in each year during the period from 1997 to 2002”. In other words, Mr. Portigal requested approval for a total of \$1 billion in natural gas arbitrage trades.
- “A blanket approval is required in order to enter into natural gas transactions for several years and, in some instances, on short notice.”
- This authority would be renewed annually.
- Market volatility would make it impossible to predict the amount, cost-revenue, or frequency of transactions.
- Channel Lake would be authorized to purchase or sell natural gas under a number of circumstances, including “when a profit is realized”, and “when the natural gas can be resold at a profit”.

The minutes of the meeting record the following discussion:

There was some discussion among the Board members with respect to proceeding with this approval without the benefit of a “trading policy”. Lawrence S. Portigal advised that he prepared and submitted an initial trading policy some time ago which had not been formally adopted by the Board. It was decided that management proceed with the preparation and presentation of a draft trading policy at the next meeting of the Board.

A discussion followed with respect to the authorization of and approval for purchase and sale transactions completed to date in 1996 and to the end of the third quarter 1996.

SaskPower has hired a risk management consultant who will be making recommendations. Lawrence S. Portigal will be meeting with them.

In that regard, it was duly moved and seconded that Channel Lake Petroleum Ltd. be authorized to enter into transactions to purchase and/or sell up to \$100 million of natural gas and related services during the period January 1, 1996 to the end of September, 1996. This resolution does not authorize Channel Lake to buy or sell options, derivatives or other similar instruments.

The SaskPower officials who made up the Channel Lake Board had now authorized gas arbitrage trading equivalent to almost 12 per cent of SaskPower's 1995 revenues from electric operations – and equivalent to 125 per cent of its 1995 net income.

Our comments about the Board's December 12, 1995 thus apply precisely doubly here.

By approving this resolution, the SaskPower officials making up the Channel Lake Board again improperly disregarded the direction given to them by the Board of Directors of SaskPower and its chair, the Minister responsible for SaskPower.

Further, they again authorized a highly significant and material change to the operations of Channel Lake and thus of SaskPower, which should have been proposed as a decision item to the Board of Directors of SaskPower in a clear, unambiguous, and timely manner.

A SaskPower internal audit report presented to Mr. Messer on January 22, 1997 would show that Mr. Portigal subsequently entered into "a total of 104 arbitrage deals worth about \$150 million" in 1996 – exceeding the authority given to him by SaskPower officials by 50 per cent.

16. Arbitrage Losses Appear

On October 29, 1996, Mr. Portigal submitted a management report to Mr. Messer containing several pieces of bad news.

First, he reported that "Channel Lake Petroleum Ltd. had a net loss of approximately \$188,863... in the first nine months of 1996."

Second, he reported that "spot prices have been very volatile."

Third, he reported that Channel Lake's arbitrage gas trading business had suffered a reverse because of a bankruptcy. He wrote:

In early October, Multi Energies Inc., one of the buy-sell customers, filed a notice of intention to file a proposal pursuant to the Bankruptcy and Insolvency Act. CLP is treating this filing as equivalent to a bankruptcy with approximately \$390,000 owing up to October 1996. Upon receiving notice of the filing CLP immediately cancelled all current nominations and resold the natural gas which was being delivered to Multi Energies. Due to the back to back nature of the transactions and our hedging/balance

strategy, CLP will recover the full amount owing from future natural gas sales and has an opportunity to make a gain if the market remains favorable.

Mr. Messer responded to this news eight days later, by firing Mr. Portigal. Mr. Messer explained this dismissal to Mr. Portigal this way:

Unfortunately, SaskPower has been unable to achieve the magnitude of savings which were anticipated with respect to renegotiation of the coal supply contracts. Additionally, SaskPower's continued expenditure for a consultant of your seniority can not be justified on the basis of Channel Lake Petroleum Ltd.'s operational requirements. Accordingly, this will serve as notice that your consulting contract with SaskPower is terminated effective December 20, 1996. ...

In addition to arranging for the transition of your Channel Lake responsibilities, I require that you provide some services which are more in line with what was contemplated when you were first retained. In that regard SaskPower requires advice in respect to the negotiations associated with the relocation of Prairie Coal's mining operations to Costello mine...

We note that this was a fairly abrupt and summary termination, and that Mr. Portigal might have felt that Mr. Messer was not according him an "opportunity to provide a full response".

However, in the event the letter does not appear to have unduly perturbed Mr. Portigal.

In his testimony, Mr. Portigal noted that this was:

...one of the more interesting termination letters I've ever received – I've received one or two in my lifetime – because it starts out and indicates that everything is not working out well at all, and then it continues to indicate that in the interim I'm going to be required to reorganize or set up an ongoing organization for Channel Lake. But then I go to the second page of the memo and I find out that I'm still required to do consulting services on into the future. So... the memo was somewhat inconsistent and I didn't find it surprising at all... that essentially we continued on with business as usual.

On November 27, 1996, the Board of Directors of Channel Lake met. Mr. Portigal presented his October 29, 1996 management report. The minutes record the following discussion:

Ken Christensen raised the issue of the "trading policy" which issues had been discussed at the July 16, 1996 Board Meeting. There was a general discussion regarding the nature of the buy/sell transactions which Channel Lake is involved with and the potential for both gains and losses on such transactions.

In the circumstances, particularly the unpredictability of gas prices and the low potential for substantial gains, there was a discussion pertaining to the curtailment of certain buy-sell transactions pending receipt by the Board of Directors of a management report in that regard and further direction by the Board of Directors.

It was noted by Lawrence S. Portigal, however, that given the nature of the business that Channel Lake was involved in, it would be inadvisable to curtail trading on all buy/sell transactions.

Accordingly, it was duly moved and seconded that, except for the following described transactions:

- i) transactions which reduce Channel Lake's risk to a potential loss arising from a potential bankruptcy or insolvency;
- ii) Transactions required to complete outstanding obligations;
- iii) Transactions required to ensure that SaskPower's natural gas requirements in the near future are met;

Channel Lake discontinue all buy/sell gas transactions, until authorized by the Board...

Thus, Channel Lake's gas arbitrage business was brought to an essentially complete halt by the Board.

Later in the minutes, the following significant discussion is recorded:

Ken Christensen noted that, in all probability, Channel Lake would show a sizeable loss for the year end. He noted that it would be advisable for the Board to include with its Financial Statements a Management Discussion and Analysis which would describe the benefit to the corporation and SaskPower resulting from such a loss. A general discussion followed in this regard, and it was generally considered that this was an important initiative to undertake prior to the release of any financial information and that Ken Christensen, Lawrie Portigal and Rick Patrick should collaborate on this.

There is something this passage does NOT indicate: that the SaskPower officials who made up the Channel Lake Board planned to prepare a full report on the issue for presentation to the Board of Directors of SaskPower and to the Minister responsible, as they should have done immediately.

There is something this passage DOES indicate: that these officials were concerned about demonstrating "the benefit to the corporation and SaskPower resulting from such a loss". This was "an important initiative", and had to be undertaken "before the release of any financial information".

In its report entitled *Review of SaskPower's Channel Lake Experience*, the management firm Deloitte and Touche concludes the following about this passage:

The issue of how losses would be portrayed in public documents became a focus of the Channel Lake Board starting on November 27, 1996. At its November 27, 1996 meeting, the Channel Lake Board decided Christensen, Portigal and Patrick should undertake to collaborate on how to deal with the issue of portraying the losses from trading activities.

This represented a serious error of judgement by the SaskPower officials who made up the Channel Lake Board. SaskPower officials should have clearly and completely

reported what had occurred to the Board of SaskPower and to the Minister responsible for the corporation, and engaged them fully in a discussion about the appropriate response.

Channel Lake and SaskPower management became aware the evening of the same day, November 27, 1996, that another and much larger bankruptcy would disrupt Channel Lake's gas arbitrage business.

The firm Chandler/NESI went into bankruptcy. As reported to the SaskPower Board's audit and finance committee two months later, this produced an "approximately \$1.6 million loss on gas trading sales" that month alone. "Gas that had been originally contracted to be purchased from Chandler/NESI had to be purchased from the market at average prices approximately \$1.04/GJ above the prices that this gas was contracted to be sold at."

The stakes involved were now potentially extremely grave. Out of a total of 104 transactions totaling some \$150 million, Chandler/NESI was involved in 34 sale contracts (almost one-third of the total) and 21 purchase contracts (slightly more than one-fifth of the total).

17. SaskPower's December 1996 internal audit

On December 4, 1996, Mr. Messer requested that SaskPower's internal audit department undertake a review of Channel Lake's arbitrage activities.

A report was prepared by Mr. S.D. Manson, Mr. R.A. Stobbs, and Mr. J.A. Zylak, and was apparently transmitted to Mr. Messer on January 22, 1997.

This report was made available to the audit and finance committee of SaskPower's Board of Directors two months later, on April 23, 1997. In our view the report should have been provided to the audit and finance committee and to the SaskPower Board immediately, before any decisions were made about the subsidiary.

The report comes to some important conclusions.

On the issue of Channel Lake's mandate, SaskPower's internal audit department concludes the following:

The mandate of Channel Lake was to act as sole supplier of SaskPower's natural gas fuel requirements and to provide SaskPower with natural gas price predictability and security of supply. ...

We could not determine how the buy/sell transactions which Channel Lake entered into in 1996 contributed to the fulfillment of their mandate to ensure security of supply and price predictability for SaskPower's natural gas requirements....

We recognized that the Natural Gas Supply Agreement signed 1994 November 04 allowed for third party market transactions, and allowed Channel Lake to buy; sell;

borrow; and repay gas from and on behalf of SaskPower. We did not find any direct authorization for this activity.

Thus, at least in the minds of SaskPower's own internal auditors, the SaskPower Board established a clear mandate for Channel Lake; SaskPower management understood that mandate; and Channel Lake's gas arbitrage activities were not consistent with that mandate.

SaskPower internal auditors identified numerous errors and shortcomings in the manner Channel Lake's management oversaw its \$150 million gas arbitrage business. These included:

- While Channel Lake had some credit procedures in place, "credit checks" were only implemented following the 1996 October 10 bankruptcy of Multi.
- Our review of the credit information related to the two bankrupt companies Multi and NEM indicated that... NEM was a higher risk company where a conservative strategy was warranted.
- Draft gas trading policies ... were not comprehensive or well defined as to limits; volumes; terms; pricing; and credit worthiness of parties;
- Our analysis of Channel Lake's 1996 buy/sell transactions indicated a net overall return of 0.4%. We found no documentation that this return was acceptable to the Board of Directors of Channel Lake given that .. the 0.4% return did not appear to justify the corresponding risk associated with the volume of transactions.
- Business plans, outlining Channel Lake's business objectives including gas trading activities, were not prepared by the management of Channel Lake for 1996 and 1997;
- The small staff complement within Channel Lake did not permit adequate segregation of functions. Consequently, the functions particularly of negotiating and authorizing gas purchases/sales were performed by the same person who approved payment of the related vendor invoices.

Many of the same points were made by Ernst and Young in its 1996 audit of Channel Lake's financial statements, and by the provincial auditor in his fall 1997 report.

These elementary and fundamental management errors, committed while risking \$150 million in the hope of earning a 0.4% return (slightly more than \$600,000) fall far below the standard required of officers mandated to manage Saskatchewan crown corporations in the public interest.

18. Thoughts turn to selling Channel Lake

On December 6, 1996 Mr. Portigal wrote to Mr. Messer, acknowledging Messer's November 7, 1996 letter terminating Mr. Portigal's employment. "You advised me that

the dates set out in the memorandum were not fixed and that we would discuss them further on your return to the office on or about December 9, 1996,” Mr. Portigal wrote. We have seen no other correspondence on this subject.

Mr. Portigal goes on:

On the gas side, two events have changed Channel Lake’s circumstances:

1. The recent bankruptcies of Multi Energies Inc, and NESI Energy Marketing (Canada) Ltd. and the effect of these failures on Channel Lake and SaskPower.
2. The issuance of Right of First Refusal Notices by Stampeder Exploration Ltd. regarding its holdings in the Channel Lake and Channel Lake South fields.

(...) I would like to have the time to prepare a strategy for the future of the gas supply operations for SaskPower including whether the Channel Lake operation should be retained or should be sold given current high property values and relatively low natural gas prices.

Mr. Portigal remained on the payroll, and acted quickly on his proposal to explore the sale of Channel Lake.

On December 16, 1996, Mr. Portigal presented a management report to the Board of Directors of Channel Lake. The minutes report:

Lawrence S. Portigal presented a report with respect to the status of Stampeder Exploration Ltd. He advised that Stampeder’s president recently informed him that Stampeder had decided to proceed with the closing of its royalty trust without inclusion of the Channel Lake properties. He indicated that Stampeder had subsequently offered to purchase those Channel Lake properties from Channel Lake for approximately \$11 million. He indicated he advised Stampeder that this price was far too low and in fact Channel Lake was having a valuation of this and all of its properties done. The valuation was to be ready approximately January 15, 1997... The Chairman advised that a meeting would be scheduled subsequent to receipt of the valuation anticipated on or about January 15, 1997.

The same day, the brokerage firm Nesbitt Burns wrote to Mr. Christensen, offering him an estimate of how much SaskPower could realize if it sold Channel Lake’s assets to a royalty trust. It is clear from this correspondence that Mr. Christensen had begun to explore SaskPower’s options for divesting itself of its natural gas subsidiary.

On January 8, 1997, Management Ventures Inc. (the management firm composed of Channel Lake’s employees) submitted an offer to purchase Channel Lake’s assets through a royalty trust. The letter suggested that SaskPower could hope to sell its Channel Lake assets to an oil and gas company for \$19 million; could sell to an existing royalty trust for \$23 million; and could sell to a newly created royalty trust such as Management Ventures Inc. was proposing for \$29 million.

19. January 13, 1997 SaskPower Board meeting

On January 13, 1997, the Board of Directors of SaskPower met and reviewed a topic summary prepared and presented by Mr. Christensen.

Mr. Christensen recommended that the Board authorize Channel Lake to sell “a major portion of its assets by way of a royalty trust offering”. Mr. Christensen offered the following reasoning for this recommendation, which we reproduce in full:

Channel Lake was originally purchased as a hedge against higher gas prices. Since its purchase in 1993, the natural gas futures and forward markets have become much more developed; therefore, physically owning gas reserves is no longer required to obtain natural gas price hedging.

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

Royalty trusts are investment vehicles whereby unit holders receive a flow-through of cash and tax benefits from oil, gas, coal or iron ore. A recent royalty trust was created for Luscar Coal. This royalty trust now owns the reserves that supply SaskPower some of its coal.

SaskPower will investigate the pricing available from selling assets into a royalty trust and will make a recommendation to the Channel Lake Board of Directors and SaskPower’s Audit/Finance Committee.

We do not dispute the truth of any of the points outlined by Mr. Christensen in his January 13th topic summary to the Board of SaskPower.

Nevertheless, in our view this topic summary is incomplete, misleading, and not consistent with the facts before Mr. Christensen.

It is the obligation of officials and senior officers of crown corporations to report all material facts accurately and in a timely manner, when recommending major decisions.

As part of his topic summary, Mr. Christensen should therefore have provided the Board with a complete, clear, unambiguous, and timely report about Channel Lake’s gas arbitrage trading activity; about the manner in which this trading activity had been managed; and about the potential consequences of the bankruptcies.

Mr. Christensen told us in his testimony that in his view, “I believe the board was aware... that there were losses that had occurred” – thus conceding that the issue was material. Mr. Christensen may have believed this, but that does not explain presenting the topic summary in the form in which it was presented. There is no record of a clear, unambiguous, and timely report to the full Board about Channel Lake’s arbitrage trading losses prior to the January 13th meeting – or afterwards.

20. The March 31st deadline

On January 24, 1997, the firm Gilbert Lausten Jung Associates Ltd. provided SaskPower with a valuation of Channel Lake's assets. Working from that opinion SaskPower officials concluded that the assets were worth \$20.3 million. We heard testimony from independent experts, who confirmed that appropriate methods were used to arrive at this estimate.

The same day, having reviewed the valuation, MVI wrote to Mr. Christensen and reiterated its interest in purchasing Channel Lake's assets through a royalty trust.

Mr. Christensen prepared some working notes on January 28, 1997 which SaskPower made available to us. In these notes, Mr. Christensen set out four assumptions, as follows:

- (1) Sale at \$28 million net (including [illegible] and fees.
- (2) Trading loss at \$9.5 mn
- (3) No other income or losses
- (4) Shut down of company.

He then lists the "impact":

- (1) Net income in 1997 will be essentially zero.
- (2) SaskPower repaid \$25 mn initial investment
- (3) All others left whole
- (4) SaskPower get another \$2.5 mn out
- (5) Net cash [illegible] would be: 1993, \$25 mn; 94, 0; 95, 0; 96, 0; 97, \$27.5 mn.

These notes seem to us to clearly set out Mr. Christensen's real preoccupations in recommending the sale of Channel Lake. A hoped-for sale price of \$28 million could be balanced against an estimated \$9.5 million in trading losses, leaving SaskPower with a net cash gain of \$2.5 million.

There is no record in these notes or in any other document, other than Mr. Christensen's topic summary to the Board, of any other considerations motivating the sale.

In another note also dated January 28, 1997, Mr. Christensen listed the following as goals for a sale of Channel Lake:

1. Get the best price possible after fees
2. Sell before March 31, 1997
3. Earn enough to cover trading losses in 1997
4. Earn enough to have overall positive return from Channel Lake.

These notes have lead to a great deal of testimony before our committee. SaskPower officials offered conflicting evidence on why they were seeking to complete a sale before March 31, 1997.

Mr. Christensen offered the following explanation:

March 31, as Mr. Messer had stated earlier, was a target date. I commonly call it a bogey. I'm probably the only one that uses that term at SaskPower. It's a date whereby you want to get something done. And we typically would do that at SaskPower, set a date to complete things so that there was a target to get it done.

A more important reason than having a bogey though was at this particular time in the market-place, royalty trusts were trading at a fair premium above asset value. Interest rates had been low and gas prices had been high. And in fact it was high gas prices that likely caused the bankruptcies in the industry.

We felt, from the information we had, that now was the right time to sell and that we should move fairly quickly to get the best possible price. And I think if you look at some of the documents that were tabled, you will see that concern generally in the industry literature.

And our feeling was confirmed after January 28 in our meeting with Nesbitt Burns, that in fact the market was hot. If we wait, we may suffer from, I think their term was market fluctuations.

Mr. Messer's testimony repeated some of this. But he also offered us a different, and more succinct explanation. He told us: "If the deal was done by March 31, it would facilitate a tabling process."

He elaborated on this statement in his closing statement:

...the most that can be made of the March 31 deadline is that it might, in Mr. Messer's words, facilitate the tabling of documents. That is, a March 31 agreement might have enabled Channel Lake to table its 1996 Financial Statement in 1997, thereby disclosing the trading losses together with positive news about the sale.

We believe both versions help explain the March 31st deadline.

SaskPower undoubtedly sets target dates.

It is also likely true that SaskPower thought it saw a market opportunity to sell Channel Lake's assets at a premium through a royalty trust, and wanted to capture that opportunity by acting quickly.

But it is also true that:

- Mr. Christensen had been mandated by the Channel Lake board to consider how to present Channel Lake's trading losses favourably "prior to the release of any financial information";
- The *Tabling of Documents Act (1991)* requires crown corporations to table their statements in the legislature 90 days after the end of their financial year.

SaskPower's financial year ends on December 31st. Ninety days later brings us to March 31st. Thus the potential pertinence of a March 31st deadline, in order to "table its 1996 Financial Statement in 1997, thereby disclosing the trading losses together with positive news about the sale" as Mr. Messer puts it in his closing statement.

- It is clear from Mr. Christensen's January 28th notes that he did intend to construct a picture in which trading losses are deducted from proceeds from a sale, producing an overall profit from SaskPower's investment in Channel Lake – precisely as Mr. Messer suggests.
- Although he provided somewhat inconsistent evidence on this matter which must be read with caution, Mr. Portigal told us that he was led to believe by Mr. Christensen that the sale should be completed by March 31st in order to affect the manner in which trading losses were reported to the Legislature. As outlined below, Mr. Portigal's memoranda to Mr. Messer refer to this deadline as the driving issue behind key decisions involving the sale. Mr. Messer never corrected Mr. Portigal on this issue.

In sum, we believe that Mr. Christensen set a March 31st deadline at least in part with an eye towards SaskPower's reporting obligations to the Legislature. We agree with Deloitte and Touche's conclusion about the consequences. Because of this deadline, at least partially motivated by a "damage control" effort, "the sale process was set about with a degree of urgency that greatly increased the risk of error." As such it represented a serious error of judgement.

We have found no evidence that this March 31st deadline was ever discussed with or approved by the Board of Directors of SaskPower.

21. Early efforts to sell Channel Lake

On February 4, 1997 Mr. Christensen and Mr. Murray Black met on behalf of SaskPower with Mr. Glenn MacQueen, representing Management Ventures Inc., to explore the MVI offer.

The same day these two officials met with Mr. Ron Wonnacott of Nesbitt Burns. The minutes of the meeting indicate that Nesbitt Burns told SaskPower that Channel Lake's assets were too small to issue a Royalty Trust on their own, and that the deal was too small to justify Nesbitt Burns getting involved. The brokerage offered to introduce SaskPower to existing trusts, who might like to purchase the assets.

Later the same day the same SaskPower officials met with Mr. Barry Munroe, Mr. Donald Stewart, and Mr. Frederick Kozak of Ernst & Young.

SaskPower provided us with minutes of this meeting, which includes the following words:

If we want to look at selling Channel Lake, there may be a way of erasing some of the trading losses that we are anticipating. If we write a contract (with the eventual purchaser of the Channel Lake assets) for the purchase of natural gas from the Channel Lake assets, we may be able to get a higher price for the assets and thus offset the trading losses we will see.

In testimony before our committee, Ernst & Young denied that they made this suggestion. It is, however, consistent with the agreement SaskPower subsequently attempted to negotiate with the ultimate purchaser of Channel Lake.

Mr. Portigal told us that on February 17, 1997 Mr. Christensen requested that he search out prospective purchasers. He told us:

I approached TOM Capital, Stampeder Exploration and DEML. All of them were provided with the same information, including SPC's concern that the sale be concluded by March 31, 1997, that a share purchase was preferable to an asset purchase, that the trading losses were then estimated at \$5.2 million and that it was expected that there would be cash in the company in an amount equivalent to the value of the trading losses.

Mr. Portigal described the resulting offers and his evaluation of them:

Of the initial offers submitted, only the offer by DEML was a viable proposal for a sale of shares. By the end of March, when the negotiations with DEML were well underway, TOM was prepared to also engage in a share sale transaction, but it was by then far too late to be able to conclude a deal with TOM by the end of March. This was also true of a proposal in the third week of March from Shiningbank. The last minute "offer" by Stampeder was only a telephone call and it was not followed up with any written proposal. It was not a serious offer.

On February 28, 1997, acting on behalf of Direct Energy Marketing Limited (DEML), Mr. Owen Mitchell forwarded a \$27.7 million offer from DEML to purchase all of the shares of Channel Lake Petroleum Ltd., and offered to complete the sale by March 31, 1997. Mr. Mitchell described DEML as "a wholly-owned subsidiary of the Optus Natural Gas Distribution Income fund... [and] Canada's largest independent gas marketer."

This offer contained two important caveats.

In the offer itself, signed by Mr. Louis Dufresne, Senior Vice-president, DEML noted that "This offer is subject to the negotiation and execution of a share and purchase agreement acceptable to both parties, as well as normal due diligence periods and approval of the appropriate boards of directors on or before March 31, 1997."

Ms. Dufresne told us that he understood this to mean that DEML's \$27.7 million offer was an opening bargaining position only, subject to appropriate adjustments once DEML had reviewed Channel Lake's books.

The DEML offer was also contingent on SaskPower signing a ten-year gas supply contract.

In his cover letter on this offer, Mr. Mitchell included the following comment on the DEML offer:

As you are aware, the situation surrounding Channel Lake is clouded by a number of legal contingencies and an unprofitable open trading position. These aspects may make it very difficult to dispose of the Company on other than an asset sale basis with contingent liabilities remaining with SaskPower.

DEML is prepared to acquire the Company and all of its liabilities subject to a clearly defined one-time adjustment for the open trading position and SaskPower's cooperation (without ongoing liability) on the outstanding legal actions. This, along with the price offered, should make the proposal very attractive.

Mr. Mitchell added:

You will note that the proposal price is, I believe, substantially higher than an arm's length competing proposal would be. This is made possible by the tie-in to a proposal to provide management of the supply and delivery of SaskPower's natural gas.

The plain reading of these words would suggest that DEML was offering SaskPower something better than a straight "asset sale" – or a purchase on an asset equivalent basis. Instead, SaskPower officials could reasonably have assumed that they were being offered a sale along the lines they apparently understood Ernst & Young to have suggested – a premium price to cover trading losses, justified by a long-term gas supply contract.

In their testimony, however, both Mr. Dufresne and Mr. Drummond told us that it was always DEML's intention to only pay the value of Channel Lake's underlying assets as evaluated by Gilbert Lausten Jung Associates – i.e. \$20.3 million – less trading losses. Mr. Dufresne told us that the requirement for due diligence spelled out in DEML's offer made this aspect of their offer clear.

Mr. Dufresne told us that DEML could offer \$27.7 million because Mr. Portigal had assured him informally that there would be sufficient cash left in Channel Lake to fund the trading losses. In other words, in addition to the underlying asset of \$20.3 million, SaskPower would leave some \$7 million in cash in the company to pay down its trading losses.

Mr. Portigal confirmed that he did give Mr. Dufresne this assurance.

Mr. Christensen said that Mr. Portigal was not authorized to give this assurance, and did not tell SaskPower that he had done so.

There is no written record indicating any discussion between DEML and Channel Lake about leaving cash in the company. Nor is there any written record showing that Mr. Portigal reported this matter to SaskPower.

Mr. Drummond and Mr. Dufresne gave slightly conflicting testimony regarding the details of their offer and expectations, and Mr. Drummond provided the Gerrand Rath Johnson law firm two additional conflicting explanations for DEML's offer and expectations.

In its' own report on these events, tabled by Deputy Premier Lingenfelter in the Legislature on March 10, 1998, the Crown Investments Corporation comments on the DEML initial offer:

DEML officials have indicated that they had no intention of paying an inflated value for the Channel Lake assets. There is no obvious rationale for such an unorthodox negotiating approach, excepting the possibility that such an initial offer would have the effect of 'freezing out' alternative bids. The DEML offer was also made in consideration of receiving the ten year natural gas supply agreement. DEML claims SaskPower knew this original offer would be subsequently reduced; SaskPower officials deny this assertion.

One way or another, Mr. Mitchell's covering letter could have provided SaskPower officials with reasonable hope that a premium was available. But Mr. Dufresne's caveat that DEML's offer was subject to due diligence would have indicated otherwise. SaskPower officers should have had no illusions about an initial offer from a private-sector firm active in a highly competitive industry.

Mr. Dufresne's letter of offer contained the following paragraph (the significance of which we will discuss later in this report):

SaskPower and DEML will cooperate to minimize or avoid any loss of employment by SaskPower or CLP employees.

22. SaskPower negotiates with DEML

According to the report of the Gerrand Rath Johnson law firm, on March 10, 1997 Mr. Christensen met with Mr. Murray Black and Mr. Robert Spelliscy, Supervisor of Accounting Policy and Development of SaskPower. The purpose of the meeting was to discuss the DEML offer.

Gerrand Rath Johnson reported that it is the recollection of Mr. Spelliscy that it was understood at that meeting that the effective date of sale, should the offer be accepted, was September 1, 1996. It was calculated by those attending the meeting that SaskPower would achieve a gain on the sale of \$5.4 million, based on a selling price of \$27.7 million less \$5.3 million for trading losses and a cash flow adjustment of \$1.3 million. In the opinion of the attendees at this meeting, the net proceeds of the sale based on these calculations were approximately \$21 million.

Mr. Kram testified that a second meeting occurred the same day, attended by Mr. Portigal, Mr. Christensen, Mr. Black, Mr. John Kozole, and Mr. Spelliscy. This meeting also reviewed the proposed purchase price.

At the meeting, Mr. Portigal informed Mr. Kram that Mr. Michael Hurst of the Milner Fenerty law firm of Calgary had been retained to act on behalf of SaskPower as outside counsel for the negotiation of a sale agreement with DEML.

Mr. Hurst told us that “Mr. Portigal told me that he would carry the negotiating and business lead in the transaction and that I would also be reporting to Mr. Larry Kram, the general counsel of SaskPower.”

On March 11, 1997, Mr. Portigal wrote to Mr. Messer. He reported that he had met on March 6th with Mr. Mitchell, and on March 7th and 10th with Mr. Dufresne. He reported:

It is my view that the [DEML] offer is reasonable but not generous. The offer enables Channel Lake Petroleum Ltd. to crystallize its trading losses at approximately \$6.6 million with DEML assuming the risk of any losses exceeding this amount.

In addition, it represents the only real option SaskPower has to achieve a sale of CLP prior to the tabling of SaskPower and CLP financial statements in the legislature.

The last sentence is significant. Mr. Portigal was clearly under the impression that he was to find a purchaser prepared to close before SaskPower thought it would be required to report to the Legislature. Mr. Messer did not correct him on this point.

On March 12, 1997, Mr. Messer wrote to Mr. Dufresne, acknowledging DEML’s \$27.7 million offer. Mr. Messer told Mr. Dufresne:

We have completed an initial review of your offer. We are not prepared to accept it but believe that it could form the basis of an agreement, subject to a number of additional conditions. We would like to commence negotiations with you with a view to reaching an agreement satisfactory to both parties prior to March 31, 1997, subject to necessary internal and external approvals.

By framing his response this way (“we are not prepared to accept it”), Mr. Messer in effect refused DEML’s \$27.7 million offer and proposed that negotiations begin on some other set of terms. At that point there was no offer either to buy or to sell that could simply be accepted. SaskPower and DEML had simply indicated an interest in negotiating together towards a possible sale.

Mr. Messer also clearly indicated his own interest in concluding by March 31st.

His letter continued:

If you are willing to proceed on this basis, I would ask that you contact Lawrie Portigal. I have directed Lawrie and other SaskPower officials to proceed with these negotiations and, hopefully, completion of an agreement, as expeditiously as possible.

Since DEML was specifically directed to negotiate with Mr. Portigal by name, and no other person was named, DEML could reasonably conclude from this paragraph that Mr. Portigal was SaskPower's representative, and had authority to both "negotiate" and "complete" an agreement.

Mr. Portigal told us that these were the only instructions he ever received regarding the negotiation a sale agreement with DEML.

Mr. Messer unwisely gave Mr. Portigal extremely wide latitude to conduct and complete the negotiations with this letter – comparable to the latitude Mr. Portigal was given to engage in gas arbitrage trades, and ultimately with similar results.

23. The March 13, 1997 meeting of the SaskPower Board of Directors

On March 13, 1997, the Board of Directors of SaskPower met and reviewed a topic summary prepared by Mr. Black, and presented by Mr. Christensen.

The background information briefly noted that a potential purchase offer had been received; that the purchaser was interested in acquiring all of SaskPower's shares in Channel Lake; and that SaskPower wished to examine the share sale proposal in conjunction with any other offers. On this basis the Board approved the following motion:

It was duly moved and seconded and resolved that SaskPower divest itself of Channel Lake Petroleum Ltd. by way of a share sale or asset sale with final pricing and material conditions to be approved by the Channel Lake Board and SaskPower's Audit and Finance Committee.

This was not an appropriate motion for SaskPower officials to recommend to the Board, and it was not an appropriate motion for the Board of Directors of SaskPower to approve. It has the appearance of giving the Channel Lake Board and the audit and finance committee a blank cheque to approve a sales agreement on any terms they wished.

In the event the letter of the motion was not implemented. SaskPower management wisely chose to return to the Board of Directors of SaskPower for approval of the terms they thought they had negotiated.

24. Negotiations continue

On March 17, 1997 Mr. Portigal wrote to Mr. Messer and provided him with an update on recent events. He reported that he had had several meetings with officials from DEML, and that drafts of agreements were being reviewed.

Mr. Portigal then briefly discussed the three competing offers before SaskPower.

- Stampeder Exploration Ltd. was offering to purchase the properties of Channel Lake for \$20.5 million plus \$500,000 if the transaction closes before March 31, 1997. Adjustments would reduce the total to \$19.7 million.
- TOM Capital Associates Inc. offered \$24.2 million, subject to the risk that the proposed royalty trust may not close. “In addition, SaskPower would have to agree to stand still on the sale for 60 to 90 days”.
- MVI “and unidentified backers” submitted a bid, but Mr. Portigal reported he saw “no evidence of the financial strength to complete the transaction”.

Mr. Portigal noted: “I remain of the view that the only group with the capacity to close this transaction by March 31, 1997 is OPTUS-DEML.”

In Mr. Portigal’s mind, the March 31st deadline was the key consideration driving the choice of purchaser. Mr. Messer did not demur, since he did not intervene after reading this memorandum to require Mr. Portigal to work more seriously on the competing bids.

Mr. Dino DeLuca, a partner with the law firm of Burnet Duckworth & Palmer, was retained by DEML to represent it in the negotiations.

Mr. DeLuca told us that he prepared a first draft sales agreement, on the basis of the letter of offer earlier provided to SaskPower.

Mr. DeLuca delivered a copy of this first draft of the sales agreement to Mr. Portigal on March 18, 1997. Mr. Portigal provided a copy to Mr. Hurst, who in turn provided a copy to Mr. Kram.

Mr. Kram told us there were few or no legal issues of concern.

The first draft reflected a purchase price of \$27.7 million, less trading losses of \$7.1 million.

In a cover letter, Mr. DeLuca notified SaskPower that the terms governing the proposed purchase price were not final. As Mr. Hurst told us, “he was considering replacing the purchase price adjustment provisions contained in section 2.3 of draft 1 with a set of provisions providing for a working capital adjustment.”

Mr. Portigal provided a copy of the same draft to Mr. Christensen and Mr. Patrick the following day.

On March 21, 1997, Mr. Portigal reported to Mr. Messer by memorandum that negotiations were proceeding with DEML. He, in effect, proposed that a new competing bid from MVI be set aside because the firm and its partner had requested 42 days to conduct due diligence.

On March 23, 1997, Mr. Christensen convened a meeting attended by himself, Mr. Portigal, Mr. Kram and Mr. John Scobie, an employee in SaskPower's finance department. At this meeting it was learned that the purchase price had been reduced to \$26 million, less trading losses of \$5.2 million, for a net purchase price of \$20.8 million.

According to the report of the Gerrand Rath Johnson law firm, and confirmed by Mr. Christensen, all three SaskPower officials (Christensen, Kram and Scobie) left this meeting convinced that SaskPower would receive \$20.8 million net.

Mr. Portigal demurs. He told us:

In the March 23 meeting, I said repeatedly that DEML was to pay 20.8 million on an asset equivalent basis – no more, no less. I stressed that no matter how the transaction was structured, at the end of the day, DEML was not willing to pay more than 20.8 million. In retrospect it seems clear that there was a fundamental misapprehension or miscommunication between myself and SaskPower finance with respect to the purchase price and how the purchase price related to the trading losses.

Mr. Portigal's last words are the key ones. He is saying that DEML was willing to pay \$20.8 million – before deduction of trading losses.

On March 24, 1997, Mr. Christensen sent a memo to Mr. Portigal confirming the understanding of all attendees at the March 23rd meeting.

Mr. Kram testified that Mr. Christensen's memo confirmed the understanding of SaskPower officials that "the purchase price was to be a net \$20.8 million".

Although Mr. Kram told us this in good faith, those are not exactly the words in Mr. Christensen's March 24th memo. The relevant sections of Mr. Christensen's memorandum reads as follows:

The sale will be effective January 1, 1997. All gains and losses after that date will be the responsible of the Purchaser. ... The purchaser will then pay SaskPower the sum of \$20.8 million for the "note payable to SaskPower" and the shares of Channel Lake owned by SaskPower. ... The split between the Note payable and the shares may be altered to allow a discounting of the note. The discounting may be required by the purchaser for tax purposes. In any event, the Purchase Price shall remain at \$20,800,000.

Adjustments to the purchase price are expected to be insignificant.

There is no mention of "a *net* \$20.8 million".

The same day, Mr. Portigal appears to have made an effort to clarify the real terms of the sales agreement as they then existed.

He prepared a draft topic summary for presentation to the Board of Directors of SaskPower at a meeting scheduled for March 27th.

Portigal submitted his draft to Mr. Christensen.

In his topic summary, Mr. Portigal described the arrangement as follows:

SaskPower management has now had an opportunity to review the proposal and has negotiated a Share Purchase and Sale Agreement which is satisfactory to both parties.

The agreement provides for a share sale price of \$26 million effective from January 1, 1997.

After adjustment for trading losses of \$5.2 million the asset value equivalent purchase price is \$20.8 million which is supported by independent engineering evaluation prepared by Gilbert Laustsen Jung as at January 1, 1997.

The Sale of the Channel Lake shares will result in a net gain to SaskPower of approximately \$4.2 million after adjustment for the trading losses.

This description more correctly summarizes the purchase price as set out in the second draft of the sales agreement – subject to Mr. DeLuca’s reservation that DEML wanted to work on language about a working capital adjustment (a negotiation Mr. Portigal does not mention). Mr. Portigal correctly outlined how trading losses were to be deducted from the gross price to be paid by DEML.

Mr. Portigal told us that this was the standard of clarity and candor which he believes is appropriate in a topic summary for the Board of Directors of a major public corporation.

There was, however, a significant silence in Mr. Portigal’s report. He did not mention that he had assured DEML that there would be sufficient cash left in the company to fund the trading losses. In other words, he omitted mention of a \$5 million additional cost to SaskPower, of which he was aware.

Also on March 24th, Mr. Hurst provided Mr. DeLuca with SaskPower’s preliminary comments on the first draft of the sales agreement. Mr. DeLuca noted in his testimony that Mr. Hurst “clearly identified that there would have to be a working capital adjustment to the purchase price”.

The following day, Mr. Portigal, Mr. Hurst and Mr. DeLuca met to discuss the draft.

On March 26th Mr. DeLuca produced a second draft of the sales agreement.

This second draft contemplated a base purchase price of \$26 million subject to a \$5,287,635 reduction for trading losses under the trading contracts.

25. Mr. Christensen and Mr. Kram rewrite Mr. Portigal's topic summary

At some point between March 24th and March 26th, Mr. Christensen and Mr. Kram rewrote Mr. Portigal's draft topic summary, intended for the Board of Directors of SaskPower.

Their draft reads as follows:

That Channel Lake Petroleum Ltd. recommend to SaskPower that it divest itself of all of its interest in Channel Lake Petroleum Ltd. by entering into an agreement with Direct Energy Marketing Limited, effective January 1, 1997 by doing the following:

- (a) selling all of its shares in Channel Lake Petroleum Ltd.;
- (b) disposing of the promissory note dated September 1, 1993 from Channel Lake Petroleum Ltd.;

for a total purchase price of \$20.8 million, which purchase price may be allocated between the shares and note, which allocation may result in a loss on the note. ...

For this transaction to be structured so that DEML obtains favorable tax treatment, the note must be either interest bearing or discounted. As the note is non-interest bearing, a discount on the note will be required. If the note is discounted, the cash portion of the purchase price will be adjusted by the amount of such discount. The result is that SaskPower in any case receives \$20.8 million. In other words, the discounting of the note is for DEML's benefit and is essentially neutral to SaskPower.

This description of the proposed terms of sale is not consistent with the draft contract terms then in Mr. Christensen and Mr. Kram's possession. The "total purchase price" was not \$20.8 million, it was \$26 million. This sum would then be subject to a deduction for trading losses, producing a "net" purchase price of \$20.8 million.

In a closing statement submitted by SaskPower Corporation and its officials, the following explanation for this rewrite of Mr. Portigal's topic summary is offered:

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

Messrs. Kram and Christensen proposed another version of a topic summary which also clearly indicated that "SaskPower, in any case, receives \$20,800,000". This topic summary also spelled out how this net amount would be applied by SaskPower. This was the identical amount specified in the topic summary prepared by Mr. Portigal.

This explanation sheds no light on why Mr. Kram and Mr. Christensen rewrote Mr. Portigal's topic summary.

As will be seen by reviewing the full text of Mr. Christensen and Mr. Kram's version of the topic summary, the phrase "SaskPower, in any event, receives \$20,800,000" comes at

the end of a discussion about allocating portions of this sum to a note and to a cash payment.

At no point in the rewritten topic summary is \$20,800,000 referred to as a “net amount”. On the contrary, earlier in the rewritten summary Mr. Christensen and Mr. Kram clearly report to the Board of Directors of SaskPower that the sale is for “a total purchase price of \$20.8 million”.

We believe, on the balance of the evidence (the November 26th Channel Lake direction to Mr. Christensen *et al*; the incomplete and misleading nature of Mr. Christensen’s January 13, 1997 topic summary to the Board of SaskPower; Mr. Christensen’s notes) that Mr. Portigal’s March 24th topic summary was re-written as part of a pattern of non-revelation of trading losses, pursued as part of “damage control” until a sales agreement could be negotiated, offsetting them.

Mr. Christensen and Mr. Kram should have provided the Board with a complete, clear, unambiguous, and timely report detailing the real terms of the sales agreement as they knew them to be, including the true proposed purchase price (\$26 million) and the fact that trading losses would be deducted from this sum.

On March 26, 1997, the senior SaskPower officials who made up the Board of Channel Lake met, reviewed and approved this redrafted topic summary.

26. The March 27, 1997 meeting of the SaskPower Board of Directors

On March 27, 1997, the SaskPower Board of Directors met in a telephone conference call.

The minutes of the meeting show that Mr. Messer, Mr. Christensen, and Mr. Portigal attended the meeting for the portion during which Mr. Christensen and Mr. Kram’s topic summary was presented.

Mr. Portigal told us that he only attended for the portion of the meeting in which the topic summary was presented and for a brief question and answer period, and thus was not present for the discussion and decision by the Board.

We asked Mr. Don Mintz, a member of the Board of Directors of SaskPower and chair of the audit and finance committee, to give us his views on how clear the presentation was, and what the Board understood from it:

Mr. Mintz: 20.8 million. And the final discussion and approval was I believe for that amount of money and Mr. Portigal, though not at the table, was in the room sitting off to the side similar to the gentleman behind you.

Mr. Hillson: So you’re saying that it was clear in your mind and you think to anyone in the room that the phrase “a total purchase price of 20.8 million” meant 20.8 million net.

Mr. Mintz: Well, Madam Chair, only an idiot could figure... would take that any differently.

Mr. Hillson: So there was no mistaking in your mind that that meant 20.8 million cash in hand after all the bills were paid and the liabilities covered.

Mr. Mintz: Well, Madam Chair, that meant SaskPower would get a cheque for \$20.8 million.

As chair of the audit and finance committee, Mr. Mintz understood the transaction in considerably more detail than many of his fellow board members likely did.

Nevertheless we accept his testimony that the final topic summary left the Board with the impression SaskPower would net \$20.8 million from the sale.

The Board adopted a minute approving “a total purchase price of \$20.8 million”.

Mr. Hurst told us that he reviewed the second draft of the sale agreement, prepared by Mr. DeLuca, on March 27th.

27. Friday, March 28, 1997 (Good Friday)

On March 28th (Good Friday), DEML asked Mr. Portigal to make a fundamental change to the sale agreement.

Mr. Portigal told us:

On March 28, 1997, while driving from Calgary... from Regina to Calgary, I received a series of telephone calls from Mr. Drummond in which we discussed the second draft of the Share and Note Purchase Agreement which had been delivered to SaskPower on March 26, 1997. Mr. Drummond felt that the mechanism providing for the price determination in the draft agreement was flawed. It did not make any sense. He suggested using the asset equivalent price as the base price. Some mechanism would have to be developed to deal with the trading losses.

Mr. Gary Drummond is President and CEO of Direct Energy Marketing Limited.

He is a businessman and a lawyer. He has been involved in a number of business and property transactions in Saskatchewan.

Mr. Drummond told us that the first two drafts of the purchase agreement did not reflect his understanding of the price DEML was willing to pay for the shares of Channel Lake.

Because of the tight timeframe, Mr. DeLuca of his own accord, tried to turn a one-page letter into a 35-page commercial document. And that was the so-called draft. Of his own accord, without detailed instructions, and without perhaps knowledge of what the business deal was.

Mr. Drummond continued:

I didn't read that draft until Good Friday [March 28th] and if you look through Mr. DeLuca's detailed chronology, you'll understand that SaskPower and DEML agreed on the purchase price and how too it would be structured on that date and everything flowed from there. And everything behind that date is irrelevant. ...

The fact of the matter is that when we did the original letter, we had a rationale for the letter, but as I said, it was strictly to get into the negotiating mode. And the rationale for the letter was that we would gross up the purchase price, adjust for trading losses, and that there would be a working capital adjustment to actually pay the trading losses.

On Good Friday, on reading the legal document for the first time, I felt that was a confusing and less than accurate way to reflect the real business deal.

Mr. Dufresne told us:

On Good Friday, being Friday, March 28, 1997, we determined that the \$26 million figure was misleading and incorrect and that a more accurate description of the business deal was a share purchase of \$20.8 million with a working capital adjustment in a separate provision for SaskPower to cover whatever the trading losses ultimately proved to be.

This revision was conveyed to Mr. Portigal, and he concurred that it was reflective of the business deal, which was a \$20.8 million asset equivalent price.

Mr. Hurst told us that he discussed the draft sale agreement with Mr. Portigal that same day, March 28th. Mr. Hurst testified:

Mr. Portigal said there would be a revision in respect of the purchase price so that it would be \$20.8 million and that the price adjustment provision relating to the trading losses would be deleted. He made the observation that there would be \$5.2 million in the company.

DEML was entitled to propose changes to the sales agreement at any time during the negotiations, until the contract was finalized, executed and placed in escrow.

Mr. Portigal was NOT entitled to agreed to the change requested by Mr. Drummond, according to his employers.

The effect of accepting Mr. Drummond's proposal was that \$20.8 million would become the gross price; that trading losses would then be deducted; and that SaskPower would be left with a net of some \$15 million.

Mr. Portigal told us that in his view, this change reflected what he always understood the bottom line was going to be.

Mr. Messer, Mr. Christensen, Mr. Kram, and Mr. Mintz all told us that this was not how they understood the deal.

Mr. Portigal told us that in his view he had the authority to change the terms of the contract – and to bind SaskPower to the changes he chose to accept. He told us:

Mr. Portigal: ... the only instructions or directions or mandate I had with respect to this transaction was contained basically in the March 12 letter from Mr. Messer to Mr. Dufresne. That's the extent of it.

Mr. Hillson: To negotiate?

Mr. Portigal: To negotiate and complete.

Mr. Hillson: That doesn't sound like binding.

Mr. Portigal: Complete sounds like binding to me, sir.

Mr. Messer contradicted this interpretation of his March 12th letter. He told us:

Portigal clearly had authority in regard to negotiating the deal. And to that extent, I guess, if he had that empowerment I was authorizing him to undertake it. But there was a limit. There was certainly no authorization to substantially change the deal by \$5.2 million.

Subordinates do not have the authority to reverse specific direction from, or clear understandings communicated by, the decision-makers to whom they report without clear, unambiguous, timely prior approval.

A general mandate does not override a specific instruction or understanding.

Thus, a general mandate to negotiate did not excuse Mr. Portigal from his obligation to respect specific direction or clearly communicated understandings.

Mr. Portigal should have reported Mr. Drummond's March 28th request to SaskPower, and asked for instructions.

28. Saturday, March 29, 1997

On Saturday, March 29, 1997, Mr. Portigal, Mr. Hurst and Mr. DeLuca met in Mr. DeLuca's office in Calgary and discussed changes to the sales agreement. Mr. Hurst told us:

During the course of those discussions it was understood that the transaction would have an effective date of January 1, 1997 and that the sale of the shares of Channel Lake would be for a consideration of \$20.8 million as at that date. Mr. Portigal stated that the 5.2 million in gas trading losses were incurred between January 1, 1997 and February 28, 1997 so that there would have to be an adjustment for them. There was

some general discussion between Mr. Portigal and Mr. DeLuca about prior discussions relating to the establishment of a trading account.

29. Monday, March 31, 1997 (Easter Monday)

On Monday March 31st Mr. Kram conducted some related professional business with Mr. Hurst. He faxed the final version of a letter of engagement, defining the terms and conditions under which Mr. Hurst was to carry out the legal work surrounding the sale – work he had already been undertaking for several days. Included in this letter of engagement is the following requirement:

- (1) You will take instructions from or through the writer [Mr. Kram], unless agreed otherwise. In that regard, we confirm that Lawrence Portigal is authorized to provide you with instructions during the course of this matter, subject to section 3.
- (2) You will provide to the writer [Mr. Kram] all copies of correspondence, documentation and draft agreements and agreements that are received or written by you in relation to the matter for which you have been retained.

Mr. Hurst executed this letter of engagement (which Mr. Kram had backdated to March 27th) on that day and returned it to SaskPower.

The same day, Monday, March 31, Mr. DeLuca distributed a third draft of the sale agreement to Mr. Hurst. Mr. DeLuca also faxed the draft to the offices of SaskPower in Regina, to the attention of Mr. Portigal.

This third draft restated the sale price. The total purchase price would now be \$20.8 million, less trading losses.

Mr. Hurst told us that notwithstanding the letter of engagement he signed that very day, he did not send copies of this new draft to Mr. Kram. He told us:

I am aware of the criticisms for my failure to directly forward to Mr. Kram, copies of all draft documents, being draft no. 3 of the share and note purchase agreement, the acknowledgement and the revised pages to the share and note purchase agreement. I acknowledge those oversights. In hindsight I can offer only this explanation: I assumed that Mr. Kram was receiving these documents from Mr. Portigal as part of SaskPower's normal procedures.

Mr. Hurst is, to our knowledge, an honorable and reputable member of the Alberta bar. He demonstrated considerable personal and professional integrity in making this statement before our committee, and we appreciate his honesty and candor.

It is a material fact that the senior counsel for SaskPower apparently did not consider it an issue that Mr. Hurst failed to respect the terms of his letter of engagement, until the matter was brought to his attention by Mr. Gerry Gerrand, Q.C. in January 1998. The Gerrand Rath Johnson law firm's report notes:

When being interviewed, Kram expressed the view that he was not concerned by the fact that Hurst had not sent to him copies of documents on a timely basis or at all. When asked what documentation he expected Hurst to send to him pursuant to the Retainer Agreement, he suggested only the Closing Book. Kram subsequently indicated to the interviewers that, on reflection, he viewed Hurst's failure to forward all correspondence, draft agreements and agreements to him as a breach of the Retainer Agreement.

Notwithstanding the apparent remarkable inattention of his client, Mr. Hurst should have sent a copy of the third draft of the sales agreement to Mr. Kram, as required by his letter of engagement – on general principle, and because the third draft contained a highly material change to the sale price.

Mr. Hurst was negligent in failing to provide a copy of the third draft to Mr. Kram, in our view.

During the course of business on March 31st, Mr. Hurst proposed some amendments to the third draft of the agreement to Mr. Portigal, which Mr. Portigal discussed and agreed with Mr. DeLuca. Mr. Hurst told us:

Later on March 31, 1997 I received a copy of a letter written by Mr. DeLuca to Mr. Portigal which enclosed execution copies of the share and note purchase agreement, a blacklined copy thereof showing most recent changes, execution copies of the escrow agreement, and a blackline of it. Again these were not forwarded by me to Mr. Kram.

Mr. DeLuca told us that he arranged to have copies of this material delivered to Mr. Hurst in Calgary, and also sent a copy by courier to the SaskPower offices in Regina, to the attention of Mr. Portigal. Mr. DeLuca drew our attention to his cover letter:

I'd like to read out my concluding... second to last paragraph. 'The execution copies of these agreements have not been stapled and/or [sic] that any replacement pages that are required may be inserted at the closing on Wednesday.' That was our view at the time.

From my point of view, the documents we delivered to Regina for receipt on April 1 were not final, and they're still subject to ongoing negotiations. ... several schedules, including the financial statements and the trading contracts, were not prepared or produced by SaskPower for review by Direct Energy. At the time this letter went out we probably received the first draft of the financial statements and we definitely didn't receive any information on the trading contracts. ...

This didn't occur till March 31 in the case of financial statements, and information on the trading contracts was received over the course of three days, April 1, 2, and 3. Based on this information I'm not sure how anyone can say the documents attached to my letter dated March 31st were final.

We are satisfied that the execution drafts produced by Mr. DeLuca were not and could not have been final versions of the sales agreement, for the reasons outlined by Mr. DeLuca.

And we note that senior SaskPower officials would have been familiar with documents in this form, since they themselves presented the Board of Directors of SaskPower with a purchase agreement for the Dynex assets in an almost identically unfinished state, at the Board's April 22, 1993 meeting.

30. Tuesday, April 1

Mr. Hurst

During the course of the day on Tuesday, April 1, Mr. Hurst had two telephone conversations with Mr. Kram. In one conversation, Mr. Hurst advised Mr. Kram that he had signed off on the purchase agreement and the escrow agreement. Mr. Kram testified, and Mr. Hurst did not deny, that Mr. Hurst did not mention that any material change had occurred to the terms of the sales agreement.

Mr. Portigal's April 1st memo

In the course of the day on April 1st, Mr. Portigal wrote to Mr. Messer, with copies to Mr. Christensen, Mr. Kram, and Mr. Patrick.

We are satisfied that these individuals received copies of this memo, and read it. Mr. Messer testified that he not only read it, but discussed it with his officials.

The memorandum reports several important changes to the terms of the sales agreement. Five changes are noted to the "Share and Note Purchase Agreement".

- The first change deals with details of the escrow period.
- The second change deals with details of how the purchase agreement addresses trading losses. The approach outlined has the same fundamental effect as earlier drafts.
- The third change deals with regulatory requirements in Alberta.
- The fourth change speaks to environmental clauses.
- Fifth and last in the list of reported changes to the Share and Note Purchase Agreement is the following sentence:

5. The purchase price has been modified to \$20.8 million to match the Board approvals.

Mr. Portigal concludes his memorandum as follows:

Overall the results of the negotiations have been favourable to SaskPower in that once the first stage closing is completed then the process becomes substantially mechanical requiring only the delivery of the purchase price for the second stage of closing to take place.

In Mr. Portigal's view -- and as a matter of fact in a strictly literal, narrow sense -- these words in this memorandum constitute fair notice by him to Mr. Messer and the other senior managers of SaskPower that he had agreed to an amendment to the sales agreement that reduced the final net purchase price by some \$5 million.

In his appearance before this committee, Mr. Portigal conceded that a greater effort would have been appropriate:

Mr. Gantefer: You were the lead negotiator operating on his direction, under the authority of Mr. Messer. Do you not think there was a responsibility to have that an awful lot clearer?

Mr. Portigal: In retrospect, yes, sir.

Mr. Portigal's key sentence in this memorandum merits careful analysis.

He wrote:

The purchase price has been modified...

These words should have served as a football stadium-sized red flag to SaskPower officers.

... to \$20.8 million...

This fragment is an accurate report to Mr. Messer and the other SaskPower officials that the purchase price has changed from \$26 million to \$20.8 million.

... to match the Board approvals.

This is technically true, because Mr. Christensen's and Mr. Kram's misleading and incomplete March 27th SaskPower Board topic summary did indeed describe a "total purchase price of \$20.8 million". However, Mr. Portigal's careful drafting of these words had the effect of deceiving SaskPower officials about the real message, because the Board and SaskPower officials understood "Board approvals" to mean receiving \$20.8 million net of deductions -- not a gross price before deductions.

Later in his memo, Mr. Portigal reports:

Overall the results of the negotiations have been favourable to SaskPower...

This would reassure SaskPower officials that all was well with the sale agreement. It certainly did not suggest to his readers that he was reporting a 25% reduction in the net purchase price.

But Mr. Portigal avoided any future difficulty by strictly defining what he really meant:

... in that once the first stage closing is completed then the process becomes substantially mechanical requiring only the delivery of the purchase price for the second stage of closing to take place.

Mr. Portigal conceded in his testimony that this was not a very revelatory way to report the real terms of the agreement he had negotiated. He told us: "... with the benefit of hindsight, I could have chosen better words for it."

We agree.

Nevertheless, his oblique and misleading allusions to major material changes in the sales agreement were sufficiently clear that Mr. Messer, Mr. Christensen and Mr. Kram must accept responsibility for not acting on this memorandum. They should have asked Mr. Portigal to explain exactly what he meant, particularly with reference to the purchase price.

The contract is signed

At approximately 3:00 p.m. on Tuesday, April 1st, Mr. Christensen, Mr. Kram, Mr. Patrick, and Mr. Portigal met in the offices of SaskPower.

Mr. Portigal put the execution copy of the sales agreement prepared by Mr. DeLuca before these officials.

Mr. Kram testified that "the atmosphere of the April signing meeting was very positive." Mr. Portigal told us that the officials at the meeting discussed how they had relaxed during the Easter long weekend. Five events then occurred – or didn't occur:

- (1) Mr. Portigal, in his role as lead negotiator for SaskPower, did not report any material changes in the sales agreement to the others present at the signing.
- (2) Mr. Christensen, in his capacity as Vice-President of Finance and Information Systems, did not ask any questions directed at verifying that the financial arrangements were satisfactory.
- (3) Mr. Kram, in his capacity as senior counsel and head of the legal department of SaskPower, did not ask any questions directed at verifying that no material changes had occurred in the legal contract before him.
- (4) Mr. Christensen, Mr. Kram and Mr. Patrick signed the documents.
- (5) Mr. Portigal gathered them up and returned to Calgary without further comment.

These acts or failures to act constitute negligence by these officials.

Mr. Portigal failed in his duty to SaskPower and to the public interest, by failing to ensure that his colleagues understood he was presenting a sales contract which would yield some \$5 million less than they expected. By doing so, he removed their best opportunity to react in a timely fashion, and to explore alternative courses of action.

Mr. Christensen committed an act of negligence by not assuring himself that the financial terms of the agreement he was signing were as he understood them to be. He could have assured himself that this was so by reading the agreement; by asking Mr. Portigal questions; or (assuming he was too busy to do so himself) by having his staff review the contract in the hours or days after this meeting.

It is true that Mr. Portigal failed in his own duty by not volunteering the information. It is also true that Mr. Christensen should have made these elementary inquiries, one way or another, before signing the agreement or shortly thereafter.

Mr. Kram committed an act of negligence by not assuring himself that the key terms of the agreement were, in all material respects, as he understood them to be. He too could have assured himself that this was so by reading the agreement; by asking Mr. Portigal questions; or (assuming he was too busy to do so himself) by having his staff review the contract in the hours or days after this meeting.

Here again, it is true that Mr. Portigal failed in his own duty by not volunteering the information. It is also true that Mr. Kram should have made these elementary inquiries, one way or another, before signing the agreement or shortly thereafter.

Our committee has heard sharply conflicting opinions about this subject from distinguished members of the Saskatchewan bar – reiterated with great vigour in some of the closing statements prepared for us by counsel representing some of the individuals involved.

Mr. Robert Garden Q.C. testified that it is normal commercial practice for signing officers to execute contracts without verifying their contents, and that he would have signed the DEML sales agreement himself without reading or verifying it, had he been in the shoes of SaskPower officials.

Mr. Gerry Gerrand, Q.C., offered precisely the opposite view. He argued that these officials did have an obligation to take reasonable steps to assure themselves the agreement they were executing were as they understood them to be.

We do not maintain that signing officers of Saskatchewan crown corporations have an obligation to read every word in every draft of every legal agreement they sign on behalf of the public.

We accept the argument that signing officers have the right to rely, within reason, on the professionalism and good faith of their officials.

But we maintain that the public interest is best served when senior officers of publicly-owned crown corporations accept an elementary responsibility to take reasonable steps to assure themselves there are no egregious faults in agreements before executing them.

We believe that shareholders of private corporations expect the same of senior officers.

31. Wednesday, April 2

Mr. Portigal and DEML planned to close the agreement and put it into escrow on Wednesday, April 2nd.

To that end a meeting was held in the offices of the Burnet Duckworth & Palmer law firm, involving Mr. Portigal and Mr. Hurst representing SaskPower, and Mr. Dufresne, Mr. MacIntosh and Mr. DeLuca representing DEML.

Mr. Dufresne told Mr. Portigal that DEML believed that Channel Lake's trading losses were going to be greater than \$5.2 million. He indicated that DEML was not prepared to assume an "open position" – an unlimited exposure to additional trading losses.

Mr. Dufresne told us:

DEML immediately conducted an internal review of the material [gas arbitrage information received the previous day] and concluded the open positions constituted an open-ended liability which had to be capped. The information provided simply raised more questions which could not be answered without a thorough and time-consuming due diligence of all underlying natural gas purchase and sale contracts.

Alternatively, DEML proposed [at the April 2nd meeting] that SaskPower provide a mechanism by which SaskPower would retain responsibility for its trading losses except for \$400,000 and protect DEML against additional bankruptcies.

As the result of this new request the sale agreement did not conclude, and the two parties parted, apparently agreeing to continue discussions later that day.

DEML had now asked for another highly material change to the agreement. They wanted SaskPower to accept a continuing liability for any additional trading losses flowing from Mr. Portigal's gas arbitrage activities.

This demand undermined a fundamental rationale for disposing of Channel Lake through the sale of its shares -- since SaskPower would not (as apparently hoped) be cleanly severed from the consequences of its gas arbitrage activities after a one-time deduction from the sale price.

This time, Mr. Portigal acted more properly in the circumstances. He sent a reasonably clear memorandum to Mr. Messer, proposed a course of action, and waited (briefly) for instructions. He told us:

I wrote another memo to Mr. Messer on April 2, 1997 (again copied to Messrs. Christensen, Kram and Patrick) to advise of further difficulties with DEML over the trading losses and that SPC might have to offer some sort of stop-loss provision in order to achieve closing of the transaction.

I received no response to this memo, which was not uncommon. It had been my experience throughout the time that I worked for SPC that I would only receive feedback in response to my communications if there was a concern.

I understood the lack of response to my memo to indicate this time – as it had indicated when it had happened in my past experience in dealing with SPC – that the SPC officials to whom I had sent my memo concurred with my proposed course of action...

Referring to this and other memos sent by Mr. Portigal to Mr. Messer and his officials between April 1 and 4, Mr. Kram told us:

Those memoranda were in the nature of reports to the president, to whom Mr. Portigal reported, with a copy to myself and the other directors of Channel Lake, and neither sought instructions nor authorizations nor advised any of us that there had been a fundamental and significant shift in the deal or that the signed document was being changed.

In Mr. Portigal's April 2nd memo, Mr. Portigal wrote:

...DEML stated they would be prepared to manage the trading account with the risk of losses above \$5.2 million and the benefit of gains below \$5.2 million being at SaskPower's risk... At the moment, I do not suggest SaskPower alter its position. However, SaskPower may have to consider offering some sort of stop-loss provision in order to achieve the closing of this transaction.

I expect to hear further from DEML before the close of business today following which I will report further.

This was a fairly clear report on the state of play. Mr. Messer and his officials should have understood its significance, and should have reacted to the memo. They didn't, and Mr. Portigal therefore proceeded with his plan.

On the evening of April 2, Mr. Portigal met with Mr. Dufresne and Mr. DeLuca (Mr. Portigal did not invite his own solicitor, Mr. Hurst, to attend the meeting). They discussed finding a solution to the trading loss exposure.

A cost-sharing formula was agreed upon. Mr. DeLuca described the new arrangement to us this way:

The arrangement would see SaskPower remain responsible for the first \$5.2 million of trading losses under the trading contracts; Direct Energy and SaskPower would share the next \$800,000 of trading losses, and SaskPower would continue to be responsible for all trading losses in excess of \$6 million.

Mr. DeLuca was instructed to prepare new drafts of the purchase agreements reflecting this agreement.

The clauses governing this matter in the relevant portion of the purchase agreements were described accurately by Mr. DeLuca in his testimony. The clauses read as follows:

Trading losses up to \$5,200,000 will be funded solely by the Vendor [SaskPower]; provided that if such trading losses are less than \$5,200,000, any savings will be shared equally by the Corporation and the Vendor;

Trading losses in excess of \$5,200,000 and up to and including \$6,000,000 will be funded equally by the Vendor and the Purchaser; and

Trading losses in excess of \$6,000,000 will be funded solely by the Vendor.

32. Thursday, April 3, 1997

On the morning of April 3, 1997, Mr. DeLuca delivered revised copies of the agreement to Mr. Portigal and to Mr. Hurst. Mr. DeLuca also sent what Mr. Hurst described as “a form of acknowledgement to be executed by SaskPower and DEML relating to the trading losses.”

Mr. Portigal's April 3 memo

Mr. Portigal wrote a memorandum to Mr. Messer, with copies to Messrs., Christensen, Kram and Patrick. He reported on DEML's concern about the trading losses. He reported on an undertaking to provide a “comfort letter” and some credit assistance to Channel Lake. He then reported on the significant change he had negotiated, a report that merits analysis.

As I anticipated yesterday, DEML requested a stop-loss provision in the comfort letter. We have basically agreed to recommend that DEML and SaskPower share any trading losses or gains above or below \$5.2 million on a 50-50 basis until the loss exceeds \$6.0 million above which SaskPower will bear the loss.

This misrepresented the new arrangement. The clauses Mr. Portigal negotiated clearly say “trading losses up to \$5,200,000 will be funded *solely by the Vendor*” – SaskPower. His memo continued:

This is a change from the original agreement but I believe this change is necessary to close this transaction.

This was probably correct, and a form of words Mr. Portigal should have used in his April 1st memo. He went on:

The transaction remains beneficial to SaskPower as it reduces its current exposure by \$400,000...

This statement was narrowly correct, since DEML had agreed to cover \$400,000 in potential trading losses.

In context, however, it was highly misleading.

Based on market prices that day, there might have been a reduction in SaskPower's "current" exposure. But in addition (a very significant addition) Mr. Portigal was proposing that SaskPower accept open exposure to trading losses which DEML wanted to avoid – anything over \$6 million. This new obligation was clearly not "beneficial to SaskPower". He went on:

...and still has the possibility of some recovery if prices drop back below \$1.50/GJ and the main sale transaction can proceed.

A reassuring injection of optimism. Then:

In addition, SaskPower will provide assurance that is [sic] has disclosed all of the trading transactions and that there is no risk of a receiver or trustee in bankruptcy making any claims relating to defunct companies.

This provision involved SaskPower accepting additional potential liability.

It is clear that this April 3rd memorandum returned to the pattern of Mr. Portigal's April 1st memorandum – it is a very carefully and reassuringly-constructed message, in this case apparently containing a significant inaccuracy.

Nevertheless, it certainly told Mr. Messer and his senior officials that a major change had been negotiated to the sales agreement by Mr. Portigal on their behalf. It is clear from SaskPower's records that this memo was received and read by SaskPower officials. But they did not respond.

The agreement goes into escrow

Later that day, at approximately 5:00 p.m., Mr. Portigal attended a meeting in the offices of Burnet Duckworth and Palmer. Mr. Portigal again did not invite Mr. Hurst to the meeting. The purchase agreement and its numerous attachments, amended as agreed by Mr. Portigal and Mr. Dufresne, were finalized and executed by DEML, and given over to the Burnet Duckworth and Palmer law firm, which was to serve as escrow agent.

33. Friday, April 4, 1997

On April 4, 1997, Mr. Portigal wrote a memorandum to Mr. Messer reporting that the agreement had been closed. He noted:

The agreements entered into are essentially the same as were discussed earlier...

SaskPower officials, of course, took a different view when they realized the purchase price was \$5 million lower than “discussed earlier”.

...with the modifications outlined in my memorandum of April 3, 1997.

This was fair warning to Mr. Messer and his officials that Mr. Portigal had negotiated changes to the agreement, and that it was different from the version they signed on April 1st.

DEML is still concerned about their risk exposure in assuming the Channel Lake trading portfolio but the benefits of the transaction in the long term were sufficient to achieve the first stage closing of the transaction.

In context this is highly misleading, since DEML now had (give or take \$400,000) no risk exposure. It had all been assumed by SaskPower, under the amendments negotiated by Mr. Portigal -- and somewhat inaccurately reported by him to Mr. Messer and his senior officials, who did not respond.

34. Some conclusions about events over the Easter 1997 long weekend

Mr. Messer, Mr. Christensen and Mr. Kram have all expressed profound disappointment with Mr. Portigal’s conduct over the 1997 Easter long-week. They took the view that Mr. Portigal misled them by presenting them, without comment, with a purchase agreement containing a price \$5 million lower than they expected. They also contended that he acted improperly by negotiating further amendments without notifying them.

It would appear that SaskPower officials only carefully reviewed the final version of the sale agreement after our committee began its hearings. At one point in our proceedings, Mr. Kram and Mr. Christensen generated considerable controversy by telling us that contract clauses had been changed after they signed the agreement, without their knowledge.

Mr. Portigal defends himself from these accusations by pointing to his April 1,2,3 and 4 memoranda, which he argues gave SaskPower officials fair notice of all of the material changes in the agreement. Mr. Portigal concedes that his memos could have been more clearly written. But he notes that SaskPower officers are sophisticated professionals who should have understood what they were being told, or asked questions if they did not.

These events are not to the credit of any of the individuals involved.

- Mr. Messer, Mr. Christensen and Mr. Kram failed to react to a series of memoranda that alluded to some degree to major changes to the sale agreements.

- Mr. Christensen and Mr. Kram committed acts of negligence in the manner in which they handled their roles during the April 1st contract signing.
- And in our view, Mr. Portigal fulfilled his duties minimally, and only in the narrowest technical sense, by providing his April 1,2,3 and 4 memoranda to Mr. Messer and his senior officials.

Mr. Portigal's silence about the change to the purchase price during the April 1st meeting at SaskPower is inexplicable and suspicious. And Mr. Kram was correct when he told us that Mr. Portigal's memos do not "make it clear at all that there is something peculiar and something fundamentally different" about the final purchase agreements. They are in many places oblique, misleading, deviously-worded, less-than-revelatory, and at least on one highly material point (the stop-loss provision), apparently inaccurate.

But they were sent, and SaskPower did not respond.

Thus, Mr. Portigal did the minimum required to protect himself, when his actions would inevitably become starkly clear to his employers.

But although Mr. Portigal thus seems to have saved himself from direct legal consequences, his conduct remains unacceptable. He failed to live up to the public trust placed in him. Mr. Messer was extremely unwise to entrust Mr. Portigal with these negotiations.

35. Events in April 1997

On April 7, 1997, Mr. Messer wrote to Mr. Portigal and stated: "Now that the details of the sale of Channel Lake assets have been finalized, I would like to see us move forward to wind-up the operations of the subsidiary and make decisions with respect to the disposition of staff as soon as possible. Please provide me at your earliest convenience your recommendations, including a time frame, with respect to this matter."

The Gerrand Rath Johnson law firm report notes:

On April 9, 1997 a telephone conversation took place between Kram and Portigal. Kram's notes of this conversation make it clear that Portigal and Kram discussed that it had been agreed between DEML and SPC that trading losses between \$5.2 million and \$6.0 million would be split equally between DEML and SPC, and that SPC was to have sole responsibility for trading losses over \$6.0 million. Kram's notes of this conversation also indicate that during the conversation, reference was made to the April 3, 1997 memorandum from Portigal to Messer in which the above matters were outlined by Portigal.

It thus does not appear that Mr. Portigal clarified his April 3rd memo, which was misleading on this point as discussed above.

Mr. Portigal's job negotiations with DEML

Mr. Portigal told us in his closing statement that at some point after the sale agreement went into escrow, "I indicated to Mr. Christensen, in an informal conversation about my future prospects after the agreement was reached, that I hoped to continue in my manager capacity under the new owners."

He told us:

Long after the documents to effect the sale had been executed, around April 29, I met with Mr. Drummond and he raised with me the possibility of my remaining in my position as manager of Channel Lake. I had anticipated such a possibility because I knew that Mr. Messer had asked DEML to make all reasonable efforts to retain current employees of Channel Lake. Mr. Drummond agreed to my continuing in that capacity after the sale was effective.

Mr. Portigal told us that he did not advise SaskPower of this agreement with Mr. Drummond, a fact he now regretted.

It is significant that Mr. Portigal told us that "I had anticipated such a possibility", because it suggests that this possibility was on his mind when he was conducting the negotiations as SaskPower's sole effective representative.

Further, SaskPower officials should have been aware that this might have been on Mr. Portigal's mind, because DEML raised the prospect of retaining Channel Lake's employees explicitly in its original offer to purchase.

Mr. Portigal was fired by SaskPower on November 7, 1996. Then he was asked to conduct the sale negotiations on behalf of SaskPower. We have seen no evidence that Mr. Portigal was offered or hoped for a senior executive position at SaskPower after Channel Lake was sold. His best immediate prospect of continuing in the senior position he held (*de facto* President and CEO of Channel Lake) would therefore have been to build a relationship with the party negotiating to purchase Channel Lake.

It was thus all the more unwise for Mr. Messer to give Mr. Portigal such wide authority to conduct the negotiations. He placed Mr. Portigal in a difficult and ambiguous position, in which his career and personal interest potentially conflicted with his duties to SaskPower and to the public interest.

Mr. Drummond offered an innocent explanation for DEML's interest in hiring Mr. Portigal:

A merger of two operating businesses where there's non-operational overlap, it's strong likelihood that most of senior management will stay on. Mr. Portigal, he purchased the property on behalf of SaskPower. He was the general manager and they entrusted him with the sale of it. He was a valuable asset of the company and one that we would have been foolish not to try to capture, and we did.

Whatever their motives or calculations, DEML was entitled to speak to Mr. Portigal about his future plans, and to offer him future employment after negotiations were completed.

But the fact that Mr. Portigal told us that the prospect of future employment with DEML was on his mind is troubling, because it suggests that he may have been in a conscious conflict of interest during at least part of the negotiations with DEML.

The SaskPower audit and finance committee meets

On April 23, 1997, the SaskPower audit and finance committee received as information the SaskPower internal audit report on Channel Lake's gas arbitrage business.

Mr. Donald Mintz, chair of the audit and finance committee, told us that he did not consider it to be his responsibility to report management issues such as those raised in the internal audit report to the Board of Directors. He told us:

I believe that the responsibility of the audit and finance committee of SaskPower's board would be primarily as it related to SaskPower's activities. And that if there were a subsidiary it owned, then that board of directors [of the subsidiary] and, specifically in this case for Channel Lake, the employees, would do their due diligence and their responsibilities by informing the board of SaskPower of any activities they are carrying out to ensure that they comply with the mandate and any board resolutions that had previously been passed.

In his view, the function of audit and finance is:

It is to ensure that SaskPower's asset and activities are... and the monitoring of the financial well-being of the corporation.

It is clear from his testimony that Mr. Mintz and his committee were focused on SaskPower's financial statements, and believed it was the responsibility of Mr. Messer and his senior officers to report any issues surrounding Channel Lake's compliance with Board directives and sound management principles to the Board of Directors of SaskPower.

We don't agree. On April 23rd, Mr. Mintz and his committee had in their hands a damning report -- indicating some extremely troubling governance and management shortfalls at Channel Lake, involving extremely large sums of money and not inconsiderable risk.

The audit and finance committee should have inquired closely into the internal audit report. They should have solicited an explanation for why it was given to them two months after it was available to SaskPower management. And they should have reported key findings to the Board of Directors of SaskPower immediately, on their own initiative.

36. SaskPower officials discover the real terms of the sales agreement

On May 14, 1997, Mr. Christensen wrote a memorandum to Mr. Messer and Mr. Patrick. He attached a draft copy of Ernst & Young's 1996 external auditor's report, which (as provided by statute) was addressed to Saskatchewan's Provincial Auditor. Although the report did not go into all of the details the SaskPower internal audit report does, it is a toughly-worded report pointing out many of the same governance and management weaknesses at Channel Lake. Mr. Christensen's memo reads as follows:

Attached is the Auditor's Report regarding Channel Lake Petroleum.

We should get together soon to discuss what changes we want from the report, and a communications strategy.

On May 21, 1997, Mr. Portigal wrote a memorandum to Mr. Messer. He reported that the second-stage closing of the sale of Channel Lake was scheduled to occur on May 30, 1997. He reported:

Direct Energy Marketing Limited has indicated that it expects to be in a position to close as scheduled but that it is relying on two third parties to complete financial transactions on schedule. While DEML is not requesting a postponement on the May 30 closing date, it wanted to indicate to SaskPower that it may request a two-week to four-week delay and would be prepared to pay an additional \$2.5 million, on the same basis as the original \$2.5 million was paid, for this extension of time. DEML will know by May 27, 1997, whether the postponement will have to be requested.

This is an interesting letter, because it represents a significant communication from DEML to SaskPower, which would more normally come in the form of a written communication from a principal at DEML to a principal at SaskPower. An innocent interpretation would have it that Mr. Portigal was passing along a pertinent conversation. A less innocent interpretation is that Mr. Portigal, having agreed some three weeks before to work for DEML, was acting in this instance as that firm's agent while still on the SaskPower payroll.

On May 27, 1997, Mr. Kram wrote a memorandum to Mr. Christensen. He made reference to a recent meeting with Mr. Portigal. He enclosed copies of the topic summaries presented to the Boards of Channel Lake and SaskPower, and the minutes of the resolution by which those boards approved the sale to DEML.

Mr. Kram wrote:

I have also obtained a copy of the "Acknowledgement" executed by Lawrie Portigal on behalf of SaskPower at the conditional closing of the share sale by Direct Energy and enclose a copy of this as well as a copy of Lawrie Portigal's memo of April 3, 1997.

It would appear that Mr. Kram had taken note of the contradiction between Mr. Portigal's April 3, 1997 memo, and the actual terms of the agreement as they governed liability for trading losses.

You will note that none of the specific approvals or Topic Summaries make reference to trading losses. The Board authorizations approved a sale of shares for \$20.8 million. If the effect of the acknowledgement results in the purchase price being less than \$20.8 million then it would be outside the Board authorization.

It was, of course, Mr. Christensen and Mr. Kram who rewrote the topic summaries at issue in order to delete any reference to trading losses.

I believe that it would be appropriate to call a Channel Lake Board meeting and provide Lawrie with an opportunity to fully explain his rational [sic] for signing the Acknowledgement and ensure that we have a clear understanding of the legal and financial implications that may result from it, including what effect if any it has on the SaskPower Board authorization.

We have no record of such a meeting.

On May 29, 1997, Mr. Portigal wrote a memorandum to Mr. Messer. He reported that the second-stage closing would occur on May 30, 1997, because DEML expected to be in position to close as scheduled. He attached a statement which outlined "the adjustments and payments which are anticipated on May 30, 1997."

This statement indicated, in effect, that SaskPower would receive approximately \$5 million less than SaskPower management were expecting from the sale.

The SaskPower date-stamp on this memorandum is dated May 30, 1997, and that seems to be when SaskPower officials understood its contents.

According to the Gerrand Rath Johnson report:

At this time Kram and Christensen spoke with Portigal by telephone. They advise that they instructed Portigal to go to the scheduled closing and take the position that the closing should not proceed. According to Kram and Christensen, Portigal responded to these instructions by saying the closing of the transaction could not now be stopped. The closing proceeded with Portigal in attendance.

Mr. Portigal testified:

At the release from escrow on June 2, 1997, I advised DEML that SaskPower wished to withdraw from the transaction. DEML officials expressed disbelief and advised that the escrow conditions had been met the previous Friday, May 31, 1997; therefore the transaction had been concluded.

Mr. Hurst told us that Mr. Portigal informed him that his attendance at the close was not required. He testified:

On June 2, 1997 I received a telephone call from Mr. Kram and Mr. Kenneth Christensen of SaskPower. They expressed concern that Mr. Portigal was closing the

transaction at a net consideration less than that sanctioned by the SaskPower and Channel Lake boards.

They indicated that they had understood the transaction was one for a net purchase price to SaskPower of \$20.8 million and indicated that the cash to close, which they stated to be \$15.1 million, was a shock. They indicated that they thought the cash to close would be \$18.8 million. In any event they thought that the trading losses were included in the \$20.8 million number.

A discussion ensued as to whether they could interrupt or suspend the closing to buy a few days, and they indicated that there was on their part a considerable loss of confidence in Mr. Portigal. They indicated to me that they would discuss matters further with Mr. Portigal, who was then at the closing. Mr. Kram requested that I forward to him draft 3 of the share and note purchase agreement, which I did on June 2, 1997.

Mr. Portigal offered us a colourful description of the conduct of business during the close:

Mr. Gantefoer: You indicated in your statement... that: "At the release from escrow on June 2 . . . I advised DEML that SaskPower wished to withdraw from the transaction." Right?

Mr. Portigal: Yes. . . .

Mr. Gantefoer: Who from SaskPower indicated to you specifically that they wished to withdraw?

Mr. Portigal: I had a call from Mr. Kram and Mr. Christensen.

Mr. Gantefoer: It goes on to say that: "DEML officials expressed disbelief and advised that the escrow conditions had been met the previous Friday, May 31 . . . " Therefore, in I'm assuming their opinion, the transaction had been concluded. And you go on to indicate: "Following a further discussion with Mr. Christensen in which I was instructed to accept the . . . cheque . . . " How did that conversation or discussion occur?

Mr. Portigal: After the DEML officials reacted the way I said, I phoned Christensen back and said: okay, here's the situation; there's a \$15 million cheque on the table, should I accept it. And I was told to accept it.

Mr. Gantefoer: At that time did SaskPower officials clearly understand that the price had been substantially altered from what the board had approved?

Mr. Portigal: Oh yes, that was what was causing the problem with that date.

Mr. Gantefoer: Did Mr. Christensen indicate any background as to why he would accept the cheque if he was unhappy with the deal?

Mr. Portigal: No, he didn't.

Mr. Gantefoer: And so the cheque was delivered in person and deposited, I assume, the next day?

Mr. Portigal: Yes. In person by myself; I carried it back to Regina.

Mr. Christensen didn't contradict this version of events in his final statement.

37. Mr. Portigal is fired

A sense of the consternation felt by SaskPower officials when they realized they were not going to receive \$20.8 million for Channel Lake is conveyed in a few lines of notes from June 2nd, in Mr. Kram's handwriting:

Are we really out \$5M?
Can't believe it could happen?

On June 3, 1997, Mr. Christensen and Mr. Kram met with Mr. Portigal. They then met with Mr. Messer. They then sent a memorandum to Mr. Portigal asking him to explain why the terms of the agreement were different than understood, and why Mr. Portigal executed contract terms different from the ones SaskPower officials signed on April 1st.

Mr. Portigal replied to this memorandum on June 4th. He explained that DEML never intended to pay more than \$20.8 million, less trading losses. He argued that he had made this clear at the March 23rd meeting with Mr. Christensen *et al.* He noted that all of the contract changes had been reported to SaskPower officials in his April 1-4 memos. And he noted that the final terms were consistent with the topic summary Mr. Christensen and Mr. Kram prepared for the SaskPower board of Directors, "for a total price of \$20.8 million".

Mr. Portigal wrote a separate memorandum addressed to Mr. Messer the same day. In this memo he reviewed some of the chronology leading up to negotiations with DEML. He wrote:

If I had thought for one minute that the Optus/DEML offer proposed the payment of a "real" \$26 million with Optus/DEML paying a "real" \$5.2 million for the trading losses my approach would have been considerably different as I would have recommended acceptance of the Optus/DEML offer immediately. This was not the case as I realized that the trading loss issue would not likely be the subject of such a wonderful solution and I recommended SaskPower merely enter into discussions with Optus/DEML generally based on the proposal....

Optus/DEML basically was the only offeree willing to put together a share purchase transaction based on SaskPower's time frame without considerable time being reserved for due diligence.

Mr. Messer's reply to this memorandum was succinct. The same day, June 4th, he wrote back to Mr. Portigal and fired him again. He wrote:

The deal negotiated by you on behalf of SaskPower is fundamentally different than the transaction which you represented to SaskPower and which was approved by the SaskPower Board of Directors. In the circumstances I am satisfied that your conduct in closing the transaction was sufficiently deficient that I must terminate your services, effective immediately.

38. Events in June

Mr. Messer corresponds with DEML

On June 6, 1997, Mr. Messer wrote to Mr. Drummond and informed him that in SaskPower's view, the purchase agreement was not binding, and that the closing of the transaction was of no legal force and effect. He wrote:

As a result of information which has come to our attention, the adjustments to the purchase which included the assumption of liabilities for potential trading losses, resulted in a purchase price significantly below the purchase price authorized by the SaskPower Board. It was never the intention of SaskPower to be bound by those new and onerous terms, which differed substantially from the terms approved by the SaskPower board.

Mr. Portigal, who was a consultant assisting SaskPower in this transaction, signed certain documents and, it would appear, made representations purporting to bind SaskPower without having authority to do so. In addition, it now appears that Mr. Portigal must have entered into some undisclosed arrangement with DEML and Channel Lake, as we have learned that he has been acting as a director and president of Channel Lake. SaskPower's concerns with respect to the effect of the trading loss adjustment on the purchase price are heightened by this potential conflict of interest.

Mr. Dufresne replied on June 11th:

Respecting Mr. Lawrence Portigal, your letter dated March 12, 1997 clearly indicates that he had authority to complete the agreements and that he would be responsible for negotiating the sale...

As you know, DEML indicated to you from the outset that we would cooperate to minimize or avoid any loss of employment by SaskPower or Channel Lake employees. Subsequent to the formal documents being executed and deposited in escrow, DEML did in fact enter into an arrangement with Mr. Portigal to continue on in his capacity respecting Channel Lake after the transaction closed and was released from escrow....

We regret that there is obviously confusion within the ranks at SaskPower respecting this transaction which no doubt you personally find unacceptable. I can assure you, however, that from our perspective negotiations were protracted and intense, both companies had the benefit of in-house counsel, as well as the retainment of major Calgary law firms to effect the drafting, negotiation and execution of the formal agreements....

As an aside, we as a company had a similar experience with trading losses during the very volatile winter of 1996/97. We therefore can appreciate a reluctance to highlight

such trading losses, and perhaps this reluctance is at least partly responsible for the confusion within SaskPower.

SaskPower officials meet with DEML

On June 13th, Mr. Christensen and Mr. Kram met with officials from DEML and explored each other's positions. It would appear that SaskPower repeated its position as set out in Mr. Messer's letter, and DEML repeated its views as set out in Mr. Dufresne's letter.

Mr. Messer asks for an internal audit report

On June 13, 1997, Mr. Messer asked Mr. Ron Bruce, head of SaskPower's internal audit department, to undertake a review of the Channel Lake negotiations. Mr. Bruce reviewed events between February 28, 1997 and June 16, 1997.

On June 16th, Mr. Bruce presented a first draft of an internal audit report. Given that Mr. Messer only provided his internal audit unit with three days to review the file, the resulting report was a reasonably thorough review containing some important findings. Some of SaskPower internal audit's significant conclusions included:

- All offers received by SaskPower regarding the sale of CHLK were not comprehensively evaluated;
- The SaskPower Board topic summary was not as specific as it should have been and lent itself to interpretation. This might have contributed to Portigal's memo of 1997 April 01 wherein he noted the modification to the purchase price to match the Board topic summary of \$20.8 million;
- The significant changes to drafts #1 and #2 on the one hand compared to draft #3 on the other were noted in Portigal's memo to Messer dated 1997 April 01. These changes were eventually reflected in the final agreement. Portigal's memo of 1997 April 01, however, was not specific as to what drafts were changed and the significance of the changes for SaskPower;
- We were unable to find an explanation for the price change from \$26 million to \$20.8 million except that Portigal who was operating on SaskPower's behalf made this interpretation of the purchase price; authorized its inclusion in the contract; and other SaskPower officials failed to recognize that this change had been made;
- The criteria for selecting the DEML deal was based on DEML's ability to close the deal by 1997 March 31, and the potential of DEML to handle SaskPower's gas requirements;
- We did not see where special checks and balances were implemented to compensate for the concentration of responsibilities in the person of Portigal; and to support the fast track negotiations engendered by the tight time frame.

Mr. Bruce met with Mr. Messer on June 18th. Mr. Messer, for the first time throughout his management of Channel Lake issues wrote a memo to file, describing their meeting. Mr. Messer recorded:

I met with Ron Bruce this morning to review his preliminary finding with respect to the sale of Channel Lake Petroleum Ltd. shares to DEML. I made it clear to Ron that his review was for my benefit and in no way was part of the “file” which will be accessed by the external auditor and the Provincial Auditor. ...

I raised with Ron his inability to deliver a report within the time frame requested and suggested that it provides his staff with a perspective on the “pressure cooker” that SaskPower officials were required to operate with respect to the closure of the DEML deal. If SaskPower officials responded in the same manner to the deal that Internal Audit did to the President’s request the deal would not have been completed.

A much shorter two-page summary of the internal audit report was then prepared, commending SaskPower officials for their hard work and expressing concern that documents were not circulated properly. This truncated report was tabled at a SaskPower audit and finance committee meeting on July 3rd.

SaskPower asks for legal opinions

On June 5th, Mr. Kram requested a meeting in the offices of the Milner Fenerty law firm in Calgary with a senior litigation partner. Mr. Hurst and Mr. David Tavender met with Mr. Kram that afternoon. They then prepared a draft letter addressed to DEML, which apparently formed the basis of Mr. Messer’s letter to Mr. Dufresne.

SaskPower then asked Mr. Tavender to offer an opinion on their legal recourses. In his testimony before our committee, Mr. Tavender summarized his conclusions this way:

The March 12, 1997 letter held out Mr. Portigal as having authority to represent SaskPower in the negotiations.

Mr. Portigal was entrusted by SaskPower with the delivery of the April 2, 1997 form of agreement which had been executed by officers of SaskPower under seal.

That April 2, 1997 form of agreement included in paragraph 6.3 a requirement that SaskPower establish from its assets a \$5.2 million trading account to fund natural gas trading losses, with the amount payable at closing to be reduced by the amount remaining in that trading account.

While Mr. Portigal on April 3 agreed to an alteration of the provisions of paragraph 6.3 of the April 2 form of agreement, he reported those changes to SaskPower in a memorandum dated April 3, 1997.

SaskPower knew then, and on a continuing basis for two months, that a closing involving Mr. Portigal had in fact taken place on April 3 and yet did nothing to challenge or set aside that closing.

By June 2, 1997 SaskPower recognized that the transaction did not conform to what had been previously approved by its board of directors and had the means of knowledge, if not the actual knowledge, of all of the material terms negotiated by Mr. Portigal on April 3. Nevertheless SaskPower permitted Mr. Portigal to attend at the second closing on June 2 without revoking his authority and without alerting Direct Energy to the existence of any problem.

For these reasons, I expressed a serious reservation about the ability of SaskPower to succeed in setting aside the agreement in a court of law. I called that an open question at page 2 in the opinion, and arguable either way, with significant risk both to SaskPower and to Direct Energy at pages 10 and 11. I also said at page 12 that SaskPower had a reasonable case but that the outcome is not certain.

...There appeared to be a number of what I called unusual and suspicious circumstances in the entire negotiation process.... I could not at the time, nor on review could I now draw any compelling conclusions from those unusual and suspicious circumstances, except to say they were sufficient to preclude me from expressing an opinion that SaskPower had little or no chance of success in the event that it proceeded with litigation.

SaskPower officials told us that they were not very pleased with the role the Milner Fenerty law firm played in the negotiations.

In consequence, on June 13th, having apparently reviewed the draft legal opinions from Mr. Tavender, Mr. Messer requested additional legal opinions from Brian Kenny of the law firm of McPherson Leslie & Tyerman. Mr. Kenny was asked to provide an opinion on the actions of SaskPower senior officials, and another on the actions of Mr. Portigal.

On June 16th (in other words, having had only some 72 hours reviewing the file), Mr. Kenny provided two legal opinions as requested – an heroic achievement, given the complexity of the file.

With regard to Mr. Christensen and Mr. Kram, Mr. Kenny concluded:

- ...it was reasonable for your personnel to expect that Mr. Portigal would carry out his mandate within the scope of his authority and, further, that they would be kept apprised of significant developments.
- We do not think that it was unreasonable for your representatives to accept the documents as presented by Mr. Portigal for execution without reading them in any detail so as to learn of the price reduction.

We note that Mr. Kenny did not argue, as Mr. Christensen and Mr. Kram did before our committee, that it was reasonable to sign documents without reading them. He told Mr. Messer it was “not unreasonable” to sign “without reading them *in any detail*”.

With regard to Mr. Portigal, Mr. Kenny suggested there might be grounds for an action against Mr. Portigal on grounds of his possible “breach of duty to use due skill and care”, and “failure to follow instructions”. With regard to both lines of argument, Kenny warned

that Portigal might be able to successfully defend himself by proving that there was no actual loss to SaskPower, since market value might have been received for the Channel Lake shares.

Mr. Kenny also cautioned Mr. Messer about the potential legal consequences of the behaviour of his officials:

As we see it, there is a significant risk that there could be found to have been contributory negligence. There were in fact opportunities to review the documents before closing, including at the time that the documents were signed and sealed on behalf of SaskPower. As we see it, a court could well conclude that there was contributory negligence on the part of SaskPower by failing to carefully review the documents before execution on behalf of the corporation.... It is a debatable point whether SaskPower personnel were justified in the reliance that was placed upon Mr. Portigal to deliver documents as they understood them. We do, however, see that a court could well find that this constituted contributory negligence and, thereby, could reduce the damages that SaskPower would otherwise be entitled to claim.

After reviewing the final version of the internal audit report and Mr. Kenny's legal opinions, Mr. Messer decided to reverse SaskPower's previous approach, and accept the DEML purchase agreement in its altered form.

Mr. Messer explained his reasoning for this decision in his testimony. He offered two explanations.

First, there were the fundamentals of the deal:

... we had to understand fully the consequences if we undertook an action, because... DEML had made it perfectly clear that they would undertake an action against us. I mean in the sense of ownership, they had ownership of the property. And we had to deal with what was left of a business deal that was still by any kind of fair measurement a good return on our investment.

In other words, Mr. Messer took the point that SaskPower had probably received fair market value for the Channel Lake shares; might not have been able to show loss; and would be vulnerable to a counter-suit by DEML.

Second, there was the prospect of bad publicity. Mr. Messer told us:

Mr. Messer: — ...I must admit that as a chief executive officer of a company, one always keeps mindful, whether private or public sector, the public opinion of the company. You want the company's reputation to not be tarnished in any way...

Mr. Hillson: — So it was one of the factors which weighed on your mind?

Mr. Messer: — Absolutely.

39. Preparations for the June 20, 1997 SaskPower Board meeting

June 17th or 18th: Mr. Messer briefs Minister Lautermilch

Mr. Messer placed a memorandum in his files dated June 17, 1997. Titled ‘Sale of Channel Lake Petroleum Ltd. Shares’, it reads in its entirety:

I spoke to the minister today and gave him a detailed review of the situation with respect to the above. The Minister agreed with the proposed recommendation being forwarded by SaskPower subject to the review and approval of the matter by the Audit and Finance Committee of the Board.

Mr. Messer expanded on this note – much less detailed than any of his other memos to file -- in his testimony. He told us, and his counsel repeats in his closing statement:

I have already stated, and there’s a memo to my file, that I had a significant in-depth discussion with ... Mr. Lautermilch, the then Minister who chaired the SaskPower board, in advance of the Board meeting, giving him full details – and again at the Board meeting on June 20, which he chaired – full details in facilitating the board which in chaired in... approving the recommendation that I made in respect of Channel Lake.

Mr. Messer has not testified that he had any discussions with Minister Lautermilch on June 18th.

Minister Lautermilch gave a different, and more detailed version of his briefing from Mr. Messer in his own testimony before our committee. He told us:

I received a briefing from Mr. Messer prior to the June 20 board meeting. I have read Mr. Messer’s testimony on that briefing. I have also searched the memories and records of myself and my staff. I recall only one telephone contact with Mr. Messer leading up to this meeting and that was at 4:45 on June 18.

Mr. Messer phoned to ask that a board meeting be arranged to ratify the sale of Channel Lake. He verbally outlined the information contained in the topic summary which was presented to the board on June 20, your document 6/25. I don’t recall learning any details about the DEML sale other than what’s in that topic summary. I agreed that a board meeting would be arranged.

Mr. Messer provides no detail in either his memo to file or in his testimony as to the time of his briefing, or what he said during it.

Mr. Lautermilch identified a precise time when he had a discussion with Mr. Messer – on the same day that Mr. Messer’s other memos to file show he was briefing other players – June 18th. Mr. Lautermilch also had a relatively precise recollection of the discussion.

It therefore seems likely that Mr. Messer spoke to Mr. Lautermilch on June 18, and that his “detailed review” was along the lines of the conversation he records having with Mr. Mintz the same day.

June 18th: Mr. Messer briefs Mr. Mintz

Mr. Messer inserted another memo in his files indicating that:

I met with Don Mintz, Chair of the Audit and Finance Committee of the Board, for half an hour this morning to review the proposed topic summary regarding the above (Sale of Channel Lake Petroleum Ltd. Shares).

The circumstances surrounding the sale and the need to go back to the Board with a different recommendation was reviewed with Don in detail. Don agreed with the proposed recommendation as written in the Topic Summary. He raised the very pertinent question of whether we would have recommended proceeding with the sale if we would have realized the impact of the final sale price earlier. I responded that we would have proceeded.

The first paragraph above is essentially what Minister Lautermilch told us Mr. Messer called him about, as well.

June 18th: Mr. Messer meets with Mr. Christensen and Mr. Kram

Mr. Messer wrote a relatively detailed memo to file about a meeting he held with Mr. Christensen and Mr. Kram on the morning of June 18th. Mr. Messer notes reviewing his draft topic summary again with these officials. They complain about the direction of the internal audit investigation, and Mr. Messer undertakes to speak to Mr. Bruce about his errors later that day. Mr. Messer concludes:

With respect to the transaction, both Larry and Ken feel that they have carried out their responsibilities with regard to due diligence. They agreed on reflection that one can always be more diligent but there is their view there was no evidence to suggest a lot more process is required.

40. The June 20, 1997 SaskPower Board meeting

On June 20, 1997, the audit and finance committee met at 7:30 a.m. and reviewed Mr. Messer's topic summary.

The Board of Directors of SaskPower met by conference call at 9:00 a.m. that morning.

Mr. Messer presented and spoke to his topic summary. The topic summary recommended that the Board ratify the sale agreement in its final, amended form.

Mr. Messer's topic summary summarized events surrounding the negotiations, including the following:

...a purchase price of \$20.8 million. The understanding of SaskPower officials was that the purchase price was to have included the effect of any trading losses incurred by Channel Lake from that date, which were estimated to be approximately \$5.2 million.

Thus, Mr. Messer informed the Board that there had been trading losses in Channel Lake without specifying any detail as to their source – an important piece of information that should have led to careful inquiry by the Board, but not a complete report on the source of the losses.

Mr. Messer concluded his topic summary as follows:

As the sale of Channel Lake Petroleum Ltd. was concluded and because of the number of potential issues raised with respect to the transaction, Lawrie Portigal's contract was immediately terminated.

The President commissioned a detailed review of the sale by the Internal Auditor as well as a review by outside independent counsel. Although additional checks and balances could have been put in place (and will be in the future) the reviews found no negligence on the part of SaskPower officials or Mr. Portigal.

In reviewing the arrangement with DEML it was concluded that the deal remains a good one for SaskPower and we realized fair market value for our assets.

Mr. Messer gave us his view of what happened next at the June 20th meeting in great detail in his closing statement. In his testimony, reiterated in the closing statement, Mr. Messer told us that:

- There was a detailed discussion lasting more than an hour on the issue;
- That the question of Mr. Portigal's potential conflict of interest was discussed (Mr. Mintz confirmed this in his testimony);
- That Mr. Tavender's legal opinions were discussed.

Mr. Mintz confirms this. He testified that he recalls being permitted to read Mr. Tavender's opinion. He told us:

I believe, Madam Chair, that I did see the written report of the Calgary firm although I did not keep a copy of it, but I was allowed to read it. And that the presentation given to us by SaskPower executives concurred precisely with what was written.

Mr. Tavender is a partner in a Calgary law firm.

Mr. Lautermilch described the Board meeting this way:

Mr. Messer introduced his topic summary and answered questions about it.

Mr. Mintz, on behalf of the audit and finance committee, told the board that the sale was still a good deal even at the lower sale price.

Mr. Messer said that there had been errors made by SaskPower's officials and advised that he had a legal opinion and an internal audit confirming that there was no negligence by those officials.

We were told we would probably lose any litigation regarding the enforceability of the signed agreement.

The board was told that the long-term supply agreement was appropriate because SaskPower would continue to need natural gas and the terms of this agreement were within industry standards.

And the board was told that SaskPower management still recommended approval of the sale, because SaskPower received market value for its assets, and realized a profit throughout its experience with Channel Lake. On the basis of those facts and that recommendation, the board decided to ratify the sale.

Mr. Messer's, Mr. Mintz's, and Mr. Lautermilch's reports are compatible.

Mr. Lautermilch does not mention Mr. Portigal specifically, but he noted that Mr. Messer presented his Topic Summary, and the issue of Mr. Portigal is discussed in general terms in that summary.

Mr. Lautermilch does not specify that the Tavender opinion was discussed by name, but he alludes to one of Mr. Tavender's key conclusions – the potentially high risk that litigation would not succeed.

Thus, we believe that Mr. Messer, Mr. Mintz and Mr. Lautermilch have given us a reasonably accurate report on the discussion at the Board.

And thus, we conclude that these reports substantiate the central conclusion of the Gerrand Rath Johnson law firm regarding this meeting: Mr. Messer misdescribed the legal and audit opinions in his possession, both verbally and in his written topic summary.

As we have seen above, Mr. Messer commissioned opinions from two law firms:

- Milner Fenerty, of Calgary
- MacPherson, Leslie & Tyerman, of Regina and Saskatoon.

Mr. Kenny (of MacPherson, Leslie & Tyerman) told Mr. Messer in his June 16th opinion regarding a possible lawsuit against Mr. Portigal:

...a court could well conclude that there was contributory negligence on the part of SaskPower by failing to carefully review the documents before execution on behalf of the corporation....It is a debatable point whether SaskPower personnel were justified in the reliance that was placed upon Mr. Portigal to deliver documents as they understood them. We do, however, see that a court could well find that this constituted contributory negligence...

Mr. Bruce's original internal audit report to Mr. Messer found:

- We were unable to find an explanation for the price change from \$26 million to \$20.8 million except that Portigal who was operating on SaskPower's behalf made this interpretation of the purchase price; authorized its inclusion in the contract; and other SaskPower officials failed to recognize that this change had been made;
- The criteria for selecting the DEML deal was based on DEML's ability to close the deal by 1997 March 31, and the potential of DEML to handle SaskPower's gas requirements;
- We did not see where special checks and balances were implemented to compensate for the concentration of responsibilities in the person of Portigal; and to support the fast track negotiations engendered by the tight time frame.

The second-to-last paragraph of Mr. Messer's topic summary notes:

The President commissioned a detailed review of the sale by the Internal Auditor as well as a review by outside independent counsel. Although additional checks and balances could have been put in place (and will be in the future) the reviews found no negligence on the part of SaskPower officials or Mr. Portigal.

Mr. Messer, Mr. Mintz and Mr. Lautermilch did NOT testify that this misdescription was corrected verbally at the meeting.

Mr. Messer's closing statement does NOT suggest that the Kenny opinion or the internal audit report were discussed, either.

It would have been and remains legitimate for Mr. Messer to offer the personal opinion, as he does in his closing statement, that his senior officials were not negligent.

But Mr. Messer should have provided a complete and truthful report to the Board of Directors about the legal and audit findings in his possession, regarding the conduct of his own officials. He did not do so, a fact which figured prominently in subsequent discussions leading to his replacement as President and CEO of SaskPower, as we will discuss below.

With regard to the business decision recommended to the Board by Mr. Messer and Mr. Mintz, we agree with Mr. Messer that it was reasonable – as a strict business proposition – to recommend proceeding with the DEML purchase agreement under the circumstances.

It is common ground among all of the legal opinions reviewed by our committee that SaskPower likely received fair market value for the shares of Channel Lake.

This is consistent with our own review of the documentation. The assets of Channel Lake were correctly evaluated to be worth \$20.3 million. It was believed at the time that Channel Lake owed in the range of \$5 million in trading losses. Thus the real value of the

shares was in the neighbourhood of \$15 million – the sum SaskPower realized from the sale.

41. Events between June 20 and December 2, 1997

After the Board approved Mr. Messer's topic summary, SaskPower officials negotiated certain technical arrangements with DEML to complete the sale and begin a new business relationship on the basis of a new, ten-year gas supply contract.

The corporate secretary who took minutes at the June 20th SaskPower Board meeting was supplied by the Crown Investments Corporation. This official briefed Mr. John Wright, President and Chief Executive Officer of CIC, on the substance of the meeting. Mr. Wright told us that this briefing, essentially along the lines of Mr. Messer's topic summary, did not "raise any flags" with him, and CIC did not intervene and investigate any of the issues arising.

On June 29, 1997, the Hon. Dwain Lingenfelter was appointed Chair of the Board and Minister responsible for SaskPower.

On July 3, 1997, the SaskPower audit and finance committee was briefed on the Kenny opinions and on a truncated SaskPower internal audit report. The Gerrand Rath Johnson law firm reports:

It is the recollection of those in attendance at this meeting that the Internal Auditor's final summarized audit report as well as the Kenny opinion letters were presented to the audit finance committee for its review. Although unclear, it is doubtful that the Milner Fenerty draft opinion letter was also presented to the Committee at this meeting. The committee members were not allowed to take copies of the aforementioned reports out of the meeting...

The audit and finance committee did not provide a report to the Board of Directors of SaskPower regarding what it learned from the internal audit report and the Kenny legal opinions described to it.

On September 10, 1997, the Board of Directors of SaskPower met. A member of the Board requested that a sentence be added to the minutes of the June 20, 1997 board meeting to reflect the fact that a discussion had taken place regarding Channel Lake.

On November 6, 1997, the Board of Directors of SaskPower met. Mr. Messer told us that as part of his President's report, he spoke to a topic summary prepared by Mr. Kram outlining the state-of-play with DEML, trading losses, and the possibility of pursuing legal action against Mr. Portigal.

Deputy Premier Lingenfelter told us he does not recall Mr. Messer raising these matters. If he did so, Deputy Premier Lingenfelter told us, he did not do so "in a manner that raised any concerns or resulted in any discussion." There is no evidence in the minutes of the meeting that a topic summary prepared by Mr. Kram on these issues was distributed.

Topic summaries are routinely noted in Board minutes. A draft topic summary is to be found among the documents we reviewed.

On December 1, 1997, the provincial auditor publicly released his fall 1997 report. The auditor reported many of the findings of SaskPower's internal and external auditors, regarding deficient management practices practiced at Channel Lake relating to gas arbitrage.

42. Events between December 2 and December 18, 1997

On December 2, 1997, the Regina *Leader-Post* ran a short article summarizing the provincial auditor's report.

On December 9, 1997 Deputy Premier Lingenfelter wrote to Mr. Wright at CIC and asked CIC to give him a report on the issues raised by the provincial auditor. He wrote: "The provincial auditor's concerns regarding SaskPower and Channel Lake Petroleum Ltd. have recently been brought to my attention (see attached *Leader-Post* article). Please see that all proper procedures were followed and give me a detailed report as soon as possible."

On December 15, 1997, Deputy Premier Lingenfelter amplified on this request. He wrote to Mr. Wright and asked CIC to review the manner in which SaskPower divested itself of Channel Lake, and whether CIC tendering policy required improvement.

On Monday, December 16, 1997 – the first day of a special session of the Legislature -- Mr. Wright provided Deputy Premier Lingenfelter with a short initial report, and a set of questions and answers for him to use in reply to questions from Members of the Legislature during question period. The information in those proposed answers was supplied by Mr. Christensen.

43. Briefing material supplied by Mr. Christensen

In answer to the question: "Lawrence Portigal negotiated the deal on behalf of SaskPower; he then went to work for the other company; isn't this a conflict of interest?", Mr. Christensen advised Deputy Premier Lingenfelter to answer as follows:

Mr. Portigal was an employee of SaskPower when he helped negotiate the deal. With the sale of Channel Lake, he was then looking for other work. Because of his knowledge of the operations – he had been Channel Lake's manager – he was hired by the purchaser. I do not have any information to suggest that Mr. Portigal acted in any way other than to serve the interests of SaskPower.

Deputy Premier Lingenfelter relied on this advice in framing his answer to that question in the Legislature.

In his closing statement, Mr. Christensen explains this draft answer as follows:

Mr. Christensen had his own view of Mr. Portigal in respect of matters relating to the sale. However, he was not involved in the internal review that Mr. Messer had ordered in June 1997. In December 1997, Mr. Christensen had no verifiable evidence as to what Mr. Portigal had or had not done. DEML had asserted to SaskPower that Mr. Portigal was engaged only after all matters relative to the sale had been concluded. It would have been inappropriate for Mr. Christensen to speculate...

The information supplied by Mr. Christensen to Deputy Premier Lingenfelter on December 16th misled the Minister and the Legislature. Mr. Christensen briefed the Minister to say:

“Mr. Portigal was an employee of SaskPower when he helped negotiate the deal. With the sale of Channel Lake, he was then looking for other work.”

Mr. Portigal was fired by Mr. Messer on June 4th. This is referred to in Mr. Messer’s June 20th topic summary. Mr. Christensen knew this, because he met with Mr. Messer to review that topic summary on June 18th, according to Mr. Messer’s memo to file.

“Because of his knowledge of the operations – he had been Channel Lake’s manager – he was hired by the purchaser.”

This was true, but no answer to questions about conflict of interest.

“I do not have any information to suggest that Mr. Portigal acted in any way other than to serve the interests of SaskPower.”

This was not consistent with the facts, as Mr. Christensen was fully aware.

We reject the explanation for this misinformation, offered in Mr. Christensen’s closing statement. Mr. Christensen explains:

“He was not involved in the internal review that Mr. Messer had ordered in June 1997”.

Mr. Christensen was fully aware of at least key contents of the internal review. According to Mr. Messer’s memo to file, Mr. Christensen met with Mr. Messer on June 18 to discuss the internal review and to complain about the direction being taken by Mr. Bruce.

“Mr. Christensen had no verifiable evidence as to what Mr. Portigal had or had not done.”

Mr. Christensen had his own March 27th topic summary. He had a copy of the sales agreement he signed himself on April 1st. Mr. Christensen attended numerous meetings after May 29th to discuss the glaring differences between the two. For example, he personally briefed Mr. Messer on what had occurred on June 3rd, along with Mr. Kram.

It is unacceptable for a public official to knowingly mislead a Minister of the Crown in this manner. And we are gravely disappointed with Mr. Christensen's closing statement on this subject to our committee.

A simple retraction and apology – similar to the one Deputy Premier Lingenfelter offered the Legislature when he realized he had been misled on this matter, would have been compatible with the honourable traditions and principles of Saskatchewan's public service and crown sector.

44. Events between December 18, 1997 and December 31, 1997

On December 18, 1997, Deputy Premier Lingenfelter directed a third letter to Mr. Wright. He wrote:

Particular concern has been expressed about the sale process, the accounting procedures employed by SaskPower and potential conflict of interest on the part of Lawrence Portugal.

As a result, a full and detailed report should be prepared for presentation to the CIC Board of Directors. This report should describe in detail all financial and legal aspects of this case, and explain exactly what procedures were followed during the purchase, operation and sale of Channel Lake by SaskPower.

Premier Romanow reinforced this request. According to a memo to file prepared by Judy Samuelson, his chief of staff:

Channel Lake: Approximately at noon today, the Premier spoke to John Wright, President of CIC, and requested a full investigation of the file to include a complete review of legality, impact, potential conflict of interest, and to provide a preliminary report as early as Friday, December 19th as possible. Mr. Wright reported that he would arrange for Mike Shaw, VP to meet with the Premier to provide a verbal report.

Mr. Shaw met with Premier Romanow and with Deputy Premier Lingenfelter in the Premier's office on Friday, December 19th, and outlined the review CIC proposed to undertake. CIC undertook to engage the services of Gerry Gerrand, QC, and Messrs. Jack Grossman and John Aitken of the management firm Deloitte & Touche, to inquire into the matter. CIC would then prepare a report of its own.

In late December, the Gerrand Rath Johnson law firm and Deloitte & Touche were retained by CIC to investigate this matter. Mr. Shaw corresponded with Mr. Christensen to request SaskPower's cooperation in arranging interviewees and making documents available.

45. Events in January 1998

On January 6, 1998, a meeting was held in the offices of SaskPower. Mr. Christensen, Mr. Scobie, Mr. Kram, Mr. Patrick and Mr. Hayko represented SaskPower. Mr. Gerrand

and Ms. Denise Batters presented the Gerrand Rath Johnson law firm. Mr. Grossman, Mr. John Aitken and Ms. Donna Larsen represented Deloitte and Touche.

Mr. Kram delivered a written request that Deloitte & Touche and the Gerrand Rath Johnson law firm sign confidentiality agreements. The terms of this proposed agreement required the reviewers not to disclose information they learned about Channel Lake to any third party without SaskPower's consent; to return all copies of any information accumulated; and to delete reference to that information from retrieval systems at SaskPower's request.

CIC provided us with a copy of a draft letter dated January 6th, from Mr. Messer to Mr. Gerrand. This draft letter contains several conditions limiting the scope of a proposed waiver of client/solicitor privilege. The fourth condition reads:

That in no event does the waiver apply to any other matter or proceeding whatsoever, and does not extend beyond what is reasonably required by you in order to complete your duties in relation to the Terms of Reference; without restricting the generality of the foregoing, any and all privileged communications, written and oral, that you obtain from any of the foregoing counsel may not be used in any other matter or proceeding, whatsoever.

On January 7, 1998, Mr. Gerrand wrote to Mr. Shaw, enclosing Mr. Kram's January 6th correspondence. He noted the effect of SaskPower's proposed confidentiality agreement:

...to attempt to prohibit the use of information obtained by reasons of the release of solicitor and client privilege in any future proceedings would emasculate the review and any proceedings that might be contemplated as a result of the review... Crown Investments Corporation and the persons and authorities to whom it reports could be incapable of acting in any formal fashion respecting the report of Crown Investments Corporation and its advisors if this SaskPower limitation in paragraph d of the draft Messer letter is present....

SaskPower representatives asked that Deloitte & Touche and ourselves agree to provide them copies of notes of interviews with persons that are questioned. This practice would inhibit frank questioning of individuals and could compromise the review....

The positions advanced by SaskPower mitigate against a free, open and independent review of the issues.

Mr. Kram wrote to CIC on January 8th and provided a lengthy summary of how SaskPower officials had been working to cooperate with the review.

On January 9th Mr. Messer sent his letter, in substantially the form discussed on January 6th, to Mr. Shaw.

On January 12th Mr. Gerrand wrote to Mr. Shaw and reiterated his objections to the proposed waiver.

On January 13th Mr. Shaw wrote to Mr. Messer, told him his letter setting conditions on the waiver of client/solicitor privilege were not acceptable, and gave him a more straightforward draft of a waiver which he requested Mr. Messer sign.

On January 14 Mr. Messer wrote a lengthy letter to Mr. Shaw, protesting Mr. Shaw's letter. He indicated that he had engaged outside counsel to advise SaskPower on how to respond to requests from CIC and its consultants for access to information.

On January 15, Mr. Shaw wrote to Mr. Messer and indicated:

I find it disheartening... that you have found it necessary to engage outside counsel to advise you in this matter and to ensure, as you say, that '...appropriate safeguards are in place'. My view is that this is a straightforward request from the shareholder to a subsidiary for a review and a report.

On the basis of a specific assurance from Mr. Kram that SaskPower's conditions did not restrict the Minister and/or CIC from acting on the report as they saw fit, Mr. Shaw then accepted them.

This exchange of correspondence suggests that SaskPower was seeking to control and limit CIC's review to some extent.

This exchange of correspondence also raises the issue of public officials using public funds to retain outside lawyers, in order to assist them in seeking to control and limit inquiries properly put to them by their superiors and by the Government.

The Government of Saskatchewan is a single interest, serving and accountable to the people of this province. In our view, it is not appropriate for officials of subsidiaries to limit or frustrate direction or inquiries properly put to them by a Minister of the Crown – by using public funds to hire outside consultants and counsel, or by any other means.

As a practical matter, SaskPower's dispute with CIC over confidentiality agreements delayed completion of the review by almost two weeks – greatly reducing the amount of time SaskPower would be accorded to comment on the final result.

In a cover letter to Mr. Shaw dated February 25, 1998, Mr. Grossman of Deloitte & Touche noted another aspect of SaskPower's approach to the review:

It was clearly evident in a number of the interviews that the individuals had been coached on how to respond or how to characterize certain events, with some phrases surfacing too often to be coincidental. Additionally, a number of SaskPower officials took their own detailed notes of the interview, recording both the review team's questions and their individual responses.

To their credit, SaskPower was simultaneously organizing and turning over a complete set of documents, and ultimately made all of their officials available to be interviewed. Mr. Grossman added in his cover note:

In our view, the involved officials are keenly aware of their own shortcomings in the Channel Lake experience, and are extremely sensitive to how their credibility has been affected with parties external to the corporation. It is highly unlikely that a similar experience could occur at SaskPower under the leadership of the current management team. However, this assumes that improvements are put in place in the areas of governance and management... and that people effectively fulfill their obligations based on existing roles and responsibilities.

We regret that this last point was so conspicuously absent in the testimony of SaskPower officials before our committee, and in their closing statements.

46. Mr. Messer leaves SaskPower

On February 24, 1998, CIC received a report prepared by the Gerrand Rath Johnson law firm.

That day Mr. Myron Gulka-Tiechko, General Counsel for CIC, met with Mr. Darryl Bogdasavich, Q.C., Executive Director of the Civil Law division of Saskatchewan Justice and discussed the Gerrand report with him.

On February 25, 1998, CIC received a draft report from Deloitte & Touche.

The Bogdasavich opinion

On February 26, 1998, Mr. Bogdasavich provided a legal opinion to CIC, to the effect that nothing in the reports provided grounds in law for dismissing Mr. Messer with cause. Mr. Bogdasavich commented:

While it is possible he acted negligently with respect to the “gas trading activities” of Channel Lake in failing to establish formal policies and procedures and may have been negligent in failing to disclose the losses of Channel Lake with respect to those gas trading activities, that would not constitute cause for his dismissal.

Mr. Bogdasavich noted that Mr. Messer had the right to rely on his officials.

He offered the view that it would be unreasonable to expect Mr. Messer to conclude from Mr. Portigal’s April 1-4 memoranda that a serious discrepancy existed in the final DEML purchase agreement.

He concluded that there was no cause in law for dismissal for broader reasons, as well:

- (i) that the actual purchase price reflected the actual “worth” of Channel Lake assets as set out in the independent evaluation done by Gilbert Lausten Jung Associates Ltd....;
- (ii) That responsibility for the “discrepancy” in the purchase price rested entirely with Messrs. Kram and Christensen; and

- (iii) That there appears to be condonation by SaskPower's board of the actual purchase price as set out in the Share and Note Purchase Agreement by the Board's approval of the sale June 20, 1997, without censure to the officials responsible for the mistake.

If Mr. Messer was dismissed, Mr. Bogdasavich advised that he be paid 18 months' salary in lieu of notice. He also urged that "you must be exceedingly careful not to make any defamatory statements about Mr. Messer's competencies or abilities." Mr. Bogdasavich advised that any announcement of Mr. Messer leaving his employment be made in the most general of terms.

On February 27, 1998, Mr. Shaw wrote to Mr. Messer, enclosing copies of the Gerrand and Deloitte & Touche reports. Mr. Shaw noted that CIC was working to complete a report by the end of February. In consequence, Mr. Messer was asked to provide comments by noon of March 2, 1998.

This provided Mr. Messer with three days to review the reports – the same amount of time he accorded SaskPower's internal audit department and Mr. Kenny to prepare their opinions on the Channel Lake file, between June 13th and 16th.

It emerged that Mr. Messer was out of the country. CIC apparently requested that SaskPower arrange to have the reports delivered to Mr. Messer at his current location.

On March 2, 1997, on the direction of Deputy Premier Lingenfelter, the General Counsel for CIC referred the Deloitte & Touche and Gerrand reports to the Deputy Minister of Justice, Mr. John Whyte, Q.C.

That same day, Mr. Messer wrote to Mr. Shaw. He requested that the Deloitte & Touche and Gerrand reports "not be released, but be retained in confidence and not distributed until, in fairness, we have had an opportunity to complete our review and provide comments."

On March 3rd, Mr. Messer wrote to Deputy Premier Lingenfelter. He noted that he had not been given adequate time to reply. He noted that the CIC Board would be meeting that day. He indicated that "I would expect that in view of my service to SaskPower and the Province that I be given an opportunity to provide a full response". He urged Mr. Lingenfelter to weigh the contents of the Gerrand and Deloitte & Touche reports against his overall record as President and CEO.

Mr. Messer also wrote to Mr. Wright. He noted that he did not have time to review the reports in detail, "however, I have instructed my officials to complete such a review, so that the record with respect to this matter is accurate, at least on our files." Mr. Messer disputed some of the findings of the Gerrand report, taking particular issue with the claim that he misled the board of directors of SaskPower about possible negligence committed by his officials.

That day, Mr. Shaw requested that the Gerrand Rath Johnson law firm provide CIC with an opinion on whether on not grounds existed in the two reports for dismissal with cause. The firm was asked to focus on the question of grounds for dismissal of Mr. Messer.

Later that day, the CIC Board met to discuss the reports. Mr. Messer was asked to appear, and answered questions from members of the Board. Mr. Bogdasavich also appeared before the Board, and briefed it on the contents of his legal opinion.

Mr. Messer told us that he discussed the situation that night with his spouse. He told us:

I felt it was a growing problem, I concluded I did not like to work for these people any more, and I was not going to work for them any more. And therefore I would tender my resignation in the morning.

On March 4, 1998, Mr. Bogdasavich wrote to Mr. Shaw and, apparently at the request of the CIC Board, reiterated and amplified on his opinion. He remained convinced that at law, there were no grounds to fire Mr. Messer with cause.

The Batters opinion

That same day, Mr. Shaw received a legal opinion from the Gerrand Rath Johnson law firm. In this opinion, Ms. Denise Batters offered the view that grounds existed for dismissing Mr. Messer with cause. She argued:

Despite the information obtained by and the views conveyed to Messer regarding the conduct of Portigal and the officers of SPC involved in the transaction, he formally advised the Board of SPC on June 20, 1997 that “the reviews found no negligence on the part of SaskPower officials or Mr. Portigal.”

This statement of Messer, set forth in his topic summary... is at variance with the facts that had been provided to him.

Ms. Batters notes the relevant portions of the internal audit report and the Kenny legal opinion. She reviews sections of pertinent legal decisions, including:

In *Neigum v. Wilkie Co-operative Association* (1987) 55 Sask. R. 210 (Q.B.), Gerein, J. stated at page 215:

“It has been held that dishonest conduct may afford justification for summary dismissal. The rationale for this view appears to be that dishonesty reveals a character such that the employer can no longer have confidence in the employee. This lack of confidence renders the employer-employee relationship impossible and therefore termination of the same is justifiable.” ...

In *Clark*, the court quoted with approval the following statement taken from *Jewitt v. Prism Resources Ltd.* (1981) 30 B.C.L.R. 43 (B.C.C.A.):

“In my respectful view, honesty is still important; and perhaps the more senior and responsible the position held, the more that honesty must be not only inherent but patent. Here, in my opinion, there were reasonable ground for the defendant to see, in what the plaintiff did, a revelation of character which justified his dismissal.”

She concludes:

It is our opinion that grounds do exist for the dismissal of John. R. Messer, with cause. The grounds for such dismissal consist of his misdescription to the Board of Directors of SPC of the factual information and opinions made available to him regarding the conduct of SPC officials and the prospects of SPC commencing legal proceedings regarding the events which transpired. In my opinion, the deceptive nature of his conduct is incompatible with the expectations which exist for the performance of a major corporation's chief executive officer.

At about midday on March 4th, the Board of Directors of Crown Investments Corporation met and reviewed the conflicting Bogdasavich and Batters opinions.

Deputy Premier Lingenfelter told us that after weighing the contents of the Gerrard and Deloitte & Touche reports and these conflicting opinions, the Board concluded:

Mr. Messer was an excellent employee, had many excellent gut instincts about what was good for the corporation, and moved the corporation in the right direction. But at the end of the day the decision was made to part ways because of a lack of confidence in the ability to communicate, to report in a timely manner, and to follow all the provisions that a Crown corporation needs to follow.

Minister Lautermilch attended the CIC Board meeting as a member. He told us that in light of the conflicting legal opinions, the Board decided that:

...the appropriate thing to do was to give Mr. Messer an opportunity to resign.

If he did, the Vice-Chair of the SaskPower board, with appropriate legal guidance, would calculate any pay to Mr. Messer, whatever severance was appropriate, if any.

We also decided that if Mr. Messer declined to resign, his employment would be terminated.

Mr. John Wright was directed by the board to carry out those instructions.

Mr. Wright told us that upon receiving these instructions, he telephoned Mr. Messer's office to advise that Mr. Messer should await Mr. Wright's arrival.

Mr. Wright arrived at Mr. Messer's office at about 3:15 and informed Mr. Messer of his mandate, which was to request his unconditional resignation by 6:00 p.m. and to inform him he would be dismissed if he did not resign.

Mr. Wright told Mr. Messer that he would be meeting with Mr. Milt Fair, Vice-Chair of the SaskPower board of directors, to inform him of the CIC Board's decision. Mr. Messer

told him that Mr. Fair was nearby and he was asked to join the meeting. Mr. Fair told us he was at the offices of SaskPower that day, attending a training session.

Mr. Wright told us:

While we were waiting for Mr. Fair, Mr. Messer expressed his disappointment that he was being asked to resign after all he had accomplished at SaskPower. He asked if he would be entitled to severance and I indicated that if he resigned, it would be up to Mr. Fair with the help of independent counsel to determine if severance was payable, and if it was payable, how much.

Mr. Messer then asked if severance was deemed to be payable, how would it be determined. I responded that Mr. Fair and his counsel would be guided by the Crown Employment Contracts Act which provides for a maximum payable of about 18 months, similar to that provided to Mr. Stan Sojinky and Mr. Leo Larsen. I noted that I am not a lawyer and that Mr. Messer would need to consult with his own legal counsel in this regard. I did not in any way suggest or imply that Mr. Messer would be entitled to a severance package.

At about 4:00 p.m., Mr. Fair joined the meeting and I reiterated my mandate.

Mr. Fair confirmed in his testimony that he accepted responsibility for reviewing the question of awarding a severance, if any.

Mr. Messer later signed a letter dated March 4, 1998, resigning as President and Chief Executive Officer of SaskPower. He wrote: "The resignation comes after considerable thought and review regarding my ability to play an ongoing role in shaping the future of SaskPower."

On March 5, 1998, SaskPower issued a news release. In it, Deputy Premier Lingenfelter announced that Mr. Messer had resigned, and that Mr. Kelly Staudt would serve as acting President. Consistent with advice from the Department of Justice, the release was framed in extremely general terms. "Mr. Messer has dealt with a number of challenges and implemented many changes at SaskPower over the past six years," Mr. Lingenfelter is quoted as saying. "He recognizes that the issues now facing the corporation can best be addressed through a change in leadership."

Mr. Fair told us how he acted on the mandate given to him by the CIC Board:

...on the evening of March 4, I contacted Mr. Rob Garden of the legal firm MacPherson Leslie & Tyerman, with whom I had worked many times before when I was at Saskatchewan Wheat Pool. Mr. Garden is an expert in the area of employment law.

On March 5, 1998 Saskatchewan Power board met and accepted the resignation tendered by Mr. Messer. The board authorized me to negotiate an appropriate severance package and to consult with an external independent adviser in this task.

I clearly understood that should there be just cause for Mr. Messer's employment terminating, severance would not be appropriate and would not be paid.

Mr. Garden and I set out to consider firstly whether there was just cause. Mr. Garden arrived in Regina on March 6, 1998 and over the next several days he and his associates reviewed all the relevant materials and conducted due diligence inquiries as to Mr. Messer's performance as president of SaskPower...

On March 9, 1998, Mr. Garden verbally advised me of his legal opinion regarding Mr. Messer's termination and possible severance. His opinion was that there was no just cause for dismissing Mr. Messer, and as a result he was entitled to severance in the range of 18 months...

Mr. Messer had engaged his own counsel and, through a process of negotiation between Mr. Garden, Mr. Messer, and his counsel, a settlement was reached regarding an appropriate severance package. ...

On March 12, 1998 I attended a press conference where I confirmed that Mr. Messer had resigned his employment with SaskPower and that he was to be paid severance.

On March 10th Deputy Premier Lingenfelter delivered an extended Ministerial statement in the Legislature. He provided the House with a summary of the facts as the Government understood them and tabled reports.

After some thoughtful discussion among Honorable Members of the Legislature, our committee undertook this review. We began our hearings on March 31, 1998, and concluded on June 30, 1998.

C. FINDINGS AND CONCLUSIONS

Gas arbitrage trading

Beginning in late 1995 and continuing until November 26, 1996, SaskPower, through its subsidiary Channel Lake Petroleum Ltd., contracted approximately \$150 million in gas arbitrage contracts in the hope of earning a 0.4% return – approximately \$600,000. The anticipated return in no way justified the corresponding risk, associated with the volume of transactions and the sums involved.

The large sum of public money involved is highly material and significant, and can in no way be dismissed or minimized as a minor part of SaskPower's operations.

Numerous elementary management shortfalls and errors were committed while undertaking these transactions, clearly identified by SaskPower's internal and external auditors and by the provincial auditor.

We are satisfied that the Board of Directors and the Minister responsible for SaskPower authorized SaskPower officials to engage in natural gas trading, in transactions not to exceed \$1 million, in order to manage SaskPower's natural gas inventory in a businesslike manner.

No authority was sought or given to engage in \$150 million in natural gas arbitrage deals, as a separate profit centre. On the contrary, we are satisfied that SaskPower officials were directed not to engage in this kind of activity by their Minister responsible, the Honourable Doug Angus, and by the Board of Directors of SaskPower – direction never subsequently revoked.

It was highly improper to risk public funds in a fundamentally new business activity, without clear, unambiguous, timely prior approval by the Board of Directors of SaskPower, and by the Minister responsible for SaskPower, representing the Government. “Clear” means that the real nature of the activity, its scale and its potential risks are spelled out in plain words. “Unambiguous” means that the proposed activity is put squarely, not assumed by imputation, from approvals given for other activities. “Timely” means in a form and at a time which allows decision makers an opportunity to adequately analyze the information, at a point in time when other options can be pursued.

Motives for the sale of Channel Lake

We are satisfied that the desire to realize gains from a sale, in order to offset trading losses flowing from SaskPower’s unauthorized gas arbitrage activities, largely motivated the sale of Channel Lake.

We are satisfied that the sale was pursued in a “pressure cooker” atmosphere at least in part in order to complete the transaction before SaskPower officials believed they would be required to report on their trading losses to the Legislature.

Mr. Hurst

Recommendation 1

Mr. Michael Hurst was negligent in not supplying copies of all drafts of the sale agreement to Mr. Kram, as required by his letter of engagement. It is recommended that this fact to be borne in mind should Mr. Hurst be considered for future retention as a lawyer by any arm of government or the crown sector.

Mr. Portigal

As spelled out in the reports of SaskPower’s internal and external auditors and by the provincial auditor, Mr. Lawrence Portigal managed Channel Lake’s gas arbitrage activities incompetently, and exceeded the authorities and direction given to him by the Board of Directors of Channel Lake.

Mr. Portigal was given excessive authority to manage the sale of Channel Lake, and did not respect the clearly-expressed understanding of the Board and his superiors relating to the sale price.

Mr. Portigal was oblique, misleading, devious, and on one point inaccurate in his reporting of the terms he was negotiating to his employer, SaskPower -- although he did provide the bare minimum necessary for him to be able to maintain, with some credibility, that he reported the barest outline of his activities to his employers in a timely fashion.

Recommendation 2

It is recommended that the facts outlined in the report concerning Mr. Portigal be borne in mind should he be considered for a role of any kind in any future transaction, involving any arm of government or the crown sector.

Mr. Kram

Mr. Kram was negligent in failing to assure himself, at least in general terms, that the DEML sales agreement he signed reflected the terms as he understood them.

Mr. Kram provided the Board of Directors of SaskPower with an incomplete and misleading topic summary at its March 27, 1997 meeting.

Mr. Kram resigned from Sask Power in August 1998.

Mr. Christensen

As a Director of the Channel Lake Board, Mr. Christensen shares responsibility for the errors in fundamental business judgement, basic management principles, and failure to respect or obtain proper authorities, associated with Channel Lake's gas arbitrage activities.

Mr. Christensen was negligent in failing to assure himself, at least in general terms, that the DEML sales agreement he signed reflected the terms as he understood them.

Mr. Christensen provided the Board of Directors of SaskPower with an incomplete and misleading topic summary at its January 13, 1997 meeting.

Mr. Christensen provided the Board of Directors of SaskPower with an incomplete and misleading topic summary at its March 27, 1997 meeting.

Mr. Christensen provided the Deputy Premier of Saskatchewan with misleading briefing material, intended for use in the Legislature.

Our concern respecting misleading briefing material is underscored by Mr. Christensen's closing statement, which is itself false and misleading on this matter.

Mr. Christensen resigned from SaskPower in August 1998.

Mr. Messer

A discussion of Mr. Messer's role in these events must be read in the context of the highly credible results achieved by SaskPower under his leadership, as outlined in the first few pages of our report above. Mr. Messer's approach to his job might very well be appropriate in many private sector corporations.

Mr. Messer was President and CEO of SaskPower, Chair of the Channel Lake Board, and assumed direct personal authority and responsibility for Channel Lake at the December 12, 1994 meeting of the SaskPower Board of Directors. Therefore, he is ultimately responsible for the errors in business judgement, poor management, and failure to respect or obtain direction and authority by decision-makers relating to Channel Lake's \$150 million gas arbitrage venture.

Deputy Ministers of government departments and Presidents and CEOs of publicly-owned crown corporations have a fiduciary responsibility to the public interest. This responsibility includes playing an appropriate role in respecting and protecting the principles of responsible government. This requires public servants in these positions to ensure that the publicly-accountable decision-makers to whom they report – in this case, the Board of Directors of SaskPower and the Ministers responsible for SaskPower during the period under review – possessed all material facts in a clear, unambiguous, and timely manner.

As noted in many places in this report, SaskPower officers under Mr. Messer's leadership were gravely deficient in fulfilling this responsibility.

Mr. Messer himself provided the SaskPower Board of Directors with an incomplete and misleading topic summary at its June 20th meeting.

Mr. Messer directed his internal audit department to redraft a reasonably complete report on these issues, and to withhold the original draft from the provincial auditor. He did not provide the full internal audit report to the Board of Directors of SaskPower at any time.

Mr. Messer demonstrated extremely poor judgement in relying on Mr. Portugal to manage Channel Lake and the sale of Channel Lake, and in giving him excessive authority to do so.

In our view, Mr. Messer's actions were sufficiently deficient – as business and public policy issues – for the Board of Directors of the Crown Investments Corporation to reasonably decide it wanted a new President and CEO at SaskPower.

Mr. Messer's severance

Regardless of political and editorial controversy, it is proper for the government to respect the legal employment rights of its employees. It was therefore appropriate for the

Crown Investments Corporation Board to refer the question of Mr. Messer's severance to Mr. Milt Fair, and to direct him to obtain legal counsel before making any decision.

Recommendation 3

We note that the Executive Director of the Civil Law Division of the Department of Justice, Mr. Daryl Bogdasavich, Q.C., was unambiguously clear in his legal opinion that at law, Mr. Messer was due approximately 18 months salary in lieu of notice if terminated. Mr. Fair and the solicitor he consulted arrived at essentially the same conclusion. Ms. Batters demurred. Faced with conflicting legal opinions, in our view it is generally appropriate for government to base legal decisions on the advice of the Department of Justice. Having reviewed the evidence, we see no compelling reason to recommend that Mr. Fair's decision be revisited.

The SaskPower audit and finance committee

The SaskPower audit and finance committee focused excessively on its accounting responsibilities, and did not react appropriately to serious management and governance issues brought to its attention.

Recommendation 4

It is recommended that the Crown Investments Corporation should implement a new and substantial training program for the members of the Boards of Directors and key Board committees.

The SaskPower Board of Directors

The SaskPower Board did not ensure that its own directives and authorities were respected by its officials.

Although the information provided was gravely deficient, the SaskPower Board was in possession of sufficient information after its June 20th meeting to know that serious issues had arisen around Channel Lake. Since SaskPower senior officers were directly involved in the operations of Channel Lake as Directors of its Board, the SaskPower Board should have ordered an independent review of the legal, management and governance issues that had arisen. Such a review would likely have been adamantly opposed by Mr. Messer and his officers – but was appropriate in the circumstances then, just as it was seven months later, when ordered by the Crown Investments Corporation.

As noted above, Mr. Wright testified that CIC is implementing a substantial new training program for the members of Boards of Directors and key Board committees. We also note that the membership of Boards of Directors is undergoing renewal. We have additional recommendations on crown governance to make below.

Direct Energy Marketing Limited

There is a certain mismatch between how DEML described their offer in Mr. Owen Mitchell's February 28, 1997 cover letter, and the final terms of the sales agreement. Until the final terms of a sales agreement are agreed by all parties, however, all are free to propose changes. DEML's initial offer was not accepted by SaskPower. The firm was thus free to propose changes until the agreement was concluded.

Mr. Messer's March 12, 1997 letter was sufficient for DEML to conclude that Mr. Portigal was authorized to act for SaskPower.

We therefore cannot and do not take issue with DEML's conduct in these events. Direct Energy Marketing Limited is a reputable firm. It did not act in a manner inconsistent with the business practices of a private-sector firm active in a highly competitive industry.

Further, we regret any damage to the firm arising from media reports flowing from fragments of testimony before our committee.

Specifically and for the record, there is no evidence that DEML improperly changed any terms of the sales agreement at any time. The final terms were negotiated with and agreed to by SaskPower's representative in the negotiations – Mr. Portigal. SaskPower management knew of, or had the means to know of, all of the final terms well before recommending they be accepted by the Board of Directors of SaskPower at its June 20, 1997 meeting.

Further, our committee heard expert testimony, which we accept, which confirmed that SaskPower's gas supply agreement with DEML is within commercial norms.

Role of CIC

The Crown Investments Corporation played a pivotal role in getting at the facts surrounding this issue, and in so doing served the people of Saskatchewan well.

Recommendation 5

CIC officials should have acted earlier. Although the information provided was gravely deficient, the Crown Investments Corporation was in possession of sufficient information after the June 20th meeting of the SaskPower Board of Directors to know that serious issues had arisen around Channel Lake. CIC should have recommended that the SaskPower Board order an independent review of the issues that had arisen – or undertaken such a review itself if the Board failed to do so.

In the wake of recent reorganizations flowing from crown review (including the removal of Ministers from Boards of Directors), CIC and the Board of CIC now bear a much heavier direct responsibility for safeguarding the public interest in the Crown sector.

Recommendation 6

It is recommended that the President and CEO of Crown Investments Corporation (or a senior CIC Vice-President) should be appointed to the Board of Directors of SaskTel, SaskPower, SaskEnergy, Saskatchewan Government Insurance, and STC.

Recommendation 7

It is recommended that the President and CEO of CIC (and the other officers of CIC) should assume a greater role in ensuring firstly, that the Minister responsible for the crown sector and the Board of CIC are fully and appropriately briefed on issues; secondly, for ensuring that the Boards of Directors of these crowns are provided with the information and resources they require to do their jobs; and thirdly, for ensuring that management faithfully implements board policy.

This recommendation is in no way intended to relieve Presidents and CEOs of the crowns from their own direct personal responsibilities in any of these areas.

Recommendation 8

To assist the President and CEO of CIC, it is recommended that the corporate secretary of the Boards of each of these Crowns should be an officer or employee of the Crown Investments Corporation. Furthermore, a specific individual should be assigned to each Crown by CIC. This individual should be assigned not only to record Board proceedings, but to analyze and understand the business decisions before the Board, and the manner in which Board policy is implemented.

Role of Government

The government of Saskatchewan ordered a full review of these events in the wake of the provincial auditor's fall 1997 report; made the entire written record available to our committee; waived client-solicitor privilege; and made the responsible Ministers and officials available to testify publicly and under oath about these events. These decisions – precedent-setting in several respects -- are examples of what the people of Saskatchewan have the right to expect of their government.

The Hon. Doug Anguish oversaw the purchase and early management of Channel Lake Petroleum Ltd. We are satisfied that the Minister gave clear direction regarding the purpose of this investment, and acted reasonably in accepting recommendations from management that had the appearance of clarifying Channel Lake's mandate without changing it.

The Hon. Eldon Lautermilch oversaw the management and sale of Channel Lake Petroleum Ltd. In his opening statement to our committee on June 29, 1998, he told us:

Mistakes and errors of judgement were committed during the time SaskPower managed and sold Channel Lake. I am extremely disappointed at how this matter was handled, as is the government as a whole. The government deserves its share of criticism for letting this happen, and so do I.

This is a forthright statement by the minister, and we agree. The sums actually lost during the Channel Lake events seem to be modest. But the sums at risk were very substantial; the pattern of management error, negligence, non-compliance and non-disclosure exhibited by SaskPower management in this case was unacceptable; and thus the degree of oversight exercised proved to be insufficient in this case.

Minister Lautermilch continued:

I believe Ministers have the duty to let managers manage and the right to rely on their officials to provide timely and complete information. But knowing what I know now, in hindsight I should have more aggressively challenged what I was being told during some of the meetings I will describe to you today.

We agree. At several points as outlined above, Minister Lautermilch and the Board of Directors of SaskPower should have challenged the information and lack of information supplied to them by SaskPower management.

As a member of the CIC Board, Minister Lautermilch helped oversee the full independent review conducted by CIC into these events. Minister Lautermilch and his Board colleagues in our view acted reasonably in choosing to appoint a new President and CEO at SaskPower. And the CIC Board through its chair then properly reported all of the material facts as they knew them to the Legislature, and made the relevant materials and officials available to our committee for further review.

Deputy Premier Dwain Lingenfelter assumed responsibility for SaskPower after the sale of Channel Lake. He ordered an independent review of the events surrounding Channel Lake in a timely fashion, on becoming aware of the management issues surrounding arbitrage trading through the report of the provincial auditor. The Gerrand Rath Johnson/Deloitte & Touche review revealed the key facts. In consequence, CIC Board (chaired by the Deputy Premier) in our view acted reasonably in choosing to appoint a new President and CEO at SaskPower. The Minister then properly reported the material facts as he knew them to the Legislature, and made the relevant materials and officials available to our committee for further review.

In his statement to the Legislature, Deputy Premier Lingenfelter also acknowledged that mistakes had been made by the government, and it deserved its share of criticism for them.

The findings above lead us to the question of Ministerial responsibility.

Sir Ivor Jennings, in his book *Law and the Constitution* (4th edition), pp.189-190, summarizes the convention of ministerial responsibility in the British Parliamentary system in these words: “Each Minister is responsible to Parliament for the conduct of his Department. The act of every Civil Servant is by convention regarded as the act of his Minister.”

The kernel of this convention remains critical today and we affirm it, because within it lies the substance of responsible government.

The McGrath Commission on Parliamentary Reform noted, “a minister cannot possibly know everything that is going on in a Department” (McGrath Report, p. 20).

Because of this, Professor S. E. Finer (writing in the *Journal of the Royal Institute of Public Administration*, v.34, 1956, and having reviewed a hundred years of Parliamentary precedent) argued: “... Ministers do not have to defend subordinates who defy instructions or who act reprehensibly in circumstances of which the Minister could not have become aware... it is also true that the House does not censure the Minister who can show that the delinquency was against his express instructions, or that he could not physically have known about it – provided he makes it clear, by speech or action, that the offender has been dealt with and that therefore the delinquency is unlikely to recur.” We agree.

The fundamental error committed in these events -- \$150 million in gas arbitrage trading, leading to trading losses -- contravened express Ministerial instruction. Information provided to Ministers was oblique, untimely and non-revelatory in many respects (very unusual in the Saskatchewan public service). The CIC Board dealt with the matter appropriately when it became aware of the facts. Although they could have done more, the evidence therefore suggests that Ministers Anguish, Lautermilch and Lingenfelter acted reasonably in the face of the information before them, and carried out their responsibilities appropriately on the whole.

Requirement for a strengthening of Crown governance

These events indicate that a strengthening of Crown governance is required.

Recommendation 9

It is recommended that legislation should be amended immediately to ensure that subsidiaries of crown corporations are subject to the same financial reporting requirements and are open to the same Freedom of Information access as the parent crown corporations.

Recommendation 10

It is recommended that the Crowns must develop policies which will assure the Legislature that information will be delivered accurately and promptly.

Recommendation 11

It is recommended that it should be standard practice for committees of the Legislature to review reports within one year of their release.

Recommendation 12

It is recommended that each crown corporation should prepare a strategic plan founded upon the shareholders' objective for that crown corporation, and which includes specific reference to the role for investment, expansion and divestment, and diversification initiatives.

Recommendation 13

Building on current practice, it is recommended that an annual approved business plans should be prepared for all controlled subsidiaries, which include performance expectations, resource allocation and capital/operating budgets. These business plans should be approved and regularly monitored by the Board of Directors of the parent Crown Corporation.

Recommendation 14

It is recommended that subsidiaries should only be created and divested after clear, complete, and timely prior approval by the Crown Board, the CIC Board and by order-in-council.

Recommendation 15

It is recommended that subsidiaries should be required to report significant transactions in a clear, unambiguous, and timely fashion to their parent Crown Boards. Fundamental transactions involving substantial sums of public money should be reported to CIC Board and to Cabinet in a clear, unambiguous, and timely manner -- and are subject to the significant transactions rules of the Legislature's Crown Corporations Committee.

Recommendation 16

It is recommended that the Boards of both parent Crown corporations and of subsidiaries should meet regularly and in logical order, in step with key committees. Meetings should be held properly, face-to-face, when dealing with substantive matters.

Recommendation 17

It is recommended that CIC should prepare and table a report before this committee on its efforts to implement an appropriate training program for the

Directors of Crown Corporations – and suggest further improvements for our review.

Recommendation 18

It is recommended that management information and monitoring systems should be carefully reviewed by CIC, consistent with the needs of commercial enterprises engaged in increasingly competitive markets. Clear, unambiguous and timely monthly performance reports should be provided to Crown boards. Clear, unambiguous and timely quarterly performance reports should be provided to the Board of CIC.

Recommendation 19

It is recommended that CIC should coordinate regular and appropriate executive management reviews in Crowns and their subsidiaries. Appropriate action should be taken to respond to management which is deficient in meeting its responsibilities.

Recommendation 20

It is recommended that because the Government of Saskatchewan is a single interest, it is inappropriate for officers of Crowns or subsidiaries to use public funds to retain outside consultants or attorneys for the purpose of undermining, frustrating, or delaying direction properly given to them by CIC or the Government.

Recommendation 21

It is recommended that the Crown Corporations and Government of Saskatchewan require conflict of interest guidelines for senior employees both during their years of service and upon leaving the public service.

Role of Auditors

The Saskatchewan Legislature's Provincial Auditor played an important role in these events, by reporting management shortfalls associated with Channel Lake's gas arbitrage activities to the Legislature in his fall 1997 report.

This report were based on audit findings generated by SaskPower's own internal audit department, on work undertaken by Ernst & Young in their role as external auditors, and on work by the Provincial Auditor himself.

The people of Saskatchewan were well served – the system worked. All of the players involved in these events clearly understood that there was never any possibility that

arbitrage trading losses could be permanently concealed, because Saskatchewan's public audit and accounting systems would ultimately report them to the Legislature.

Civil recovery

Recommendation 22

As outlined in several opinions rendered by the Civil Law division of the Department of Justice, three factors (the likely difficulty in proving real damages; the contributory negligence of SaskPower officials; and the decision taken by the SaskPower Board on June 20, 1997) make it highly unlikely that the public interest would be served by launching civil actions against any of the parties involved in these events. We have heard no evidence that suggests this is not still true today. We therefore do not recommend that civil action be launched. We do not, of course, preclude civil action if further information comes to light justifying it.

Criminal issues

On March 20, 1998, the Deputy Minister of Justice and Deputy Attorney General of Saskatchewan, Mr. John D. Whyte Q.C., wrote to Mr. Myron Gulka-Tiechko, General Counsel and Corporate Secretary of CIC. In this letter, Mr. Whyte wrote:

Thank you for your letter of March 1, 1998, endorsing a Draft Report by Deloitte and Touche and a Report prepared by Gerrand Rath Johnson on transactions surrounding Channel Lake Petroleum Ltd.

... you asked that criminal wrongdoing be considered. A cursory consideration of these reports by members of the Department not associated with the Prosecutions Branch did not produce the sense that there was likely criminal activity. I have decided against transmitting your request to the Prosecutions Branch. The Branch does not conduct criminal investigations and while it could read the reports that you sent me it would likely only result in that Branch reminding me that if it sensed that criminal activity is a possibility one of the police services in the province should be contacted.

For our part, we sense that some aspects of Mr. Portigal's behaviour are inexplicable and suspicious. However, we note Mr. Whyte's letter. We also note that the Gerrand Rath Johnson law firm concluded: "The facts do not indicate the existence of any conspiracy to defraud SPC." Based on our review, and to the extent we are in a position to judge it, we agree.

It is the right of every citizen to report evidence of a crime to the police. If any citizen has knowledge of a crime committed around these or any other events, they should report that evidence to the police services.

The Members of the Saskatchewan Party had the following reservations to the final report:

I. Release of the NDP Draft Report

On August 13, 1998 the NDP government released its version of the Report of the NDP dominated Crown Corporations Committee investigation into NDP wrongdoing and misconduct in the operation and sale of Channel Lake Petroleum.

The Report was released to the media without any discussion by the full membership of the Crown Corporations Committee and without the knowledge of Official Opposition or Third Party Committee members.

The NDP released its version of the Channel Lake report specifically to minimize the political fallout from the most damaging scandal in its seven years in government.

II. NDP Conclusions Nothing More than Political Damage Control

The NDP's conclusions represent a blatant attempt at political damage control and are specifically designed to deflect blame from NDP cabinet ministers and NDP patronage appointments.

In releasing the draft report to the media before Opposition members had an opportunity to read and comment on it, the NDP made a mockery of the entire Crown Corporations Committee Inquiry.

The Saskatchewan Party said from the beginning that a full public inquiry conducted by a judge was the only legitimate way to get to the bottom of the Channel Lake affair. We took this position because the NDP cannot and should not be trusted to investigate its own mismanagement and partisan political maneuvering.

It is incomprehensible that an NDP committee looking into NDP wrongdoing would come up with anything other than an NDP whitewash designed to protect the NDP's political interests. The recommendations in the NDP's Channel Lake Report are clearly written to protect NDP partisans and hang a handful of SaskPower bureaucrats out to dry.

Further, releasing the NDP's draft report to the media prior to even the most cursory examination by the Crown Corporations Committee demonstrates the NDP's complete disregard and utter contempt for the legislative process.

III. Deficiency of NDP Conclusions

Predictably, the NDP report concluded that no NDP cabinet Minister and no NDP patronage appointment was responsible for the multi-million dollar losses incurred in the operation and sale of Channel Lake Petroleum.

The NDP report supports the NDP's decision to pay \$300,000 in severance to former SaskPower President and NDP insider Jack Messer even though the NDP's own report demonstrates he was

negligent in his handling of Channel Lake. The NDP report also grants a full pardon to former NDP SaskPower Minister Eldon Lautermilch even though he was ultimately responsible for the whole Channel Lake fiasco including the loss of millions of taxpayers dollars.

The NDP report does recommend the firing of two SaskPower employees who, unfortunately for them, have no political ties to the NDP. The ultimate indictment of the NDP's actions in manipulating the Channel Lake Inquiry is that within a day of the NDP leaking their smokescreen Report, the SaskPower Board of Directors fired two of its senior Vice Presidents. The Board took this decision in response to the NDP's draft Report even though the Report had not yet been discussed by the Crown Corporations Committee or reported to the Legislature.

IV. Official Opposition Conclusions and Recommendations

Eldon Lautermilch was Minister Responsible for SaskPower throughout the period when \$150 million in unauthorized gas trading activity took place at Channel Lake. He was the Minister Responsible for SaskPower when the decision was made to sell Channel Lake Petroleum and he was responsible for the fact that Channel Lake was sold for \$5.2 million less than the board of directors had approved. Lautermilch failed to take any action to investigate means of overturning the sale and he failed to order a review of the botched Channel Lake sale process.

Recommendation

Eldon Lautermilch should immediately accept responsibility for the Channel Lake debacle and resign from cabinet. If Mr. Lautermilch does not resign from Cabinet, the Premier should immediately remove him.

Jack Messer's negligence in overseeing the operation and sale of Channel Lake Petroleum was recognized by some of the legal opinions tabled by the government as grounds for dismissal with cause. Evidence presented to the committee and testimony by witnesses during the Channel Lake investigation shows conclusively that Messer was aware of all of the actions of his senior staff in the management and sale of Channel Lake Petroleum. As President, Messer would have approved all briefing information that went to the SaskPower Board regarding Channel Lake. He personally misled the SaskPower board on a number of critical matters during the period in which the board was making the decision to sell Channel Lake. Messer also attempted to block or impede the CIC and Deloitte & Touche investigations into the Channel Lake.

The evidence and testimony presented during the committee investigation and summarized in the NDP's Channel Lake Report supports this conclusion. The Crown Investments Corporation Board of Directors was prepared to fire Mr. Messer with cause if he did not resign as President of SaskPower. Yet, the NDP paid Mr. Messer off with a \$300,000 severance package anyway.

Recommendation

The SaskPower Board of Directors should immediately initiate legal action to recover the \$300,000 severance package paid to Jack Messer on the grounds that he was fired with cause and therefore no severance is necessary.

SaskPower hired the Calgary Law Firm of Milner Fenerty to assist in the sale of Channel Lake Petroleum. One of the tasks for which Milner Fenerty was retained was to provide copies of all drafts of the Channel Lake sale agreement to SaskPower lawyer Larry Kram. It was clearly that

Milner Fenerty failed to provide this service. The failure of Milner Fenerty to provide Mr. Kram with all copies of the sale agreement was a major factor contributing to the eventual sale of Channel Lake Petroleum for \$5.2 million less than the SaskPower Board had originally approved.

Recommendation

SaskPower should immediately launch a \$5.2 million civil action against Milner Fenerty for professional negligence because of the firm's failure to provide copies of all drafts of the Channel Lake sale agreement to SaskPower legal Counsel according to the retainer agreement between Milner Fenerty and SaskPower.

Laurence Portigal was retained by SaskPower to sell Channel Lake Petroleum. Evidence presented before the Inquiry demonstrates Mr. Portigal misled the SaskPower Board of Directors with respect to the terms of the sale including the net payment SaskPower would receive for the Channel Lake assets. Evidence also suggests Portigal was working for Direct Energy Management Limited (DEML), the company that bought Channel Lake, during the period in which he was representing SaskPower in the Channel Lake sale.

Recommendation

The SaskPower Board of Directors should immediately launch legal action against Laurence Portigal for Breach of Trust and Conflict of Interest in the sale of Channel Lake Petroleum.

Evidence presented to the Crown Corporations Committee demonstrates that senior SaskPower officials (including former President Jack Messer, former Vice President Ken Christensen, former Vice President Larry Kram and Channel Lake General Manager Laurence Portigal) withheld critical information from the SaskPower Board and/or provided incomplete and misleading information to the Board with respect to the operation and sale of Channel Lake Petroleum.

Eldon Lautermilch, the Minister Responsible for SaskPower at the time of the Channel Lake sale, has indicated the Board would have made different decisions with regard to Channel Lake had they been provided with more complete and accurate information.

These circumstances were exacerbated by evidence presented to the Committee to suggest Laurence Portigal was working for Direct Energy Marketing Limited (DEML) at the same time as he was acting on behalf of SaskPower in the sale of Channel Lake to DEML.

It is clear the SaskPower Board of Directors agreed to the sale of Channel Lake Petroleum to DEML within the framework of incomplete and/or misleading information provided in part by an employee (Laurence Portigal) who may also have been working for DEML at the same time.

The NDP's own Report characterizes Portigal's actions as "oblique, misleading, devious, and...inaccurate" and recommends that SaskPower conduct no further business with any company associated directly or indirectly with Laurence Portigal without the prior approval of the Legislature.

Recommendation

Given these circumstances, the SaskPower Board of Directors has a fiduciary responsibility to protect the shareholder's interests by immediately launching civil

action to void SaskPower's 10 year gas supply contract with DEML and overturn the sale of Channel Lake Petroleum resulting in the return of the Channel Lake assets to the Province of Saskatchewan.

Evidence presented to the Crown Corporations Committee suggests the possibility of criminal activity with respect to the alteration of the final Channel Lake sale agreement after SaskPower officials had signed off on the closing documents. The Crown Corporations Committee is not to come to conclusions with respect to criminal activity other than to report the possibility of criminality to the proper authorities.

Recommendation

The Committee should refer the complete Channel Lake file to the RCMP Criminal Investigations Unit for review.

The Crown Corporations Act and The Power Corporation Act do not apply to subsidiaries of crown corporations. Nor are subsidiaries subject to ***The Freedom of Information Act***.

Recommendation 9

It is recommended that legislation should be amended immediately to ensure that subsidiaries of crown corporations are subject to the same financial reporting requirements and are open to the same Freedom of Information access as the parent crown corporations.

The SaskPower Board relied heavily on its Audit and Finance Committee to monitor and report on the Channel Lake operations. Evidence presented during the Channel Lake Inquiry clearly shows the Audit and Finance Committee was grossly negligent in providing information to board members about Channel Lake's operations and the multi-million dollar gas trading losses. As a result, the SaskPower board was unaware of critical information about the gas trading losses not only at the time of the decision to sell Channel lake but also throughout the period during which the unauthorized gas trading activity was taking place.

The Audit and Finance Committee chairperson is Don Mintz. Mr. Mintz's testimony at the Inquiry clearly established that he was grossly negligent in carrying out his responsibilities as chair of the Audit and Finance Committee with respect to Channel Lake. Further, Mr. Mintz also testified that he was so completely uninterested in the Channel Lake disaster that he read neither the Deloitte & Touche nor the Crown Investments Corporation Reports on this matter.

The Deloitte & Touche Report in particular was highly critical of Mr. Mintz's performance. Since millions of the taxpayers' dollars were lost in the operation and sale of Channel Lake and since the president of SaskPower was fired over the whole episode, it was reasonable for Saskatchewan taxpayers to expect Mr. Mintz's full attention to the Channel Lake Inquiry. That he didn't feel he was being paid enough to actually read these two critical reports speaks volumes about the complete lack of professionalism Mr. Mintz brought to his significant responsibilities as Chair of the SaskPower Board's Audit & Finance Committee.

A further indictment of Mr. Mintz's conduct in this case is the fact that he is trained as a Chartered Accountant and therefore can and should be expected to execute his responsibilities at a high level.

Furthermore, we regret that Mr. Mintz has chosen to remain in his position on the SaskPower Board of Directors in the face of the facts as stated in the Deloitte & Touche Report and in his testimony before the Crown Corporations Committee. Had Mr. Mintz chosen otherwise, we would not have had to speak to the issue of his competence and his future as it pertains to the SaskPower Board in the terms we have here.

Recommendation

Don Mintz, a highly political NDP patronage appointment to the SaskPower Board and chair of the Audit and Finance Committee, should accept responsibility for the Committee's utter failure in monitoring and reporting on the operation of Channel Lake Petroleum and resign from the SaskPower board immediately. If Mintz does not resign, the Minister Responsible for the Crown Investments Corporation should remove him from the SaskPower Board.

Mr. Mintz's negligence in his role as chair of the Audit and Finance Committee is magnified by the fact that he is an experienced Chartered Accountant.

Recommendation

The SaskPower Board of Directors should report the conduct of Mr. Mintz as Chair of the board's Audit and Finance Committee to the Professional Conduct Committee of the Institute of Chartered Accountants of Saskatchewan for review and potential disciplinary action.

Doug Anguish, former Minister Responsible for SaskPower, testified before the Committee that the SaskPower Board wanted to fire Jack Messer as President in 1994. Anguish testified that he stopped the SaskPower board meeting to consult with Premier Romanow with regard to the board's decision to fire Messer.

According to Anguish, Premier Romanow instructed him to go back to the SaskPower board and advise them to get along with Mr. Messer. This is clear evidence that the most important SaskPower board decisions are subject to Mr. Romanow's approval. The message from Mr. Romanow to the SaskPower Board was also crystal clear. Jack Messer was President of SaskPower serving at the pleasure of the Premier. Messer was hired as President of SaskPower because of his NDP connections and, until the Premier decided otherwise, Mr. Messer would in that capacity regardless of the wishes of the SaskPower Board.

The message from this episode was not lost on senior SaskPower officials and SaskPower board members - Jack Messer was untouchable. Opposition to Messer's authority by anyone including the board to which he reported would not be tolerated.

At issue is the independence of Crown Corporation boards in making operational decisions. Had the SaskPower Board been allowed to act independent from the partisan interests of the NDP, they would have been successful in firing Jack Messer in 1994. Had Mr. Messer not been allowed to run SaskPower like his own little kingdom, it is highly unlikely the Channel Lake disaster would have happened.

Crown Corporation boards are filled with NDP partisans who, for the most part, don't know the first thing about how to run a large corporation. Crown CEO's are hired in most cases not so

much for their strong management skills and industry experience as for their NDP resumes. Unfortunately for Saskatchewan taxpayers, this was the case with Jack Messer.

Recommendation

In order to establish some accountability in the process of appointing crown boards of directors, all potential board appointees should be approved by the Standing Committee on Crown Corporations through confirmation hearings. All members of the Committee would be able to nominate persons for crown board positions. An open application process should also be established through which qualified Saskatchewan residents have an opportunity to apply for board positions. Members of the Committee would have the opportunity to question nominees with respect to their experience and its relevance to the operation of the crown corporation. Nominees would be approved by the Committee through majority vote.

Once the crown corporation boards are populated with competent, qualified members who bring proven leadership skills to the table, hiring and firing of CEO's should be left completely in their hands free from political interference. Had the SaskPower board been made up of competent, qualified professionals in 1992 rather than political hacks and NDP cabinet ministers, it is certain that Jack Messer would not have made the short list let alone been offered the job as president.

The government's public release of the NDP draft report on Channel Lake prior to holding a meeting of the Standing Committee on Crown Corporations in which the draft report could be discussed completely discredits the Committee investigation. Worse, the actions of the NDP members on the Committee in ignoring a Committee motion regarding the process by which the Report would be handled demonstrates outright contempt for the Legislature.

As chair of the Committee, NDP MLA Pat Lorje was responsible for ensuring a fair and unbiased investigation by the Committee. It was Lorje's job to ensure the interests of the taxpayers were not sacrificed at the altar of NDP political interests. In these two critical responsibilities, Lorje failed miserably.

Recommendation

NDP Committee Chair Pat Lorje should accept responsibility for serious NDP misconduct in prematurely releasing the draft Report on Channel Lake in a transparent attempt to protect NDP cabinet ministers and NDP patronage appointments. Lorje should resign as Chairperson effective immediately.

V. Conclusion

The Channel Lake Saga vividly illustrates the damage NDP patronage and cronyism is doing to all sectors of the provincial government and how fiercely the NDP will fight to maintain its system of reward based on NDP credentials.

It is absurd that the NDP characterizes its handling of the Channel Lake fiasco as an example of government openness and accountability. Nothing could be further from the truth. The NDP never intended to hold a public investigation into Channel Lake. The NDP never intended to release 1,300 documents for public scrutiny. There was never any intent on behalf of the NDP to

lift solicitor/client privilege so that legal opinions with respect to Jack Messer's firing and the sale of Channel Lake Petroleum would become public.

A review of the facts will show that the NDP was hauled kicking and screaming into an investigation. In fact, the NDP did everything in its power to avoid a full Public Inquiry headed by a judge into the Channel Lake mess. When the Official Opposition finally forced the NDP into an inquiry, the government chose to use the Crown Corporations Committee where the NDP's majority would ensure a heavily censored and highly controlled investigation.

The NDP members on the Crown Corporations Committee fought the release of any documents regarding Channel Lake. The NDP argued documents should be released only if referenced by witnesses to the Committee hearings. Further, the NDP used its majority on the committee to control the list of witnesses.

The NDP's claim of wanting to get to the bottom of the Channel Lake debacle also rings hollow. It was the Official Opposition that carried the questioning of witnesses and forced the NDP controlled Committee into expanding its witness list, releasing relevant documents, revising inquiry rules and releasing legal opinions.

Ultimately, the NDP confirmed what the Official Opposition had been saying from the start: the process of an NDP dominated Committee looking into NDP wrongdoing by NDP patronage appointments accomplishes nothing more than political damage control for the NDP. The Official Opposition's proposal of a full public inquiry headed by a judge was supported by everyone in Saskatchewan except the NDP. Clearly, the one thing the NDP wanted to avoid in handling the Channel Lake disaster was to get to the truth.

The release of the NDP's version of the Channel Lake Report without the knowledge of the Official Opposition and the Third Party was simply the next step in the NDP's attempt to take care of its narrow partisan interests. That the NDP report exonerates anyone with an NDP membership card and eliminates those who don't is an indictment of the political strong-arming and corruption that has become the calling card of Roy Romanow's government.

The Members of the Liberal Party had the following reservations to the final report:

I. Process

The Liberal Opposition was the first caucus to call for a meeting of the Public Accounts Committee to investigate the Channel Lake sale. At that time we were not supported by either of the other two parties. We continue to be of the view that the Public Accounts Committee was the appropriate forum to review Channel Lake. This did not happen due to the political maneuvering of the other parties. The Liberal Opposition believed that a judicial inquiry would have taken far longer and cost far more with no guarantee that we would have gained any further information. The Liberals are distressed that the NDP released their report on Channel Lake without prior consultation. This scuttled any chance of the Committee meeting to discuss points of view and to come to a common agreement. In the absence of an united report of a legislative committee, we are left with three conflicting partisan reports. Lacking consensus, none of the reports may have sufficient prestige to lead to the necessary remedies. Initially, the NDP said it was determined to prove that a legislative committee could set aside partisan differences and do the job - just as Senate hearings do in the United States. However, at the last minute the Government members abandoned this strategy in favour of presenting Opposition members and the public with a 'draft' report which precludes any meaningful exchange between the parties.

The Liberal Opposition continues to believe that much information became public, more quickly and at less cost than a judicial inquiry - which would not have reported prior to the next election. That said, the recommendations coming out of a judicial inquiry would clearly bear more weight than the recommendations of three separate caucus reports. The NDP claimed to want an open inquiry and a bipartisan report. Their actions in releasing their 'draft' report independent of the Committee and the Legislature was an act of bad faith. It suggests that the NDP was determined to scuttle the Committee and did not want recommendations to be acted upon. The NDP report offered up in sacrifice two SaskPower officials and clearly hoped the matter would end there.

The Liberal Opposition has filed its draft report with the Clerk of the Legislature. We have written to the Chair of the Crown Corporations Committee requesting an early meeting of the Committee to deal with the breach of privilege committed by the NDP members in releasing their report in the manner they did.

II. Possible Remedies

The first question that must be answered is whether the people of Saskatchewan have suffered a loss over the Channel Lake experience. Opinions were sought last summer about the possibility of pursuing legal remedies over the reduction in price for the sale of Channel Lake. The view given at that time was that even if liability could be established, there still might not be a claim because the company was sold for its full appraised value. Hence the argument went, there was no provable loss.

This point has now been answered by the evidence before the Committee that at least one company was prepared to pay more than **DEML**. **Stampeder Exploration** advised Portugal that it was prepared to pay \$500,000.00 more than the next best offer. The company made that offer when everyone thought that **DEML** was paying \$20.8 Million net; not \$20.8 Million gross. This

should answer the question whether any loss can be demonstrated. Mr. Portigal testified that the **Stampeder** offer was conveyed over the telephone and not reported by him to anyone else. He said the verbal offer was not followed up by anything in writing. One must question how much encouragement Mr. Portigal gave **Stampeder** to pursue their offer.

The next question that must be answered is whether the loss to Saskatchewan was due to mere unfortunate misunderstandings or was the loss a result of negligence and/or deliberate actions.

The Liberal Opposition believes that evidence heard during the inquiry suggests that Channel Lake was the result of a breakdown in ministerial responsibility, negligence and possible breach of fiduciary duty. We therefore recommend that Saskatchewan Justice be asked to look to the following two sources for possible reimbursement:

Source 1:

- Michael Hurst of **Milner-Fennerty** law firm in Calgary admitted in his testimony that according to his retainer agreement he was required to send copies of all documents to Larry Kram, in-house counsel for **SaskPower**. Mr. Hurst neglected to do this. Had Mr. Kram been sent the third draft and been advised by Mr. Hurst that he considered there to be major changes from earlier drafts Kram would have realized that the documents delivered to **SaskPower** on April 1 did not conform to the resolution passed by the Board on March 27th. Instead the only indications of changes to earlier drafts were contained in the memoranda of Mr. Portigal dated April 1, 3 & 4. The Committee heard much testimony as to whether the memos should have alerted **SaskPower** to the significant change to the agreement. Suffice it to say that there is nowhere in the memoranda a clear statement that the agreed purchase price has been changed from net to gross with a resultant loss of \$5.2 million. Instead Mr. Portigal reported that “the overall results of the negotiations have been favorable to **SaskPower**.”

While there is no doubt that Mr. Hurst’s failure to send copies to **SaskPower** was nothing more than an oversight, that may be all that is required to establish a claim for professional negligence. Further, although Mr. Hurst discussed the closing sale documents twice with Mr. Kram on April 1st, he did not mention that there had been a \$5.2 million drop in the purchase price, or other significant developments. While **DEML** officials all took the position in their testimony that the third draft was not really a change from the way the sales transaction was to have unfolded from the beginning this clearly was not the view of Mr. Hurst. When Gerry Gerrand interviewed Hurst he said that when he received the third draft he immediately phoned Portigal saying it was a big change and Portigal told him that was the way it was going to be. This makes it all the more unfortunate that Hurst did not see that other SaskPower officials (*i.e.*, Kram) besides Lawrence Portigal were aware of the changes.

The Liberal opposition also questions why Saskatchewan Crown Corporations so often go outside Saskatchewan to seek legal services. Do they think the necessary expertise is not available in Saskatchewan? Do they think they receive better service outside the province than they would from Saskatchewan law firms? The history of this case certainly suggests that we do not necessarily get better legal service by going outside Saskatchewan.

Recommendation

The Committee should recommend that Saskatchewan Justice review the possibility of a claim against the professional negligence insurance of Mr. Hurst.

Recommendation

The Committee further recommends that the Government of Saskatchewan and its Crown Corporations should not, barring exceptional circumstances, seek legal representation from outside the province.

Source 2:

The issues that may establish liability against Lawrence Portigal are as follows:

- Mr. Portigal was, according to evidence heard, in conflict of interest while the sale agreement was continuing. Mr. Tavender noted in his report in June 1997 that “if Portigal was not in a position of conflict on April 3rd, he most clearly was by the June 2nd closing”. Mr. Portigal’s projected employment with **DEML** raises serious concerns as to his commitment to **SaskPower’s** interests.
- There is reason to doubt that Mr. Portigal gave much consideration to offers for the sale of Channel Lake other than that of **DEML**. Donna Larsen of Deloitte Touche testified that there was no evidence that any offers besides **DEML** were considered seriously by Mr. Portigal. Don Mintz simply testified that the only information the Board received was that the **DEML** offer was the best. From the evidence presented to the Inquiry, we know it was not.

Mr. Portigal explained that the reason he proceeded with **DEML** was the concern that other offers may not have been concluded by the March 31st deadline. There is still much conflict in the evidence as to the significance surrounding March 31st. **SaskPower** insists that March 31st was a target date only and was never intended to be a “drop dead” date as testified by Mr. Portigal. In any event the **DEML** deal was not concluded until June 2nd.

There continue to be some striking gaps and conflicts in the testimony, which call for further investigation. One of the gaps is that on November 6, 1996, Mr. Messer sent Mr. Portigal a letter advising him that his contract of employment was being terminated effective December 20, 1996. The only response was that on December 6th Mr. Portigal replied with a memo to the president recommending that Channel Lake be sold. Obviously there must be something else between these two incongruous pieces of correspondence. What occurred from the letter of firing to the recommendation to sell the company and Lawrence Portigal’s appointment to oversee the project? We don’t know.

- Mr. Portigal did not mention the change in purchase price when he attended the signing on April 1st. His own explanation that he was “the junior person” flies in the face of all reason when he was the only person present who had directly participated in negotiations.
- Mr. Portigal did not inform **SaskPower** of the changes he approved after the April 1st signing nor did he provide **SaskPower** with a copy. One must also question why he would sign without communicating with Regina if he thought he was a junior employee?
- Mr. Portigal described the final draft as “favourable to **SaskPower**” although it was more than \$5 million less than the Board resolution approved on March 27th. All **DEML** officials, including Mr. Portigal insisted that the third draft of the agreement was not

really a departure from what was initially contemplated when **DEML** made its original offer of \$27.7 million. However Don Mintz testified that Portigal had been present at the March 27th **SaskPower** Board meeting. That meeting approved the sale for \$20.8 million net. As Mintz put it, “only an idiot... would take it any different”.

- The memoranda of April 1, 3 & 4 from Lawrence Portigal to Jack Messer have been the subject of much conflicting testimony as to whether they should have alerted **SaskPower** to major changes in the purchase price and to the fact there would be post-signing changes to the agreement. The lack of a clear statement to the effect that the purchase price had dropped by over \$5 million may be explained by the insistence of **DEML** officials, including Mr. Portigal, that there really wasn't a change.
- Mr. Portigal referred to the last minute change in the purchase price as “alleged- and I stress alleged...”. Certainly there is no statement in the April 1st memo that the agreement now showed \$20.8 million as a gross rather than a net figure. The trading losses had already been deducted once to get from **DEML's** initial offer of \$27.7 million to \$20.8 million. The effect of the changes to the final draft were to make, in the words of Gary Drummond to Gerry Gerrand, “an adjustment for the trading losses twice”.
- Mr. Portigal did not provide any **SaskPower** official with a copy of the third share agreement on April 1st, even though it had been sent to him the day before.
- Mr. Portigal proceeded with the final closing on June 2nd, against instructions from **SaskPower**, and told Michael Hurst not to attend. This was done in spite of the fact, as Tavender noted there could be no doubt that Portigal was in conflict of interest having agreed in April to work for the ‘new’ company. This meant that the only person attending the final closing on behalf of **SaskPower** was someone now working for the ‘new’ Channel Lake.
- According to **DEML** president Gary Drummond, Mr. Portigal gave assurances to **DEML** that there would be million of dollars of trading capitol in Channel Lake on closing. These assurances, if given, were never reported to **SaskPower**.
- Finally and most important of all, in terms of the mindset, Mr. Portigal displayed little sense that he owed a fiduciary duty to **SaskPower**. He was paid in excess of \$10,000.00 a month and was the sole negotiator on this transaction. Despite this he displayed little sense of obligation and responsibility to **SaskPower**. This lack of sense of obligation to **SaskPower** was again shown when Mr. Portigal denied that he had an obligation to disclose to the Corporation his agreed employment with the new company.

Recommendation

It is recommended that Saskatchewan Justice be asked to review this file with a view to instituting civil action against Lawrence Portigal.

Recommendation 21

It is recommended that the Crown Corporations and Government of Saskatchewan require conflict of interest guidelines for senior employees both during their years of service and upon leaving the public service.

III. Governance of the Crown Corporations

Ministerial Responsibility

Channel Lake is a subsidiary of a Crown Corporation. Therefore it was ultimately owned by the people of Saskatchewan. While the Committee heard much pious talk about responsibility of **SaskPower** to the Executive, Legislature and people of Saskatchewan, there was little evidence as to how this responsibility was discharged. The Crown Corporations must follow sound business practices if they are to survive in the era of globalization. However, only if the Crowns are serving some public policy objective is there any rationale for them to remain in the public sector. Finally, only by reporting in a full, accurate and timely basis to the people as shareholders can their responsibility be discharged.

It would have been helpful to have heard from more members of the board of **SaskPower**. What we did hear left serious questions as to how much information is given to Board members and how probing they are in asking questions, keeping informed and exercising meaningful control over management. Too often Board appointments have been used as a way to reward loyal supporters.

In order for Crown Corporations to be accountable to the government, legislature and people of the province, there must be a full and accurate flow of information. This simply was not the case in Channel Lake.

The following are some of the more glaring examples.

The **Crown Corporations Act** and the **Power Corporation Act** do not apply to subsidiaries. Although there was a major overhaul of the **Crown Corporations Act** during the recent session of the Legislature subsidiaries are still not required to follow the same reporting provisions as their parent companies. Certainly Channel Lake did take advantage of the fact that Order-in-Council approvals required for Crowns are not required from subsidiaries. The government says it does not object to the principle that subsidiaries should have the same reporting requirements as the Crowns.

If the government agrees this would be sound policy, then why not do it?

Recommendation

The legislation governing Crown Corporations should be amended to make clear that all subsidiaries have the same reporting procedures and are subject to the same restrictions as their parent companies.

Flow of Information

Throughout the Inquiry there were a number of disturbing examples of the lack of accurate and timely information from SaskPower. In Deputy Premier Lingenfelter's words the information provided was "incomplete and somewhat inaccurate"

The Inquiry heard several examples:

- 1) When Minister Lautermilch was being questioned in the House on May 9, 1997 about SaskTel's investment in a Chicago cable company which had gone sour, his reply was that the Opposition focuses in on the bad news and ignores the good news such as the \$5 million profit made on the sale of Channel Lake. The statement was no doubt made in good faith at the time. However when the Minister found out two months later the statement was false he did nothing to correct it. His explanation to the Committee that the House wasn't in session right then is just not good enough.

When **SaskTel** released its 1997 Annual Report there was no mention of the Chicago cable company...

- 2) On April 10th, 1997 a government backbencher read a Members' Statement advising the House of the sale of Channel lake for a \$5 million profit. The sale was given as proof that "our Crown Corporations are taking a responsible and sensible approach to managing their investments". Again the statement was most certainly made in good faith at the time but never corrected when the Minister learned the truth.
- 3) On Dec. 17, 1997 Deputy Premier Lingenfelter advised the Legislature that "Mr. Portigal was working for Channel Lake. The Company was sold. Mr. Portigal was then without work. He got a job with the new Company. That's as devious as the plot gets." Several people in **SaskPower** and on the Board knew this statement was, in Mr. Lingenfelter's words "incomplete and somewhat inaccurate". No one contacted him to correct the information. No one told him that the truth was that Portigal had been fired when it was learned that he was on the board of the new owners of the Company. One of the people who knew that Portigal had been fired was Lingenfelter's cabinet colleague Mr. Lautermilch.
- 4) Deputy Premier Lingenfelter took over responsibility for the Crown Corporations on June 27, 1997 he was given briefing books as is customary when assuming a new portfolio. The briefing books did not mention Channel Lake.
- 5) Minister Anguish took the position that **SaskPower** was "not to engage in any activity which could be construed as entering the oil and gas business... We did not want **SaskPower** - directly or through a subsidiary - to become a competitor or an active player in the natural gas business." Anguish went on to explain that this was because the government was committed to promoting private sector investment in Saskatchewan. Indeed Anguish insisted that for **SaskPower** to be engaged in gas trading and arbitrage would compromise government integrity with the oil industry. It would send a "confusing message". In short it

was a matter of basic government policy that gas trading excess of **SaskPower's** needs should not take place. Minister Lautermilch agreed.

Mr. Messer, in his closing statement made it clear that he disagrees with the ministers. He takes the position that the gas trading was both known and authorized.

What is important here is not so much to resolve the dispute between the government and Mr. Messer as to point out that even now there is disagreement as to whether **SaskPower** was or was not following government policy. Now at the end of the Channel Lake Inquiry there is still no consensus on such a basic fact.

Ministerial responsibility is a meaningless jumble of words unless there is timely and accurate information being supplied by the Crowns. Although all the ministers who came before the Committee in one way or another made the point that they had not been kept informed by Mr. Messer; and therefore presumably should not be held to account for what they did not know. However this neatly sidesteps the fact the cabinet which put Messer in place and kept him there - even though they knew and condoned his 'unique management style'.

In view of these and other examples of the complete breakdown in ministerial responsibility, the refusal of Mr. Lautermilch to offer his resignations is incomprehensible.

The Liberal opposition is concerned that the recent decision to remove ministers from Crown boards may mean in practice that Ministers will take the exotic foreign trips and claim the credit for good announcements while pleading ignorance when anything goes wrong with our Crowns.

Recommendation 10

It is recommended that the Crowns must develop policies which will assure the Legislature that information will be delivered accurately and promptly.

Timely Review

When a motion was brought before the Public Accounts Committee to add Channel Lake to the agenda, the motion was rejected.

Reporting to the Legislature is largely useless unless there is current and accurate information. The Public Accounts and Crown Corporations Committees are a waste of time unless they review reports within one year of their release. One suspects that it suits government, of whatever political stripe, to have committees review reports after they have become ancient history.

Recommendation 11

It is recommended that it should be standard practice for committees of the Legislature to review reports within one year of their release.

Political Interference

The government says it is trying to remove political interference from the Crown Corporations. There is a distinction to be drawn between the government as owner having legitimate expectations and policies. Any owner would. Political interference and using the Crowns for patronage purposes are quite another matter. Hiring party presidents, campaign managers and long time personal friends and political supporters to senior executive positions in the Crowns does nothing to suggest the government is serious about removing political interference. Ironically Jack Messer himself called for removing political influence from the Crowns, but was forced to admit that his own long time political involvement with the premier “may very well” have had something to do with his selection as CEO. As mentioned below, political interference also saved his job at least once.

The most striking example of political interference came in 1994, when the **SaskPower** board, after what Doug Anguish described as several hours of *in camera* meetings came to a consensus that Messer should be removed. The Minister had a brief consultation with the Premier during a Board coffee break. At the end of the coffee break there was no more talk of asking for Mr. Messer’s resignation. No minutes were kept of the several meetings the Board had devoted to the subject. The failure of the Board to document their unhappiness with Messer and to discuss concerns with him effectively precluded any subsequent dismissal for cause, according to labour lawyer Rob Garden.

So much for the independence of the Board of **SaskPower** if long deliberations can be overturned by a word from the premier!

Recommendation

Appointments to Crown corporations must be made on some rational criteria. A proper non-political process must be put in place to ensure that Board appointments have proper qualifications. Political Interference must be removed from the Crown Corporations. Patronage must be removed from appointments to Crown Corporation management and Board positions.

Conclusion

The people of Saskatchewan are entitled to a recovery of the money that was lost on this transaction. However actions for recovery of lost money must be undertaken on sound legal bases and not just for political reasons.

The NDP is eroding the concept of ministerial responsibility; allowing ministers to attach themselves to positive announcements and foreign trips while pleading ignorance and refusing responsibility for the problems and mistakes. The ultimate responsibility cannot rest, as the NDP would suggest, with comparatively low level officials. Some acknowledgment of responsibility at the top is required.

Standards must be developed for the selection and conduct of senior management and board members. Responsibility to the people of Saskatchewan as the shareholders of our Crown corporations must be more than mere rhetoric. Responsibility to, and respect for the people of Saskatchewan as owners must be demonstrated by our Crowns and the ministers who oversee them.

LIST OF WITNESSES

Witness	Position	Date(s) Appeared
Mr. Doug Anguish	Former Minister responsible for Saskatchewan Power Corporation	June 29, 1998
Mr. Darryl Bogdasavich	Civil Law Division, Department of Justice	May 27, 1998
Mr. Ken Christensen	Vice President, Finance & Information Systems, Saskatchewan Power Corporation	April 21, 1998 April 22, 1998 April 28, 1998 April 30, 1998
Mr. Donald W. Curry	Associate, Serval Processing and Marketing	June 26, 1998
Mr. G. Dino Deluca	Partner, Burnet Duckworth & Palmer law firm	May 5, 1998 May 6, 1998
Mr. Gary Drummond	President, Direct Energy Marketing Ltd.	May 5, 1998 May 6, 1998
Mr. Louis R. Dufresne	Senior Vice President, Direct Energy Marketing Ltd.	May 5, 1998 May 6, 1998
Mr. J. Milt Fair	Vice-Chair, Board of Directors, Saskatchewan Power Corporation	June 25, 1998
A. R. (Rob) Garden	Partner, MacPherson Leslie & Tyerman law firm	June 25, 1998
Mr. Gerald L. Gerrand	Partner, Gerrand Rath & Johnson law firm	May 26, 1998
Mr. John R. Grossman	Partner, Deloitte & Touche	June 2, 1998
Mr. Michael A. Hurst	Partner, Milner Fenerty law firm	May 19, 1998
Mr. Rupert C. James	Partner, Ernst & Young	June 9, 1998
Mr. Larry D. Kram	General Counsel, Saskatchewan Power Corporation	April 21, 1998 April 22, 1998 April 30, 1998
Ms. Donna Larsen	Senior Manager, Deloitte & Touche	June 2, 1998
Hon. Eldon Lautermilch	Minister responsible for Energy and Mines	June 29, 1998
Hon. Dwain M. Lingenfelter	Deputy Premier and Minister responsible for Crown Investments Corporation	June 30, 1998

Witness	Position	Date(s) Appeared
Mr. John R. Messer	Former President and Chief Executive Officer, Saskatchewan Power Corporation	April 1, 1998 April 7, 1998 April 15, 1998 April 16, 1998 April 28, 1998
Don Mintz	Chair, Audit & Finance Committee, Board of Directors, Saskatchewan Power Corporation	June 25, 1998
Mr. Barry G. Munro	Partner, Ernst & Young	June 9, 1998
Mr. Richard Patrick	Vice President, General Manager Power Production, Saskatchewan Power Corporation	April 21, 1998 April 22, 1998 April 30, 1998
Mr. Lawrence Portigal	General Manager, Channel Lake Petroleum Ltd.	May 12, 1998 May 13, 1998
Mr. Michael Shaw	Vice President, Crown Corporations Division, Crown Investments Corporations of Saskatchewan	June 10, 1998
Mr. Kelly Staudt	Acting President and Chief Executive Officer, Saskatchewan Power Corporation	April 21, 1998 April 22, 1998 April 30, 1998
Ms. Nora T. Stewart	Associate, Sproule Associates Ltd.	June 26, 1998
Mr. Doug R. Sutton	Vice President, Gilbert Laustsen Jung Associates Ltd.	May 20, 1998
Mr. E. David Tavendar	Partner, Milner Fenerty law firm	May 20, 1998
Mr. John Wright	President and Chief Executive Officer, Crown Investments Corporation of Saskatchewan	June 10, 1998

TABLED DOCUMENTS

Document Number	Description of Document
CCC 56/23	Minister of Crown Investments Corporation: Correspondence between Mr. Dwain Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation and Ms. Pat Lorje, Chair, Crown Corporations Committee
CCC 57/23	Standing Committee on Crown Corporations: Statement by the Chair in regards to the Testimony of Witnesses Appearing Before the Committee
CCC 58/23	Standing Committee on Crown Corporations: Proposed Agenda for the Special meetings on the Channel Lake Petroleum Ltd. matter
CCC 59/23	Standing Committee on Crown Corporations: Letter received from Mr. Wayne Strelloff, Provincial Auditor to Ms. Pat Lorje, Chair, Standing Committee on Crown Corporations, dated April 1, 1998
CCC 60/23	Saskatchewan Power Corporation: Escrow agreement between Saskatchewan Power Corporation, Direct Energy Marketing Limited and Burnet, Duckworth & Palmer, dated April 3, 1997
CCC 61/23	McDougall, Ready / John R. Messer: Correspondence between Mr. Michael W. Milani, Counsel, McDougall, Ready and Saskatchewan Power Corporation (Attn: Mr. Larry D. Kram), dated March 30, 1998
CCC 62/23	Standing Committee on Crown Corporations: Proposed Fourth Report to the Assembly, dated April 8, 1998
CCC 63/23	Channel Lake Petroleum Ltd. Investigation - compiled document set (16 binders) <i>(Note: These documents were given a CLP series number)</i>
CCC 64/23	Documents tabled by Mr. Don McKillop, Crown Solicitor, Civil Law Division, Department of Justice, pursuant to a subpoena issued by the Legislative Assembly of Saskatchewan, dated April 8, 1998 (2 binders) <i>(Note: These documents were given a CLP series number)</i>
CCC 65/23	Saskatchewan Power Corporation: Correspondence from SaskPower Audit and Finance Committee to SaskPower Board of Directors, dated March 14, 1995, re: SaskPower CEO Evaluation – John R. Messer
CCC 66/23	Saskatchewan Power Corporation: Agreement of Indemnification among Saskatchewan Power Corporation and Channel Lake Petroleum Ltd. and John R. Messer, dated March 6, 1995
CCC 67/23	Saskatchewan Power Corporation: Various documents detailing the terms of employment for John R. Messer
CCC 68/23	Saskatchewan Power Corporation: Board of Directors - Topic Summary: Resignation of President & CEO of the Saskatchewan Power Corporation, dated March 5, 1998 (#1347)
CCC 69/23	Saskatchewan Power Corporation: Board of Directors - Topic Summary: Appointment of Acting President & CEO of the Saskatchewan Power Corporation, dated March 5, 1998 (#1348)
CCC 70/23	Saskatchewan Power Corporation: Saskatchewan Power Corporation Discussion Points re: severance, dated March 9, 1998 (#1349)
CCC 71/23	Saskatchewan Power Corporation: Handwritten notes of Larry Kram, dated March 23,

Document Number	Description of Document
	1998 (#1350) (<i>Note: page 1 of these notes have already been disclosed as #1141</i>)
CCC 72/23	Crown Investments Corporation of Saskatchewan: Correspondence from Don McKillop, Q.C., Civil Law Division, Department of Justice to Mike Shaw, Vice President, Crown Investments Corporation, dated April 15, 1998, re: CEO Evaluations for the President of SaskPower (#1351); and attachments.
CCC 73/23	Peter J. Milne & Associates Inc.: Saskatchewan Crown Corporations Review, dated April 15, 1998
CCC 74/23	Saskatchewan Power Corporation: Board of Directors - Minutes for the November 6, 1997 meeting
CCC 75/23	Standing Committee on Crown Corporations: Correspondence from L. Ted Priel, special advisor to the Committee to Pat Lorje, Chair, Crown Corporations Committee, dated April 20, 1998, re: Crown Corporations Committee Request for Opinion (membership on CCC)
CCC 76/23	(<i>Note: document unrelated to Channel Lake Petroleum Ltd. investigation</i>)
CCC 77/23	Standing Committee on Crown Corporations: Channel Lake Documents Binder Set Index
CCC 78/23	McDougall Ready: Correspondence from Gordon J. Kuski, solicitor for Saskatchewan Power Corporation to Saskatchewan Justice, attention: D.A. McKillop, dated April 21, 1998, re: Channel Lake Crown Corporations Committee; and attached, additional Channel Lake documents
CCC 79/23	Standing Committee on Crown Corporations: Correspondence from L. Ted Priel, special advisor to the Committee to Pat Lorje, Chair, Crown Corporations Committee, dated 27, 1998, re: Crown Corporations Committee – Request for Opinion (definition of criminal and civil fraud)
CCC 80/23	Crown Investments Corporation: Correspondence from John Wright, President to Don McKillop, Q.C., Department of Justice, dated April 27, 1998, re: Channel Lake Documents (CIC Special Board of Directors Meetings)
CCC 81/23	McDougall Ready: Correspondence from Michael W. Milani, counsel for Saskatchewan Power Corporation to Saskatchewan Justice, attention: D.A. McKillop, Q.C., dated April 27, 1998, re: Channel Lake Hearings; and attached: <ol style="list-style-type: none"> 1. Portion of Minute 95; 2. Minute B126/93; 3. Minute B127/93; 4. Expense records (Binder 19); 5. Cellular and Telephone Records (Binder 20)
CCC 82/23	Milner Fenerty: Saskatchewan Power Corporation file regarding Direct Energy Marketing Ltd.
Addendum to CCC 82/23	Milner Fenerty: Saskatchewan Power Corporation file regarding Direct Energy Marketing Ltd., re: hand written notes of E. David D. Tavender of his conversations with L. Kram of SaskPower, dated June 13 and June 16, 1997
CCC 83/23	Burnet Duckworth & Palmer: Opening Statement by G. Dino Deluca, Partner; and attached appendix of documents
CCC 84/23	Burnet Duckworth & Palmer: Transaction Documents regarding the Acquisition of the Shares of Channel Lake Petroleum Ltd. by Direct Energy Marketing Limited from

Document Number	Description of Document
	Saskatchewan Power Corporation
CCC 85/23	Direct Energy Marketing Ltd.: Opening statement by Mr. Louis R. Dufresne, Senior Vice President; and attached appendix of documents
CCC 86/23	OPTUS Natural Gas Distribution Income Fund: 1997 Annual Report
CCC 87/23	OPTUS Natural Gas Distribution Income Fund: Revised Initial Annual Information Form, dated October 1, 1997
CCC 88/23	Standing Committee on Crown Corporations: Fifth Report, dated May 6, 1998
CCC 89/23	Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal to Ernst & Young Inc., attention: G. Levy, dated July 14, 1997, re: Dynex Petroleum Ltd. – Enchant Resources Ltd. Royalty
CCC 90/23	Correspondence from Jack Hillson, MLA to Pat Lorje, Chair, Crown Corporations Committee, dated May 7, 1998
CCC 91/23	Standing Committee on Crown Corporations: Correspondence from Pat Lorje, Chair, Crown Corporations Committee to L. Ted Priel, special advisor to the Committee, dated May 8, 1998
CCC 92/23	Standing Committee on Crown Corporations: Correspondence from L. Ted Priel, special advisor to the Committee to Pat Lorje, Chair, Crown Corporations Committee, dated May 11, 1998, re: Crown Corporations Committee – Request for Opinion (Resignation of Chair in light of comments made)
CCC 93/23	Gilbert Laustsen Jung Associates Ltd.: Channel Lake Petroleum Ltd. – Reserve and Economic Evaluation Canadian Oil and Gas Interests Corporate Summary, effective January 1, 1997, dated February 12, 1997
CCC 94/23	Gilbert Laustsen Jung Associates Ltd.: Channel Lake Petroleum Ltd. – Reserve Appraisal and Economic Evaluation Excluding Thunder, effective January 1, 1997, dated March 5, 1997
CCC 95/23	KPMG Chartered Accountants: Correspondence from KPMG (per: Mark J. Lang, partner) to Pat Lorje, Chair, Standing Committee on Crown Corporation, dated June 12, 1998, re: request for information from Direct Energy Marketing Ltd regarding confirmation of the price paid by DEML for the shares of, and note issued by, Channel Lake Petroleum Ltd.
CCC 96/23	KPMG Chartered Accountants: Correspondence from KPMG (per: Ian P. Schofield) to Pat Lorje, Chair, Standing Committee on Crown Corporation, dated June 12, 1998, re: request for information from Direct Energy Marketing Ltd on the determination of value of Gas Supply Management Agreement
CCC 97/23	Saskatchewan Power Corporation: Responses to undertakings made by Ken Christensen at the April 22, 1998 meeting regarding the percentage of arbitrage contracts involving Direct Energy Marketing Ltd. and the maximum potential liability to SaskPower under s. 7.1(c) of the Purchase Agreement
CCC 98/23	Crown Investments Corporation: Responses to undertakings made by John Wright, President and Chief Executive Officer at the June 10, 1998 meeting regarding director and officer indemnity and liability insurance and the recoverability of “lost monies” through insurance proceeds
CCC 99/23	Sproule Associates Limited: Correspondence from Nora T. Stewart, Associate and K.H. Crowther, Executive Vice-President, to L. Ted Priel, Priel Stevenson Hood & Thornton,

Document Number	Description of Document
	<p>dated June 25, 1998, re: Crown Corporations Committee – Legislature of the Province of Saskatchewan; and attached :</p> <p>i) “Discount rates and risk assessment in mineral project evaluations” by Lawrence Devon Smith, Kilborn Inc., in CIM Bulletin, April 1995 (Volume 88, No. 989), at p. 34.</p> <p>ii) “Playing the valuation game: present value vs. future value” by Herwig Langohr</p>
CCC 100/23	Serval Processing and Marketing: Correspondence from Don Curry, Associate to L. Ted Priel, Priel Stevenson Hood & Thornton, dated June 25, 1998, re: Crown Corporations Committee – Legislature of the Province of Saskatchewan; and attached curriculum vitae of Donald W. Curry
CCC 101/23	Lawrence S. Portigal: Closing Statement submitted on behalf of Lawrence Portigal, dated July 6, 1998
CCC 102/23	Lawrence S. Portigal: Statutory Declaration of Lawrence S. Portigal, dated July 3, 1998
CCC 103/23	Direct Energy Marketing Ltd.: Closing Statement submitted on behalf of Direct Energy Marketing Ltd., dated July 6, 1998
CCC 104/23	Lawrence S. Portigal: Responses to undertakings made by Lawrence Portigal at the May 13, 1998 meeting regarding the directorship and offices held by Mr. Portigal, dated July 6, 1998
CCC 105/23	KPMG Chartered Accountants: Correspondence from KPMG (per: Mark J. Lang) to Pat Lorje, Chair, Standing Committee on Crown Corporations, dated July 2, 1998, re: request for information from Direct Energy Marketing Ltd. (confirmation of price paid to purchase shares of and note issued by Channel Lake Petroleum Ltd.)
CCC 106/23	Saskatchewan Power Corporation: Closing Statement submitted on behalf of Saskatchewan Power Corporation, dated July 6, 1998
CCC 107/23	John R. Messer: Closing Statement submitted on behalf of Mr. John R. Messer, dated July 6, 1998
CCC 108/23	New Democratic Party Caucus: Channel Lake Enquiry – Draft Committee Report, dated August 13, 1998
CCC 109/23	Saskatchewan Party caucus: Response of the Official Opposition to the NDP Report on Channel Lake, dated August 18, 1998
CCC 110/23	Liberal Party caucus: Channel Lake Report released by the Liberal Opposition, dated August 19, 1998
CCC 111/23	Saskatchewan Party caucus: Report of the Official Opposition to the Standing Committee on Crown Corporations – the Channel Lake Petroleum Scandal and the Firing of Former SaskPower President Jack Messer, dated September 1998
CCC 112/23	New Democratic Party Caucus: Channel Lake Enquiry – Draft Committee Report, dated October 14, 1998
CCC 113/23	Standing Committee on Crown Corporations: Draft 8 th Report - Channel Lake Inquiry

TABLED DOCUMENTS CLP SERIES

1. Pursuant to a motion adopted by the Committee on April 8, 1998, the following documents were deemed to have been tabled in the Committee on April 8, 1998:

CCC 63/23: Channel Lake Petroleum Ltd. Investigation compiled document set (16 binders)

CCC 64/23: Documents tabled by Mr. Don McKillop, Crown Solicitor, Civil Law Division, Department of Justice, pursuant to a subpoena issued by the Legislative Assembly of Saskatchewan, dated April 8, 1998 (2 binders)

Each of these documents was accorded a unique tabled document number, in accordance with the binder in which they were contained.

2. The documents contained in Binder 1 are as follows:

CLP 1/1 (101) - Saskatchewan Justice: Memorandum from Darcy McGovern, Crown Solicitor, Legislative Services, Saskatchewan Justice, to Larry Kram, SaskPower, dated March 24, 1994, re: Channel Lake Petroleum Ltd. ("Channel Lake")/SaskPower

CLP 1/2 (102) - Saskatchewan Justice: Memorandum from Douglas E. Moen, Q.C., Executive Director, Public Law and Policy Division, Saskatchewan Justice, to Jill McKeen, House Business and Legislative Officer, Executive Council, dated February 5, 1997, re: Tabling of Annual Reports – The Crown Corporations Act, 1993, and attached;

Memorandum from Darcy McGovern, Legislative Services, Public Law and Policy Division, Saskatchewan Justice, to Doug Moen, Q.C., Executive Director, Public Law and Policy Division, Saskatchewan Justice, dated February 4, 1997, re: Tabling of Annual Reports – The Crown Corporations Act, 1993

CLP 1/3 (103) - Saskatchewan Power: Correspondence from Larry D. Kram, General Counsel, 12W, to John R. Messer, President, 12C, dated March 27, 1997, re: SaskPower – Sale of Channel Lake Shares

CLP 1/4 - Milner Fenerty: DRAFT - Correspondence from E. David D. Tavender, Counsel, Milner Fenerty, to Saskatchewan Power Corporation, attention: Larry D. Kram, General Counsel, dated June 10, 1997, re: Direct Energy Marketing Limited

CLP 1/5 (878) - Milner Fenerty: DRAFT - Correspondence from E. David D. Tavender, Counsel, Milner Fenerty, to Saskatchewan Power Corporation, attention: Larry D. Kram, General Counsel, dated June 12, 1997, re: Direct Energy Marketing Limited

CLP 1/6 (879) - MacPherson Leslie & Tyerman: Correspondence from MacPherson Leslie & Tyerman (per: Brian J. Kenny) to John R. Messer, President and CEO, SaskPower Corporation, dated June 16, 1997, re: Channel Lake Petroleum Ltd.

CLP 1/7 (880) - MacPherson Leslie & Tyerman: Correspondence from MacPherson Leslie & Tyerman (per: Brian J. Kenny) to John R. Messer, President and CEO, SaskPower Corporation, dated June 16, 1997, re: Mr. L.S. Portigal - Channel Lake Petroleum Ltd. Transaction

CLP 1/8 - Saskatchewan Justice: Memorandum from Darryl Bogdasavich, Q.C., Executive Director, Civil Law Division, Saskatchewan Justice, to Myron Gulka-Tiechko, Crown Investments Corporation, dated January 21, 1998, re: Role of CIC in Governance of SaskPower; and attached:

Facsimile cover sheet from Mike Shaw, Crown Investments Corporation to Peg, Mr. G. Marchildon's Office, dated January 21, 1998

CLP 1/9 - Gerrand Rath Johnson: Correspondence from Gerrand Rath Johnson (per: G.L. Gerrand) to Crown Investments Corporation of Saskatchewan, attention: Mike Shaw, Vice-President, dated February 25, 1998, re: Saskatchewan Power Corporation and Channel Lake Review; and attached:

- A) Review of Channel Lake Experience;
- B) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 11, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.;

- C) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 17, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.;
- D) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 21, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.;
- E) Topic Summary: Sale of Channel Lake Petroleum Ltd., dated March 27, 1997;
- F) Topic Summary: Sale of Channel Lake Petroleum Ltd., dated March 26, 1997;
- G) Saskatchewan Power Corporation: Board of Directors – Fifth meeting March 27, 1997, excerpts from minutes; Topic Summary: Sale of Channel Lake Petroleum Ltd., dated March 27, 1997 (Schedule B54/97); and Topic Summary: Natural Gas Supply Management Agreement., dated March 27, 1997 (Schedule B55/97);
- H) Resolution of the Board of Directors of Direct Energy Marketing Limited ("Corporation") re: Purchase of Channel Lake Petroleum Ltd.;
- I) Correspondence from Gary J. Drummond, Direct Energy Marketing Limited to Gerrand Rath Johnson, attention: Gerry Gerrand, dated January 29, 1998, re: Channel Lake Petroleum Ltd.;
- J) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 3, 1997, re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.;
- K) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 2, 1997, re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.;
- L) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 1, 1997, re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.;
- M) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 4, 1997, re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.;
- N) Correspondence from Larry D. Kram, Law, SaskPower to Lawrie Portigal, Channel Lake, dated June 3, 1997, re: SaskPower, Channel Lake and DEML – Share Sale Agreement;
- O) Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to L.D. Kram, Law Department, dated June 4, 1997, re: SaskPower, Channel Lake Petroleum Ltd. and Direct Energy Marketing Ltd. – Share and Note Purchase Agreement; and attached documents;
- P) SaskPower Sale of Channel Lake Petroleum Ltd. 1997 June;
- Q) Correspondence from R.A. Bruce, Internal Auditor to President and Executive Vice President, SaskPower, dated June 16, 1997, re: Audit Observations and Recommendations, Sale of Channel Lake Petroleum Ltd.;
- R) Correspondence from R.A. Bruce, Internal Auditor to J.R. Messer, President and Chief Executive Officer, and C.Y. Bryant, Corporate and Business Services, SaskPower, dated June 18, 1997, re: Sale of Channel Lake Petroleum Ltd.; and attached document;
- S) Correspondence from Gerrand Rath Johnson (per: G.L. Gerrand) to Crown Investments Corporation of Saskatchewan, attention: Mike Shaw, Vice-President, dated April 13, 1998, re: Saskatchewan Power Corporation and Channel Lake Review;
- T) Memorandum from Darryl Bogdasavich, Q.C., Executive Director, Civil Law Division, Saskatchewan Justice, to Michael Shaw, Vice-President, Crown Investments Corporation, dated April 14, 1998, re: Saskatchewan Power Corporation – Channel Lake Review.

CLP 1/10 - Saskatchewan Justice: Memorandum from Darryl Bogdasavich, Q.C., Executive Director, Civil Law Division, Saskatchewan Justice, to Michael Shaw, Vice-President, Crown Investments Corporation, dated February 26, 1998, re: Saskatchewan Power Corporation – Channel Lake Review

CLP 1/11 (107) - Saskatchewan Justice: Memorandum from Darryl Bogdasavich, Q.C., Executive Director, Civil Law Division, Saskatchewan Justice, to Michael Shaw, Vice-President, Crown Investments Corporation, dated March 2, 1998, re: SaskPower Corporation – Channel Lake Review; and attached:

Draft letter from Dwain Lingenfelter, Chairperson of the Board, Saskatchewan Power Corporation to Mr. Jack Messer, , President and Chief Executive Officer, Saskatchewan Power Corporation, dated March 2, 1998

CLP 1/12 - Gerrand Rath Johnson: Correspondence from Gerrand Rath Johnson (per: Denise L. Batters) to Crown Investments Corporation of Saskatchewan, attention: Mike Shaw, Vice-President, dated March 4, 1998, re: Saskatchewan Power Corporation and Channel Lake Review

CLP 1/13 (109) - Saskatchewan Justice: Memorandum from Darryl Bogdasavich, Q.C., Executive Director, Civil Law Division, Saskatchewan Justice, to Michael Shaw, Vice-President, Crown Investments Corporation, dated March 4, 1998, re: SaskPower Corporation – Channel Lake Review

CLP 1/14 (110) - Saskatchewan Justice: Memorandum from Larry Anderson, Crown Counsel, Civil Law Division, Saskatchewan Justice, to Myron Gulka-Tiechko, Crown Investments Corporation, dated March 9, 1998, re: FOI Act

CLP 1/15 - McDougall Ready: Correspondence from Gordon J. Kuski, McDougall Ready to SaskPower, attention: Larry Kram, dated March 10, 1998, re: Review of SaskPower's Channel Lake Experience

CLP 1/16 - Saskatchewan Justice: Memorandum from D.A. McKillop, Crown Counsel, Civil Law Division, Saskatchewan Justice, to Myron Gulka-Tiechko, General Counsel and Corporate Secretary, Crown Investments Corporation, dated March 19, 1998, re: Saskatchewan Power Corporation and Channel Lake Review

CLP 1/17 - Crown Investments Corporation: Correspondence from Myron Gulka-Tiechko – CIC to John Wright – CIC, dated March 19, 1998, re: Rob Garden – alleged conflict of interest

CLP 1/18 - Saskatchewan Justice: Memorandum from Darryl Bogdasavich, Q.C., Executive Director, Civil Law Division, Saskatchewan Justice to Myron Gulka-Tiechko, Crown Investments Corporation, dated March 20, 1998, re: Minister's Inquiry Concerning Rob Garden

CLP 1/19 - MacPherson Leslie & Tyerman: Correspondence from MacPherson Leslie & Tyerman (per: A. Robson Garden, Q.C.) to Saskatchewan Power Corporation, attention: Milton Fair, Vice-Chairman, dated April 1, 1998, re: Saskatchewan Power Corporation – J.R. Messer

3. The documents contained in Binder 2 are as follows:

CLP 2/1 - Direct Energy Marketing Ltd: Gas Supply Management Proposal for SaskPower - Executive Summary, dated March 3, 1997

CLP 2/2 - Direct Energy Marketing Ltd: Proposal for Gas Supply Management Agreement by Direct Energy Marketing Limited to Saskatchewan Power Corporation, dated March 3, 1997

CLP 2/3 - (834): Facsimile cover sheet from Lawrie Portigal, Channel Lake to G.J. Douglas, Fuel Supply, dated 03/11/97; and attached:

Proposal for Gas Supply Management Agreement by Direct Energy Marketing Limited to Saskatchewan Power Corporation, dated March 3, 1997

CLP 2/4 (835) - TOM Capital Associates Inc.: Correspondence from Martin G. Abbott, TOM Capital Associates Inc. to Channel Lake Petroleum Ltd., attention: Lawrence S. Portigal, dated March 12, 1997, re: Purchase of Shares

CLP 2/5 (845) - Direct Energy Marketing Ltd:

1. Correspondence from Louis R. Dufresne, Senior Vice President, to Channel Lake Petroleum Ltd., attention: Lawrence S. Portigal, re: Gas Supply Management Agreement ("GSMA") between Saskatchewan Power ("SaskPower") and Direct Energy Marketing Limited ("DEML"), dated March 3, 1997;
2. Contract Summary;
3. DRAFT - Gas Supply Management Agreement between Saskatchewan Power and Direct Energy Marketing Limited, made effective this 1st day of April, 1997;
4. Gas Supply Management Agreement between Saskatchewan Power and Direct Energy Marketing Limited, made effective this 1st day of June, 1997.

4. The documents contained in Binder 3 are as follows:

CLP 3/1 - Executive Council: Correspondence from John R. Messer to Hon. Doug Anguish, Premier Roy Romanow and all Cabinet Ministers, dated May 27, 1993, re: SaskPower Acquisition of Natural Gas Assets through SaskPower's Subsidiary, Channel Lake Petroleum Ltd.

CLP 3/2 - Executive Council: Correspondence from Roy Romanow, Premier, to H.H. Westmore, President, Enchant Resources Ltd., dated July 19, 1996; and attached:

1. Correspondence from Richard C. Dixon, Barrister & Solicitor, to Messrs. McDonald & Hayden, attention: James C. Crawford, dated May 16, 1996, re: Dynex Petroleum Ltd;
2. Briefing Note on "The bankruptcy of Dynex Petroleum Ltd. and Channel Lake Petroleum Ltd's involvement" and covering action memo from Jeff Ritter to ??, dated July 15, 1996;
3. Correspondence from H.H. Westmore, President, Enchant Resources Ltd. to Premier Roy Romanow, dated July 19, 1996, including attachments.

CLP 3/4 - Executive Council: Memorandum from Judy Samuelson, Chief of Staff to the Premier to File, dated December 18, 1997, re: Channel Lake

CLP 3/5 - Executive Council: Channel Lake Briefing Agenda to Premier Roy Romanow and Hon. Dwain Lingenfelter, dated December 19, 1997

CLP 3/6 - Executive Council: Correspondence from John R. Messer , President and Chief Executive Officer, SaskPower to Hon. Dwain Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation, dated March 3, 1998, re: CIC Board meeting to discuss reports on the Channel Lake review

CLP 3/7 - Executive Council: Memorandum from John R. Messer , President and Chief Executive Officer, SaskPower to Premier Roy Romanow, dated March 4, 1998, re: Channel Lake Experience, and attached:

Memorandum from John R. Messer , President and Chief Executive Officer, SaskPower to John Wright, President and Chief Executive Officer, of Crown Investments Corporation, dated March 3, 1998, re: Response to *Review of Channel Lake Experience*

CLP 3/8 - Executive Council: Correspondence from Pat Lorje to Premier Roy Romanow, dated March 21, 1998, re: Saskatchewan Party call for Judicial Inquiry, Channel Lake; and attached:

Memorandum from Premier Roy Romanow to Pat Lorje, MLA, dated March 27, 1998, re: Your memo of March 21

CLP 3/9 - Executive Council: Memorandum from John R. Messer to Hon. Roy Romanow, Premier, dated March 23, 1998; and attached:

1. Media Statement – John R. Messer;
2. Correspondence from John R. Messer to Violet Stanger, Chair, New Democratic Party Caucus, dated March 23, 1998

5. The documents contained in Binder 4 are as follows:

CLP 4/1 - Executive Council: Order-in-Council 611/94, dated September 13, 1994 in regards to the lending of monies by the Saskatchewan Power Corporation to enable Channel Lake Petroleum Ltd. to acquire certain oil and gas properties in the Province of Alberta; attached as:

1. Schedule A – promissory note from Channel Lake Petroleum Ltd. to Saskatchewan Power Corporation in the sum of \$25,000,000.00

CLP 4/2 - Executive Council: Order-in-Council 34/95, dated January 18, 1995 in regards to the granting of approval for SaskPower to purchase from Channel Lake Petroleum Ltd. personal property of up to \$50,000,000 of natural gas during each year of the term of the natural gas supply.

6. The documents contained in Binder 5 are as follows:

CLP 5/1 - Crown Investments Corporation: Correspondence from David Dombowsky, President and Chief Executive Officer to Jack Messer, President and Chief Executive Officer, SaskPower, dated March 25, 1996, re: Tabling of Subsidiary Corporation Financial Statements

CLP 5/2 - Crown Investments Corporation: Correspondence from David Dombowsky, President and Chief Executive Officer to Jack Messer, President and Chief Executive Officer, SaskPower, dated May 8, 1996 re: Tabling of Subsidiary Corporation Financial Statements

CLP 5/3 - Crown Investments Corporation: Correspondence from Patti Beatch, Vice-President, Finance & Administration and John Millar, Director of Communications to Ken Christensen, Vice-President, Finance & Administration, SaskPower, dated February 25, 1997 re: Tabling of Subsidiary Financial Statements

CLP 5/4 - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice-President, Finance & Administration to Patti Beatch, Crown Investments Corporation, dated March 13, 1997 re: Northern Enterprise Fund Inc. (NEFI) - Tabling of Financial Statements; and attachment

CLP 5/5 - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Hon. E. Lautermilch, dated March 27, 1997 re: Channel Lake Petroleum Ltd. - Tabling of Financial Statements

CLP 5/6 - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice-President, Finance & Administration to Patti Beatch, Crown Investments Corporation, dated March 27, 1997, re: Proposed Sale of Channel Lake Confidentiality Agreement

CLP 5/7 - Crown Investments Corporation: Correspondence from Hon. Dwain M. Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation to John Wright, President, Crown Investments Corporation, dated December 9, 1997, re: SaskPower – Channel Lake

CLP 5/8 - Crown Investments Corporation: Correspondence from Hon. Dwain M. Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation to John Wright, President, Crown Investments Corporation, dated December 15, 1997, re: Tendering Policy

CLP 5/9 - Crown Investments Corporation: Correspondence from John Wright, President, CIC to Hon. Dwain M. Lingenfelter, Minister of Crown Investments Corporation, dated December 16, 1997, re: SaskPower – Channel Lake; and attachments (Tendering issues)

CLP 5/10 - Crown Investments Corporation: Correspondence from Hon. Dwain M. Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation to John Wright, President, Crown Investments Corporation, dated December 18, 1997, re: SaskPower – Channel Lake

CLP 5/11 - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice-President, Finance & Administration to Mike Shaw, Vice-President, Crown Corporation Division, Crown Investments Corporation, dated December 22, 1997, re: Channel Lake Review; and attachments (list of CIC documents)

CLP 5/12 - Gerrand Rath Johnson: Facsimile from Gerrand Rath Johnson (per: G.L. Gerrand) to Crown Investments Corporation, attention: Mike Shaw, Vice-President, dated December 23, 1997, re: Saskatchewan Power Corporation and Channel Lake Review

CLP 5/13 - Deloitte & Touche: Correspondence from Deloitte & Touche (per: John R. Grossman) to Mike Shaw, Vice-President, Crown Corporation Division, Crown Investments Corporation, dated December 24, 1997, re: Review of SaskPower's Investment Experience with Channel Lake Petroleum Ltd.

CLP 5/14 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Corporations Division to Ken Christensen, Vice-President, Finance & Information Systems, SaskPower, dated December 24, 1997 re: Channel Lake review terms of reference

CLP 5/15 - Gerrand Rath Johnson: Correspondence from Gerrand Rath Johnson (per: G.L. Gerrand) to Crown Investments Corporation, attention: Mike Shaw, Vice-President, dated December 30, 1997, re: Saskatchewan Power Corporation and Channel Lake Review; and attachments

CLP 5/16 - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice-President, Finance & Information Systems to John R. Grossman, Deloitte & Touche, dated January 5, 1998, re: Channel Lake Review – Interviewee List; and attachments

CLP 5/17 - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice-President, Finance & Information Systems to John R. Grossman, Deloitte & Touche, dated January 6, 1998, re: Channel Lake Review – Confidentiality Agreement

CLP 5/18 - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice-President, Finance & Information Systems to Mike Shaw, Vice-President, Crown Corporations Division, dated January 7, 1998, re: Channel Lake Review – Document List; and attachments

CLP 5/19 - Saskatchewan Power Corporation: Correspondence D.R.J. Scobie, Manager, Financial Analysis to Mike Shaw, Vice-President, Crown Corporations Division, dated January 12, 1998, re: Channel Lake Review (List of documents)

CLP 5/20 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Corporations Division to Hon. Dwain M. Lingenfelter, Minister of Crown Investments Corporation, dated January 12, 1998 re: Channel Lake Review (Schedule and progress of review)

CLP 5/21 - Deloitte & Touche: Facsimile from Donna Larsen, Deloitte & Touche to Mike Shaw, CIC, dated January 13, 1998, re: Interview Protocol for CIC Review of SaskPower's Investment Experience (Interview protocol); and attachments

CLP 5/22 - Gerrand Rath Johnson: Correspondence from Gerrand Rath Johnson (per: G.L. Gerrand) to Deloitte & Touche, attention Jack Grossman and/or Donna Larsen, dated January 15, 1998, re: Saskatchewan Power Corporation and Channel Lake Review (Interview proposal)

CLP 5/23 - Gerrand Rath Johnson: Facsimile from Gerrand Rath Johnson (per: G.L. Gerrand) to Mike Shaw, Vice-President, Crown Investments Corporation, dated January 21, 1998, re: Saskatchewan Power Corporation and Channel Lake Review; and attachment (letter from DEML re: meeting with L. Portigal)

CLP 5/24 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Corporations Division to John R. Messer, President and Chief Executive Officer, SaskPower, dated February 9, 1998 re: Channel Lake Petroleum Review – Reimbursement of Expenses; and attachments

CLP 5/25 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Corporations Division to John R. Messer, President, SaskPower, dated February 27, 1998 re: SaskPower - Channel Lake

CLP 5/26 - Crown Investments Corporation: Correspondence from Myron Gulka-Tiechko, General Counsel and Corporate Secretary to John Beke, Balfour Moss, dated March 2, 1998 re: SaskPower Corporation - Channel Lake Review

CLP 5/27 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Corporations Division to Ken Christensen, Vice-President, Finance, dated March 2, 1998 re: Channel Lake Review – Letters of Engagement

CLP 5/28 - Balfour Moss: Correspondence from Balfour Moss (per: A. John Beke) to Myron Gulka-Tiechko, General Counsel and Corporate Secretary, dated March 2, 1998 re: SaskPower Corporation - Channel Lake Review

CLP 5/29 - Crown Investments Corporation: Correspondence from Myron Gulka-Tiechko, General Counsel and Corporate Secretary to John Whyte, Deputy Minister, Department of Justice, dated March 2, 1998 re: Saskatchewan Power Corporation and Channel Lake Review (advice)

CLP 5/30 - Crown Investments Corporation: Correspondence from Hon. Dwain M. Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation to John Wright, President, Crown Investments Corporation, dated March 2, 1998, re: SaskPower – Channel Lake

CLP 5/31 - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Mike Shaw, Vice-President, Crown Corporations Division, CIC, dated March 2, 1998 re: SaskPower – Channel Lake (draft reports)

CLP 5/32 - Crown Investments Corporation: Correspondence from Myron Gulka-Tiechko, General Counsel and Corporate Secretary to Tom Waller, Olive Waller Zinkhan & Waller, dated March 3, 1998 re: Saskatchewan Power Corporation and Channel Lake Review

CLP 5/33 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, CIC to Gerrand Rath Johnson, attention: Denise Batters, dated March 3, 1998 re: Saskatchewan Power Corporation and Channel Lake Review (grounds for dismissal)

CLP 5/34 - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Hon. Dwain M. Lingenfelter, Deputy Premier and Minister of Crown Investments Corporation, dated March 3, 1998 (re: attendance at CIC Board meeting)

CLP 5/35 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, CIC to John R. Messer, President, SaskPower, dated March 3, 1998 re: SaskPower - Channel Lake (review)

CLP 5/36 - Saskatchewan Power Corporation: Correspondence from John R. Messer, Office of the President to John Wright, President and Chief Executive Officer, Crown Investments Corporation, dated March 3, 1998; re: Response to *Review of Channel Lake Experience* (3 copies of document with different notations)

CLP 5/37 - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Hon. Dwain M. Lingenfelter, Chair, SaskPower Board of Directors, dated March 4, 1998 (re: resignation); and attachments

CLP 5/38 - Crown Investments Corporation: Correspondence from John Wright, President, CIC to Hon. Dwain M. Lingenfelter, Minister of Crown Investments Corporation, dated March 4 1998, re: SaskPower – Channel Lake

CLP 5/39 - Saskatchewan Power Corporation: Correspondence from P.E. Hall, Controller to Myron Gulka-Tiechko, Crown Investments Corporation, dated March 5, 1998, re: Channel Lake Statements Tabling in the Assembly

CLP 5/40 - Olive Waller Zinkhan & Waller: Correspondence from Olive Waller Zinkhan & Waller (per: T.J. Waller) to Crown Investments Corporation, attention: Myron Gulka-Tiechko, dated March 6, 1998, re: SaskPower Corporation - Channel Lake Petroleum

CLP 5/41 - Saskatchewan Power Corporation: Correspondence from P.E. Hall to Myron Gulka-Tiechko, Crown Investments Corporation, dated March 6, 1998, re: Channel Lake Statements Tabling in the Assembly

CLP 5/42 - Crown Investments Corporation: Correspondence from Myron Gulka-Tiechko, General Counsel and Corporate Secretary to Gwenn Ronyk, Clerk of the Legislative Assembly, dated March 6, 1998 re: Channel Lake Petroleum Ltd. – Tabling of 1996 Audited Financial Statement

CLP 5/43 - Deloitte & Touche: Correspondence from Deloitte & Touche (per: John R. Grossman) to Mike Shaw, Vice-President, Crown Investments Corporation, dated March 9, 1998, re: Review of SaskPower's Investment Experience with Channel Lake Petroleum Ltd.

CLP 5/44 - Saskatchewan Power Corporation: Correspondence from Bill Hyde to Mike Shaw, CIC, dated March 10, 1998, re: L. Portigal Information

CLP 5/45 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Investments Division to Deloitte & Touche, attention: Jack Grossman and Donna Larsen, dated March 12, 1998 re: Channel Lake Report; and attachments

CLP 5/46: Correspondence from Rod Gantefer, MLA to Hon. Dwain M. Lingenfelter, Minister responsible for CIC, dated March 17, 1998

CLP 5/47 - Crown Investments Corporation: Correspondence from Hon. Dwain M. Lingenfelter, Minister responsible for CIC to Rod Gantefer, MLA, dated March 17, 1998

CLP 5/48 - Crown Investments Corporation: Correspondence from John Wright, President, CIC to Hon. Dwain M. Lingenfelter, Minister of Crown Investments Corporation, dated March 19, 1998, re: Rob Garden; and attachments

CLP 5/49 - Department of Justice: Correspondence from John D. Whyte, Deputy Minister of Justice and Deputy Attorney General to Myron Gulka-Tiechko, General Counsel and Corporate Secretary, Crown Investments Corporation, dated March 20, 1998, re: Saskatchewan Power Corporation and Channel Lake Review

CLP 5/50 - Deloitte & Touche: Facsimile from Deloitte & Touche to Mike Shaw, Vice-President, Crown Investments Corporation, dated January 6, 1998, re: Draft Confidentiality Agreement between SaskPower and Deloitte & Touche

CLP 5/51 - Saskatchewan Power Corporation: Correspondence from Larry Kram, General Counsel to Gerald L. Gerrand, Gerrand Mulatz, dated January 6, 1998, re: Crown Investments Corporation Channel Lake Review – Terms of Reference of December 24, 1997

CLP 5/52 - Saskatchewan Power Corporation: Draft - Correspondence from John R. Messer, President and Chief Executive Officer to Gerald L. Gerrand, Gerrand Mulatz, dated January 6, 1998, re: Crown Investments Corporation Channel Lake Review – Terms of Reference of December 24, 1997 (Draft Confidentiality Agreement between SaskPower and Gerry Gerrand)

CLP 5/53 - Gerrand Rath Johnson: Facsimile from Gerrand Rath Johnson (per: G.L. Gerrand) to Crown Investments Corporation, attention: Mike Shaw, Vice-President, dated January 7, 1998, re: Saskatchewan Power Corporation and Channel Lake Review; and attachments

CLP 5/54: (according to index supplied by CIC, this document should be correspondence between Larry Kram to Myron Gulka-Tiechko)

CLP 5/55 - Saskatchewan Power Corporation: Draft - Correspondence from John R. Messer, President and Chief Executive Officer to Brian Kenny, MacPherson Leslie & Tyerman, dated January 9, 1998, re: Crown Investments Corporation (CIC) and Channel Lake Review

CLP 5/56 - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Crown Investments Corporation, attention: Mike Shaw, dated January 9, 1998, re: Crown Investments Corporation(CIC) and Channel Lake Review – Terms of Reference of December 24, 1997

CLP 5/57 - Gerrand Rath Johnson: Correspondence from Gerrand Rath Johnson (per: G.L. Gerrand) to Crown Investments Corporation, attention: Mike Shaw, Vice-President, dated January 12, 1998, re: Saskatchewan Power Corporation and Channel Lake Review; and attachments

CLP 5/58 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Investments Division to John R. Messer, President, SaskPower, dated January 13, 1998, re: Channel Lake Review – Waiver of Solicitor/Client Privilege

CLP 5/59 - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Crown Investments Corporation, attention: Mike Shaw, dated January 14, 1998, re: Channel Lake Review – Waiver of Solicitor/Client Privilege; and attachments

CLP 5/60 - Crown Investments Corporation: Correspondence from Mike Shaw, Vice-President, Crown Investments Division to John R. Messer, President, SaskPower, dated January 15, 1998, re: Channel Lake Review – Waiver of Solicitor/Client Privilege; and attachment

CLP 5/61 - Saskatchewan Power Corporation: Correspondence from Larry Kram, General Counsel to Crown Investments Corporation, attention: Mike Shaw, dated January 16, 1998, re: Channel Lake Review – Waiver of Solicitor/Client Privilege; and attachments

CLP 5/62 - Deloitte & Touche: *Review of SaskPower's Channel Lake Experience – A Report to the Crown Investments Corporation of Saskatchewan - Draft for Discussion* addressed to Mike Shaw, Vice-President, Crown Investments Division, Crown Investments Corporation, dated February 25, 1998

7. The documents contained in Binder 6 are as follows:

CLP 6/1 - Saskatchewan Power Corporation: Board of Directors - meeting November 2, 1992, excerpts from minutes; and attached:

Topic Summary: Long-Term Gas Supply Strategy, dated November 2, 1992 (Schedule B341/92)

CLP 6/2 - Saskatchewan Power Corporation: Board of Directors – Fifth meeting April 22, 1993, excerpts from minutes; and attached:

Topic Summary: Purchase of the Assets of Dynex Petroleum Ltd, dated April 22, 1993 (Schedule B86/93); and attachments

CLP 6/3 - Saskatchewan Power Corporation: Board of Directors – Special meeting September 20, 1993, excerpts from minutes; and attached:

Topic Summary: Morgan Property Interest, dated September 20, 1993 (Schedule B180/93); and attachments

CLP 6/4 - Saskatchewan Power Corporation: Board of Directors – First meeting January 27, 1994, excerpts from minutes; and attached:

Topic Summary: Status Report regarding the purchase of Dynex Assets from the Bank of Montreal, dated January 27, 1994 (Schedule B24/94); and attachments

CLP 6/5 - Saskatchewan Power Corporation: Board of Directors – First meeting January 27, 1994, excerpts from minutes; and attached:

Topic Summary: Purchase of the Channel Lake and Channel Lake South property interests held by Morgan Hydrocarbons Inc., dated January 27, 1994 (Schedule B25/94);

CLP 6/6 - Saskatchewan Power Corporation: Board of Directors – Second meeting February 23, 1994, excerpts from minutes; and attached:

Topic Summary: Sale of Natural Gas – SaskPower Natural Gas Supply Management, dated February 23, 1994 (Schedule B48/94)

CLP 6/7 - Saskatchewan Power Corporation: Board of Directors – Second meeting February 23, 1994, excerpts from minutes; and attached:

Topic Summary: Assignment of Natural Gas Purchase Contracts from TransCanada Pipelines Limited to SaskPower, dated February 23, 1994 (Schedule B52/94); and attachment

CLP 6/8 - Saskatchewan Power Corporation: Board of Directors – Fifth meeting May 25, 1994, excerpts from minutes; and attached:

1. Audit/Finance Committee Report – meeting held February 23, 1994 (Schedule B84/94);

2. Audit/Finance Committee Report – meeting held April 20, 1994

CLP 6/9 - Saskatchewan Power Corporation: Board of Directors – Fifth meeting May 25, 1994, excerpts from minutes;

CLP 6/10 - Saskatchewan Power Corporation: Board of Directors – Fifth meeting May 25, 1994, excerpts from minutes; and attached:

Topic Summary: Approval of the 1993 Financial Statements for Channel Lake Petroleum Ltd., dated May 25, 1994 (Schedule B90/94); and attachment

CLP 6/11 - Saskatchewan Power Corporation: Board of Directors – Fifteenth meeting October 26, 1994, excerpts from minutes; and attached:

Topic Summary: Channel Lake Petroleum Ltd., dated October 26, 1994 (Schedule B205/94);

CLP 6/12 - Saskatchewan Power Corporation: Board of Directors – Fifteenth meeting October 26, 1994, excerpts from minutes; and attached:

Topic Summary: Natural Gas Supply Agreement for Supply of Natural Gas by Channel Lake Petroleum Ltd. to SaskPower, dated Oct. 26, 1994 (Schedule B206/94);

CLP 6/13 - Saskatchewan Power Corporation: Board of Directors – Fifteenth meeting October 26, 1994, excerpts from minutes; and attached:

Topic Summary: Purchase of Natural Gas by SaskPower from Channel Lake Petroleum Ltd., dated October 26, 1994 (Schedule B207/94);

CLP 6/14 - Saskatchewan Power Corporation: Board of Directors – Sixteenth meeting December 14, 1994, excerpts from minutes; and attached:

Topic Summary: Appointment of SaskPower Representatives re: Channel Lake Petroleum Ltd. and SaskPower Commercial Inc., dated December 14, 1994 (Schedule B225/94);

CLP 6/15 - Saskatchewan Power Corporation: Board of Directors – Sixteenth meeting December 14, 1994, excerpts from minutes;

CLP 6/16 - Saskatchewan Power Corporation: Board of Directors – Eighth meeting November 15, 1995, excerpts from minutes; and attached:

1. Topic Summary: Transportation of Natural Gas to Power Stations for the year 1996, dated November 15, 1995 (Schedule B143/95);
2. Topic Summary: Storage Cavern Charges for SaskPower Natural Gas for the Year 1996, dated November 15, 1995 (Schedule B144/95);

CLP 6/17 - Saskatchewan Power Corporation: Board of Directors – Second meeting February 19, 1996, excerpts from minutes; and attached:

Topic Summary: Purchase of Natural Gas by SaskPower from Channel Lake Petroleum Ltd. (Schedule B7/96)

CLP 6/18 - Saskatchewan Power Corporation: Board of Directors – Third meeting March 27, 1996, excerpts from minutes; and attached:

Topic Summary: Consolidation of Bank Accounts, dated March 27, 1996 (Schedule B24/96)

CLP 6/19 - Saskatchewan Power Corporation: Board of Directors – Third meeting March 27, 1996, excerpts from minutes; and attached:

Topic Summary: Channel Lake Petroleum Ltd., dated March 27, 1996 (Schedule B27/96); and attachment

CLP 6/20 - Saskatchewan Power Corporation: Board of Directors – Third meeting March 27, 1996, excerpts from minutes; and attached:

Topic Summary: Channel Lake Petroleum Ltd., dated March 27, 1996 (Schedule B28/96); and attachment

CLP 6/21 - Saskatchewan Power Corporation: Board of Directors – Eleventh meeting December 18, 1996, excerpts from minutes; and attached:

Topic Summary: Purchase of Natural Gas by SaskPower from Channel Lake Petroleum Ltd., dated December 18, 1996 (Schedule B157/96)

CLP 6/22 - Saskatchewan Power Corporation: Board of Directors – First meeting January 13, 1997, excerpts from minutes; and attached:

Topic Summary: Sale of Channel Lake Assets, dated January 13, 1997 (Schedule B5/97)

CLP 6/23 - Saskatchewan Power Corporation: Board of Directors – Third meeting March 13, 1997, excerpts from minutes; and attached:

1. Topic Summary: Sale of Channel Lake Petroleum Ltd, dated March 13, 1997 (Schedule B36/97);
2. Topic Summary: Sale of Channel Lake Assets, dated January 13, 1997 (Schedule B5/97);

CLP 6/24 - Saskatchewan Power Corporation: Board of Directors – Fifth meeting March 27, 1997, excerpts from minutes; and attached:

1. Topic Summary: Sale of Channel Lake Petroleum Ltd., dated March 27, 1997 (Schedule B54/94);
2. Topic Summary: Natural Gas Supply Management Agreement, dated March 27, 1997 (Schedule B55/94)

CLP 6/25 - Saskatchewan Power Corporation: Board of Directors – Eighth meeting June 20, 1997, excerpts from minutes; and attached:

Topic Summary: SaskPower and Direct Energy Marketing Limited Sale of Channel Lake Petroleum Ltd. Shares, dated June 20, 1997 (Schedule B95/97)

CLP 6/26 - Saskatchewan Power Corporation: Board of Directors – Eighth meeting June 20, 1997, excerpts from minutes; and attached:

1. Topic Summary: Change Order to P.O. No. S9612 33329 for Purchase of Natural Gas for 1997 by SaskPower from Channel Lake Petroleum Ltd., dated June 20, 1997 (Schedule B96/97);
2. Topic Summary: Purchase of Natural Gas for 1997 from Various Suppliers including Direct Energy Marketing Ltd., dated June 20, 1997 (Schedule B97/97);
3. Topic Summary: Purchase of Natural Gas for 1997 from Enron Oil Canada Limited, dated June 20, 1997 (Schedule B98/97);

8. The documents contained in Binder 7 are as follows:

CLP 7/1 (101) - Saskatchewan Power Corporation: Audit and Finance Committee – Fourth meeting April 20, 1994, excerpts from minutes; and attached:

Ernst & Young: Saskatchewan Power Corporation 1993 Management Letter, dated April 14, 1994 (Schedule A20/94)

CLP 7/2 (102) - Saskatchewan Power Corporation: Audit and Finance Committee – Fifth meeting May 25, 1994, excerpts from minutes; and attached:

Topic Summary: Approval of the 1993 Financial Statements for Channel Lake Petroleum Ltd., dated May 24, 1994 (Schedule A49/94); and attachment

CLP 7/3 (103) - Saskatchewan Power Corporation: Audit and Finance Committee – Ninth meeting November 23, 1994, excerpts from minutes

CLP 7/4 (104) - Saskatchewan Power Corporation: Audit and Finance Committee – Ninth meeting November 23, 1994, excerpts from minutes; and attached:

Provincial Auditor of Saskatchewan – Audit Involvement Memorandum Saskatchewan Power Corporation, dated December 31, 1994 (Schedule A82/94)

CLP 7/5 (105) - Saskatchewan Power Corporation: Audit and Finance Committee – Fourth meeting March 21, 1995, excerpts from minutes; and attachments

CLP 7/6 (106) - Saskatchewan Power Corporation: Audit and Finance Committee – Fifth meeting May 9, 1995, excerpts from minutes; and attached:

Information Item: 1994 Ernst & Young Management Letter, dated May 9, 1995 (Schedule A30/95); and attachment

CLP 7/7 (107) - Saskatchewan Power Corporation: Audit and Finance Committee – Fifth meeting May 9, 1995, excerpts from minutes; and attached:

Information Item: Channel Lake's 1994 Audited Financial Statements, dated May 9, 1995 (Schedule A31/95); and attachment

CLP 7/8 (108) - Saskatchewan Power Corporation: Audit and Finance Committee – Fifth meeting May 9, 1995, excerpts from minutes; and attached:

Information Item: Channel Lake's Financial Summary for the Three Month Period Ending March, 1995, dated May 9, 1995 (Schedule A32/95); and attachments

CLP 7/9 (109) - Saskatchewan Power Corporation: Audit and Finance Committee – Ninth meeting July 24, 1995, excerpts from minutes; and attached:

Channel Lake Petroleum Ltd. – Financial Statements for the Six Month period ended June 30, 1995 (Schedule A56/95)

CLP 7/10 (110) - Saskatchewan Power Corporation: Audit and Finance Committee – Eleventh meeting October 20, 1995, excerpts from minutes

CLP 7/11 (111) - Saskatchewan Power Corporation: Audit and Finance Committee – First meeting February 2, 1996, excerpts from minutes; and attached:

Topic Summary: 1995 (SaskPower) Audited Financials, dated February 2, 1996 (Schedule A7/96); and attachments

CLP 7/12 (112) - Saskatchewan Power Corporation: Audit and Finance Committee – Third meeting March 26, 1996, excerpts from minutes; and attached:

Topic Summary: Channel Lake Petroleum Ltd. 1995 Audited Financials, dated March 26, 1996 (Schedule A27/96); and attachment

CLP 7/13 (113) - Saskatchewan Power Corporation: Audit and Finance Committee – Third meeting March 26, 1996, excerpts from minutes; and attached:

Information Item: Channel Lake Petroleum Ltd. January 1996 Financial Results, dated March 26, 1996 (Schedule A28/96); and attachment

CLP 7/14 (114) - Saskatchewan Power Corporation: Audit and Finance Committee – Fourth meeting May 21, 1996, excerpts from minutes; and attached:

Information Item: Channel Lake Petroleum Ltd. March 1996 Financial Results, dated May 21, 1996 (Schedule A38/96); and attachment

CLP 7/15 (115) - Saskatchewan Power Corporation: Audit and Finance Committee – Seventh meeting November 29, 1996, excerpts from minutes; and attached:

Information Item: Channel Lake Petroleum Ltd. September 1996 Financial Results, dated October 31, 1996 (Schedule A73/96); and attachment

CLP 7/16 (116) - Saskatchewan Power Corporation: Audit and Finance Committee – First meeting January 24, 1997, excerpts from minutes; and attached:

Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, SaskPower, dated January 15, 1997, re: December 1996 Financial Package – Channel Lake Petroleum Ltd. (Schedule A7/97); and attachment

CLP 7/17 (117) - Saskatchewan Power Corporation: Audit and Finance Committee – Third meeting March 13, 1997, excerpts from minutes; and attached:

Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, SaskPower, dated February 20, 1997, re: January 1997 Financial Package – Channel Lake Petroleum Ltd. (Schedule A20/97); and attachment

CLP 7/18 (118) - Saskatchewan Power Corporation: Audit and Finance Committee – Fifth meeting April 23, 1997, excerpts from minutes; and attached:

SaskPower Internal Audit: Channel Lake Petroleum Ltd. Buy / Sell Gas Transactions and Exposure Analysis 1996 December (Schedule A45/97)

CLP 7/19 (119) - Saskatchewan Power Corporation: Audit and Finance Committee – Fifth meeting April 23, 1997, excerpts from minutes; and attached:

Information Item: March 1997 Channel Lake Financial Package, dated April 23, 1997 (Schedule A48/97); and attachments

CLP 7/20 (120) - Saskatchewan Power Corporation: Audit and Finance Committee – Seventh meeting June 20, 1997, minutes; and attached:

Topic Summary: SaskPower and Direct Energy Marketing Limited Sale of Channel Lake Petroleum Ltd. Shares, dated June 20, 1997

CLP 7/21 (121) - Saskatchewan Power Corporation: Audit and Finance Committee – Eighth meeting July 3, 1997, minutes

9. The documents contained in Binder 8 are as follows:

CLP 8/1 (210) - Channel Lake Petroleum Ltd.: Board of Directors Meeting– March 26, 1997:

Recommendation of L. Portigal and G. Douglas to CLP Board, presented at Board meeting of March 29, 1997, concerning termination of natural gas supply agreement with SaskPower, subject to sale by SaskPower of all its shares in Channel Lake to Direct Energy Marketing Ltd.

CLP 8/2 (210) - Channel Lake Petroleum Ltd.: Board of Directors Meeting– March 26, 1997:

Recommendation of K. Christensen and L. Kram presented to CLP Board at meeting of March 26, 1997, that SaskPower divest itself of all interest in Channel Lake Petroleum Ltd.

CLP 8/3 (210) - Agenda of March 26, 1997 Board of Directors' Meeting.

CLP 8/4 (210) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— March 26, 1997:

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, December 16, 1996. (unsigned copy)

CLP 8/5 (210) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— March 26, 1997:

Recommendation prepared by L. Kram for presentation to Board meeting of March 26, 1997, that Radisson Petroleum Ltd. and Channel Lake Petroleum Ltd. amalgamation.

CLP 8/6 (210) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— March 26, 1997:

Recommendation prepared by L. Kram for presentation to Board Meeting of March 26, 1997, that the 1996 Audited Financial Statements be approved.

CLP 8/7 (210) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— March 26, 1997:

Resolution of the Directors that the minutes of the March 26, 1997 meeting be approved.

CLP 8/8 (209) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— December 16, 1996:

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, December 16, 1996. (copy has signatures of Chairman and Secretary)

CLP 8/9 (209) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— December 16, 1996:

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, December 16, 1996. (annotated copy)

CLP 8/10 (209) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— December 16, 1996:

1. Agenda: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, December 16, 1996.
2. Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, December 16, 1996. (marked as document CL13/96)
3. Reference Schedules: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, December 16, 1996. (marked as documents CL14/96 – CL19/96)
 - i) CL14/96 Reference Schedule: 1996 Buy/Sell Transactions
 - ii) CL15/96 Reference Schedule: CLP Arbitrage's
 - iii) CL16/96 Reference Schedule: NEM Canada Summary
 - iv) CL17/96 Reference Schedule: CLP Memorandum, Portugal to Messer, re: Stampeder Exploration Ltd. Exercise of Rights to First Refusal.
 - v) CL18/96 Reference Schedule: CLP Memorandum prepared by Portugal, re: Amalgamation of Radisson Petroleum Ltd. with Channel Lake Petroleum Ltd.
 - vi) CL19/96 Reference Schedule: CLP Memorandum prepared by Portugal, re: Natural Gas Industry Overview.

CLP 8/11 (208) - Channel Lake Petroleum Ltd.: Board of Directors Meeting— November 27, 1996:

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Wednesday, November 27, 1996. (copy has signatures of Chairman and Secretary) Attached documents as follows:

- i) SaskPower Memorandum of L. Kram, dated Nov. 28/96 concerning draft minutes of November 27, 1996.
- ii) Copies of Cheques and Cheque requisitions concerning purchase of Morgan Interest in Channel Lake area.
- iii) Minutes (make Draft): Channel Lake Petroleum Ltd. Board of Directors' Meeting, Wednesday, November 27, 1996. (copy has signatures of Chairman and Secretary)
- iv) Reschedule of November 21, 1996 Board of Directors' meeting to November 27, 1996, signed Darcy McFarlen for L. Portugal.
- v) Cancellation notice of proposed November 21, 1996 Channel Lake Board meeting (hand annotated).
- vi) Agenda for proposed November 21, 1996 Channel Lake Board Meeting.

CLP 8/12 (208) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, November 27, 1996.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday, July 16, 1996 (copy has signatures of Chairman and Secretary and is marked as document CL10/96). Attached are documents marked CL11/96 – CL12/96 as follows:

- i) CL11/96 Reference Schedule: CLP Memorandum, Portigal to Messer, re: Management Report.
- ii) CL12/96 Reference Schedule: CLP Memorandum prepared by Portigal, re: Purchase of Channel Lake and Channel Lake South property interests held by Stampeder Explorations Ltd. (successor to Morgan Hydrocarbons Inc.)

CLP 8/13 (207) - Channel Lake Petroleum Ltd.: Board of Directors Meeting– July 16, 1996:

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday July 16, 1996. (copy has signatures of Chairman and Secretary) Attached documents as follows:

- i) Notice of Meeting for July 16, 1996 Board of Directors' Meeting.
- ii) Agenda for July 16, 1996 Channel Lake Board Meeting.

CLP 8/14 (207) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, April 16, 1996.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday, April 16, 1996 (copy has signatures of Chairman and Secretary and is marked as document CL5/96). Attached are documents marked CL6/96 – CL9/96 as follows:

- i) CL6/96 Reference Schedule: CLP Memorandum, Portigal to Messer, re: Management Report.
- ii) CL6A/96 Reference Schedule: Monthly North American Natural Gas Price.
- iii) CL6B/96 Reference Schedule: Alberta Gas Price Forecast.
- iv) CL6C/96 Reference Schedule: SaskPower Estimated Natural Gas Usage, 1997 – 2007.
- v) CL6D/96 Reference Schedule: Channel Lake Petroleum Total Purchases and Sales as of July 1, 1996.
- vi) CL6E/96 Reference Schedule: CLP 1997 Operating Budget Management Discussion (including statistical tables).
- vii) CL7/96 Reference Schedule: CLP Memorandum, prepared by Portigal, re: Purchase of outstanding shares of Radisson Petroleum Ltd., including resolution to purchase Radisson Petroleum Shares and Draft Share Purchase Agreement.
- viii) CL8/96 Reference Schedule: CLP Memorandum, prepared by Portigal, re: Natural Gas Sale and Purchase Transactions for Five Years starting in 1996.
- ix) CL9/96 Reference Schedule: CLP Memorandum, prepared by Portigal, re: Sale of Natural Gas to TransCanada Gas Services Ltd. for five years Starting in 1996.

CLP 8/15 (206) - Channel Lake Petroleum Ltd.: Board of Directors Meeting– April 16, 1996:

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday April 16, 1996. (copy has signatures of Chairman and Secretary) Attached documents as follows:

- i) Notice of Meeting for April 16, 1996 Board of Directors' Meeting.
- ii) Agenda for April 16, 1996 Channel Lake Board Meeting.

CLP 8/16 (206) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, December 12, 1995.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday, December 12, 1995 (copy has signatures of Chairman and Secretary and is marked as document CL19/95). Attached are documents marked CL2/95 – CL4/95 as follows:

- i) CL1/96 Reference Schedule: Minutes, Board of Directors' Meeting, Thursday, March 28, 1996, held in John R. Messer's Office.
- ii) CL2/96 Reference Schedule: CLP Memorandum, Portigal to Messer, re: Management Report, dated April 10, 1996.
- iii) CL2A/96 Reference Schedule: CLP Monthly Price Comparison Chart (attached with following charts: SaskPower Natural Gas Storage Profile Chart, Jan '93 to Aug '95; SaskPower – Channel Lake Natural Gas Target Update).
- iv) CL3/96 Reference Schedule: CLP Memorandum, prepared by L. Portigal, re: recommendation that Channel Lake Petroleum and SaskPower be authorized to enter into a centralized banking agreement with Royal Bank, presented to Board on April 16, 1996.
- v) CL4/96 Reference Schedule: CLP Memorandum, prepared by L. Portigal, re: Channel Lake Petroleum Ltd. Financial Statement Discussion and Analysis, dated February 1996, and present to Board on April 16, 1996.

CLP 8/17 (205) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, March 28, 1996.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Thursday, March 28, 1996, held in the Office of John R. Messer (copy has signatures of Chairman and Secretary). Attached are the following documents:

- i) CL1A/ 96 Reference Schedule: CLP Memorandum, prepared by L. Portigal, re: recommendation that Channel Lake Petroleum Ltd. Audited financial statements for 1995 be approved, presented to Board on April 16, 1996.
- ii) Reference Schedule: Audit Statement of Ernst and Young and Channel Lake Petroleum Ltd. Financial Statements, December 31, 1995.

CLP 8/18 (204) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, December 12, 1995.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday, December 12, 1995 (copy has signatures of Chairman and Secretary). Attached are documents follows:

- i) Agenda for December 12, 1995 CLP Board of Directors' Meeting.
- ii) CL14/95 Reference Schedule: November 15, 1995, Board of Directors' meeting minutes (unsigned copy).
- iii) CL15/95 Reference Schedule: Resolution of the Directors of Channel Lake Petroleum Ltd., for the acquisition of substantially all of Gardiner Oil and Gas Limited's Drowning Ford Area, Alberta, assets (document unsigned), including related correspondence, maps, and Asset Purchase and Sale Agreement between Gardiner Oil and Gas Limited and Channel Lake Petroleum Ltd., dated December 5, 1995.
- iv) CL16/95 Reference Schedule: Recommendation of L. Portigal to CLP Board, presented at Board meeting of December 12, 1995, concerning Natural Gas Sale and Purchase Transactions for Five Years starting in 1996.
- v) CL17/95 Reference Schedule: Map of Channel Lake Major Properties, Medicine Hat Area.
- vi) CL18/95 Reference Schedule: Information item presented by L. Portigal to CLP Board at meeting of December 12, 1995, concerning Channel Lake Petroleum Limited Trading Policies (document marked Draft, For Discussion Purposes Only).

CLP 8/19 (203) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, November 15, 1995.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Wednesday, November 15, 1995 (copy has signatures of Chairman and Secretary). Attached are documents follows:

- i) Agenda for November 15, 1995 CLP Board of Directors' Meeting.
- ii) CL11/95 Reference Schedule: July 11, 1995, Board of Directors' meeting minutes (signed copy).
- iii) CL12/95 Reference Schedule: Management Report submitted by L. Portigal to J. Messer, dated October 30, 1995.
- iv) CL12A/95 Reference Schedule: Statistical Charts and Diagrams.
- v) CL13/95 Reference Schedule: Recommendation to CLP Board of L. Portigal that CLP purchase Drowning Ford Area, Alberta, Assets of Encal Energy Ltd.; and Resolution of the Directors of CLP Ltd., on same (unsigned copy); Correspondence (dated October 23, 1995) between Encal Energy Ltd., and Channel Lake Petroleum Ltd.; Petroleum Natural Gas and General Rights Conveyance Agreement between Encal Energy Ltd., and Channel Lake Petroleum Ltd. (dated November 6, 1995); Assignment of Interest in Agreement between Encal Energy Ltd., and Channel Lake Petroleum Ltd. (dated November 15, 1995); Assignment of Surface Agreements between Encal Energy Ltd., and Channel Lake Petroleum Ltd. (dated November 15, 1995); Notices of Assignment of Drowning Ford Area, Alberta (dated November 15, 1995); Transfer of Pipeline Licence between Encal Energy Ltd., and Channel Lake Petroleum Ltd. (dated November 15, 1995); Transfer of Well Licence between Encal Energy Ltd., and Channel Lake Petroleum Ltd. (dated November 15, 1995) and Agreement between Encal Energy Ltd., Channel Lake Petroleum Ltd. and TransCanada Gas Services Ltd. (dated November 15, 1995).

CLP 8/19 (202) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, July 11, 1995.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Tuesday, July 11, 1995 (copy has signatures of Chairman and Secretary). Attached are documents follows:

- i) Agenda for July 11, 1995 CLP Board of Directors' Meeting.
- ii) CL3/95 Reference Schedule: February 13, 1995, Board of Directors' meeting minutes (signed copy).
- iii) CL4/95 Reference Schedule: Management Report submitted by L. Portigal to J. Messer, dated July 6, 1995.
- iv) CL5/95 Reference Schedule: Financial Statements, Channel Lake Petroleum Ltd., December 31, 1994, Ernst and Young.
- v) CL6/95 Reference Schedule: Saskatchewan Power Corporation 1994 Management Letter, Ernst and Young.
- vi) CL7/95 Reference Schedule Recommendation presented by L. Portigal to CLP Board at meeting of July 11, 1995, concerning sale of minor property interests by Channel Lake Petroleum Limited to Dynalta Energy Corporation.

vii) CL9/95 Reference Schedule: Channel Lake Petroleum Ltd., Business Plan, May 1995.

CLP 8/21 (201) - Channel Lake Petroleum Ltd.: Board of Directors' Meeting, February 13, 1995.

Minutes: Channel Lake Petroleum Ltd. Board of Directors' Meeting, Monday, February 13, 1995 (copy has signatures of Chairman and Secretary). Attached are the following documents:

- i) CL1/95 Agenda for February 13, 1995 CLP Board of Directors' Meeting.
- ii) CL1/95, Section A Reference Schedule: Management Report submitted by L. Portigal to J. Messer, dated February 6, 1995.
- iii) CL1/95, Section B Reference Schedule: Channel Lake Petroleum Ltd., Business Plan, February 13, 1995 (marked Draft, For Discussion Purposes Only).
- iv) CL1/95, Section C Reference Schedule: Channel Lake Petroleum Ltd. Accounting Procedures for Cash and Intercompany Accounts.
- v) CL1/95, Section D Reference Schedule: Memorandum of Agreement made November 1, 1994, between Saskatchewan Power Corporation and Channel Lake Petroleum Ltd. for annual supply of natural gas.
- vi) CL1/95, Section E Reference Schedule: President, Channel Lake Petroleum Ltd. Outline of Function, Major Responsibilities, Job Qualifications and Supervisory Responsibilities.
- vii) CL1/95, Section F Reference Schedule: Resolutions of the Directors of Channel Lake Petroleum Ltd., dated effective September 1, 1993, signed by John R. Messer.
- viii) CL2/95 Reference Schedule: Financial Statements, Channel Lake Petroleum Ltd., December 31, 1994 (marked Draft, For Discussion Purposes Only).

10. The documents contained in Binder 9 are as follows:

CLP 9/1(301) - Saskatchewan Power Corporation: SaskPower document requesting proposals for the supply of gas, dated September 8, 1992

CLP 9/2 (303) - Saskatchewan Power Corporation: Correspondence from Lawrence S. Portigal, Fuel Supply Task Force to Wes Cana Energy Marketing Inc., attention: Niki Steele, dated September 11, 1992

CLP 9/3 (304) - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer to Crown Investments Corporation, attention: Donald Ching – Acting President, dated September 15, 1992

CLP 9/4 (305) - Saskatchewan Power Corporation: Topic Summary: Purchase of up to 100,000 10³m³ of Natural Gas, dated September 22, 1992

CLP 9/5 (306) - Saskatchewan Power Corporation: Analysis of Offers – Supply of Natural Gas and Additional Gas Requirements, Fuel Supply Task Force, dated September 15, 1992

CLP 9/6 (307) - Saskatchewan Power Corporation: Presentation to the SaskPower Board of Directors: How SaskPower Manages its Gas Supplies, dated October 8, 1992

CLP 9/7 (308) - Saskatchewan Power Corporation: Correspondence from Lawrence S. Portigal, Fuel Supply Task Force to John R. Messer, Office of the President, dated October 23, 1992, re: Long Term Gas Purchases

CLP 9/8 (309) - Saskatchewan Power Corporation: Correspondence from R.O. Mickleborough, Fuel Supply to T.E. Harras, Planning, Regina, dated November 6, 1992, re: Gas Supply

CLP 9/9 (310) - Saskatchewan Power Corporation: Correspondence from Lawrence S. Portigal, Fuel Supply Task Force to Glenn N. MacQueen, Dynex Petroleum Ltd., dated November 17, 1992

CLP 9/10 (311) - Saskatchewan Power Corporation: Correspondence from R.O. Mickleborough, Fuel Supply and L.S. Portigal, Fuel Supply Task Force to G.K. Rever, Operations, Regina, dated December 2, 1992 (re: proposed non-binding bid for natural gas from the Sandhills Project)

CLP 9/11 (312) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated December 8, 1992, re: Sandhills Property

CLP 9/12 (313) - Saskatchewan Power Corporation: Topic Summary: Sandhills Property Acquisition, dated December 10, 1992

CLP 9/13 (314) - Saskatchewan Power Corporation: Board minute re: Sandhills Property Acquisition, dated December 10, 1992

CLP 9/14 (315) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated December 13, 1992, re: Sandhills Property

CLP 9/15 (316) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated February 12, 1993, re: SaskPower / SaskEnergy Relationship – Fuel Supply Issues

CLP 9/16 (317) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated March 1, 1993, re: Dynex Petroleum Ltd.

CLP 9/17 (318) - Saskatchewan Power Corporation: Correspondence from R.O. Mickleborough, Fuel Supply to J.R. Messer, Office of the President, dated March 3, 1993, re: Gas Shortage in the U.S. in 1993

CLP 9/18 (319) - Saskatchewan Power Corporation: Correspondence from G.K. Rever, Vice-President, Production & Transmission to Dynex Petroleum Ltd., attention: Glenn N. MacQueen, President, dated March 8, 1993, re: Offer to Purchase all Assets of Dynex Petroleum Ltd.; and attachments

CLP 9/19 (320) - Saskatchewan Power Corporation: Topic Summary: Purchase of up to 265,000 10³m³ of Natural Gas, dated March 11, 1993; and attachments

CLP 9/20 (321) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal and R.O. Mickleborough, Fuel Supply Task Force to J.R. Messer, Office of the President, dated March 22, 1993, re: The Purchase by SaskPower of the Assets of Dynex Petroleum Ltd.

CLP 9/21 (322) - Coles Gilbert Associates Ltd.: Dynex Petroleum Ltd. – Reserve and Economic Evaluation Canadian Oil and Gas Interests Corporate Summary, effective April 1, 1993; and attached:

- a) Summary;
- b) Reserves Summary Proved Producing;
- c) Reserves Summary Total Proved;
- d) Reserves Summary Proved Producing Plus Probable Producing;
- e) Reserves Summary Total Proved Plus Probable;
- f) Evaluation Procedure;
- g) Table DYN-8: Average 1993 Company Oil Equivalent Value;
- h) Updated Natural Gas Price and Rate-of-Take Forecasts, effective March 15, 1993

CLP 9/22 (323) - Coles Gilbert Associates Ltd.: Coles Gilbert Reserve and Economic Evaluation Property Documents, dated April 1, 1993 (*see separate binder*)

CLP 9/23 (324) - Saskatchewan Power Corporation: Topic Summary: Purchase of the Assets of Dynex Petroleum Ltd., dated April 22, 1993

CLP 9/24 (325) - Saskatchewan Power Corporation: Board minute re: Purchase of the Assets of Dynex Petroleum Ltd., undated

CLP 9/25 (326) - Saskatchewan Power Corporation: Presentation to the SaskPower Board of Directors: Purchase of the Assets of Dynex Petroleum Ltd., dated April 22, 1993, including correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated April 28, 1993, re: Dynex Petroleum Ltd. – CIC Presentation

CLP 9/26 - Saskatchewan Power Corporation: Topic Summary: Purchase of the Assets of Dynex Petroleum Ltd., dated April 22, 1993; and attached documents

CLP 9/27 - North Canadian Marketing: Correspondence from James P. Baker, Manager, Gas Marketing, Saskatchewan to SaskPower, attention: Lawrence S. Portigal, Fuel Supply Task Force, dated March 29, 1993, re: Supply of Natural Gas; and attached:

1. “Stronger Yen Quick Fix for U.S.”, article from *The Globe and Mail*, April 19, 1993;
2. “Oil Patch Land now Seller’s Market”, article from *The Globe and Mail*, April 19, 1993;
3. “SaskPower Fuel Supply”, Fuel Supply Task Force, dated April 28, 1993

CLP 9/28 (327) - Crown Investments Corporation: Certified true copy of a Minute adopted by the Board of Directors on April 28, 1993, re: SaskPower – Dynex Purchase

CLP 9/29 (328) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to Hon. Doug Anguish, Minister in Charge of SaskPower, dated May 7, 1993, and attached:

Cabinet Decision Item: SaskPower Acquisition of Natural Gas Assets through SaskPower Subsidiary Channel Lake Petroleum Ltd., dated May 7, 1993, including detailed analysis

CLP 9/30 (329) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, President and Chief Executive Officer to Hon. Doug Anguish, Minister Responsible for Saskatchewan Power Corporation and Premier

Roy Romanow and all Cabinet Ministers, dated May 27, 1993, re: SaskPower Acquisition of Natural Gas Assets through SaskPower's Subsidiary Channel Lake Petroleum Ltd.

CLP 9/31 (330) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to H. Jim, Finance, dated June 1, 1993, re: Interim Funding of Channel Lake Petroleum Ltd. Management of Dynex Assets

CLP 9/32 (331) - Saskatchewan Power Corporation: Presentation to the SaskPower / SaskEnergy Joint Board of Directors' Meeting: SaskPower and Natural Gas Storage, dated August 25, 1993

CLP 9/33 (332 & 333) - Channel Lake Petroleum Ltd.: Channel Lake Petroleum Ltd. Acquisition of Dynex Petroleum Ltd. – Closing Books Volumes I and II (*see separate binders*)

CLP 9/34 (334) - Saskatchewan Power Corporation: Natural Gas Storage Optimization Analysis, for discussion July 15, 1993

CLP 9/35 (335) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to "those listed", dated October 6, 1993, re: Channel Lake Petroleum Ltd. ("Channel Lake") Signing Authorities

CLP 9/36 (336) - Saskatchewan Power Corporation: Correspondence from Randy R. Semenchuck, Law to Pat E. Hall, Finance, dated June 1, 1994, re: Channel Lake Petroleum Ltd. ("Channel Lake")

11. The documents contained in Binder 10 are as follows:

CLP 10/1 (M-501) - Channel Lake Petroleum Ltd.: Financial Statement for Channel Lake Petroleum Ltd., prepared by Ernst & Young, dated December 31, 1993; and attachments

CLP 10/2 (M-502) - Channel Lake Petroleum Ltd.: Financial Statement for Channel Lake Petroleum Ltd., prepared by Ernst & Young, dated December 31, 1994; and attachments

CLP 10/3 (M-503) - Channel Lake Petroleum Ltd.: Financial Statement for Channel Lake Petroleum Ltd., prepared by Ernst & Young, dated December 31, 1995; and attachments

CLP 10/4 (M-504) - Channel Lake Petroleum Ltd.: Financial Statement for Channel Lake Petroleum Ltd., prepared by Ernst & Young, dated December 31, 1996; and attachments

CLP 10/5 (505-508) - Saskatchewan Power Corporation: *Annual Reports for the years 1993-1996, see separate binder*

CLP 10/6 (M-509) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated May 9, 1994, re: Channel Lake Petroleum Ltd. – January & February Financial Package; and attachments

CLP 10/7 (M-510) Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated May 25, 1994, re: Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/8 (M-511) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated June 16, 1994, re: April Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/9 (M-512) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated July 21, 1994, re: May Financial Package - Channel Lake; and attachments

CLP 10/10 (M-513) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated August 23, 1994, re: June Financial Package; and attachments

CLP 10/11 (M-514) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated September 20, 1994, re: July Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/12 (M-515) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated October 24, 1994, re: August Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/13 (M-516) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to P.E. Hall, Finance, dated December 2, 1994, re: September Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/14 (M-517) - Channel Lake Petroleum Ltd.: Statement of Income & Statistics for the period ending October 31, 1994; and attachments

CLP 10/15 (M-519) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated March 29, 1994, re: February 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/16 (M-520) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated April 28, 1995, re: March 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/17 (M-521) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated May 23, 1995, re: April 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/18 (M-522) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated June 21, 1995, re: May 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/19 (M-523) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated July 20, 1995, re: June 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/20 (M-524) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated August 22, 1995, re: July 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/21 (M-525) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated September 22, 1995, re: August 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/22 (M-526) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated October 23, 1995, re: September 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/23 (M-527) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated December 12, 1995, re: October 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/24 (M-528) - Channel Lake Petroleum Ltd.: Correspondence from Philip J. Symchych, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated December 22, 1995, re: November 1995 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/25 (M-529) - Channel Lake Petroleum Ltd.: Statement of Income for the period ending December 31, 1995; and attachments

CLP 10/26 (531) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated March 20, 1996, re: February 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/27 (532) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated April 17, 1996, re: March 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/28 (533) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated May 21, 1996, re: April 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/29 (534) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated June 24, 1996, re: May 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/30 (535) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated July 24, 1996, re: June 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/31 (536) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated August 22, 1996, re: July 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/32 (537) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated September 18, 1996, re: August 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/33 (538) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated October 23, 1996, re: September 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/34 (539) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated November 21, 1996, re: October 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/35 (540) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated December 18, 1996, re: November 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/36 (541) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated January 15, 1996, re: December 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/37 (542) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated February 20, 1996, re: January 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/38 (543) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated March 19, 1996, re: February 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/39 (544) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated April 16, 1996, re: March 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/40 (545) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated May 21, 1996, re: April 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/41 (546) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to P.E. Hall, Finance, dated June 26, 1996, re: May 1996 Financial Package - Channel Lake Petroleum Ltd.; and attachments

CLP 10/42 (547) : Correspondence from Lawrence S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated November 3, 1993, re: Fuel Supply Task Force Activities

12. The documents contained in Binder 11 are as follows:

CLP 11/1 (505) - Saskatchewan Power Corporation: 1993 Annual Report

CLP 11/2 (506) - Saskatchewan Power Corporation: 1994 Annual Report

CLP 11/3 (507) - Saskatchewan Power Corporation: 1995 Annual Report

CLP 11/4 (508) - Saskatchewan Power Corporation: 1996 Annual Report

13. The documents contained in Binder 12 are as follows:

CLP 12/1 (548) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated January 5, 1994, re: Fuel Supply Task Force Activities

CLP 12/2 (549) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated January 11, 1994, re: Channel Lake Petroleum Ltd. – Current Issues

CLP 12/3 (550) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated February 4 1994, re: Fuel Supply Task Force – Natural Gas Matters

CLP 12/4 (551) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated March 3, 1994, re: February 1994 - Fuel Supply Task Force Activities

CLP 12/5 (552) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated June 6, 1994, re: Fuel Supply Task Force Activities

CLP 12/6 (553) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated August 8, 1994, re: Fuel Supply Task Force Activities

CLP 12/7 (554) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated September 27, 1994, re: Fuel Supply Task Force Activities

CLP 12/8 (555) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated November 7, 1994, re: Fuel Supply Task Force Activities

CLP 12/9 (556) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated December 6, 1994, re: Fuel Supply Task Force Activities

CLP 12/10 (557) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated January 4, 1995, re: Fuel Supply Task Force Activities

CLP 12/11 (558) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated February 6, 1995, re: Channel Lake Petroleum Ltd. Activities

CLP 12/12 (559) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated March 3, 1995, re: Fuel Supply Task Force Activities

CLP 12/13 (560) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated April 4, 1995, re: Fuel Supply Task Force Activities

CLP 12/14 (561) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated July 6, 1995, re: Channel Lake Petroleum Ltd. – Management Report

CLP 12/15 (562) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated October 30, 1995, re: Channel Lake Petroleum Ltd. – Management Report

CLP 12/16 (563) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated February 15, 1996, re: Channel Lake Petroleum Ltd. – Management Report

CLP 12/17 (564) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 10, 1996, re: Channel Lake Petroleum Ltd. – Management Report

CLP 12/18 (565) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated July 5, 1996, re: Channel Lake Petroleum Ltd. – Management Report

CLP 12/19 (566) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated October 29, 1996, re: Channel Lake Petroleum Ltd. – Management Report

CLP 12/20 (567) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to K.H. Christensen, Finance, dated September 22, 1993, re: Fuel Supply Task Force Activities; and attachments

CLP 12/21 (568) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated July 15, 1994, re: Channel Lake Petroleum Ltd. 10 Year Budget; and attachments

CLP 12/22 (569) - Channel Lake Petroleum Ltd.: Accounting Policies and Procedures – March 2, 1995 - Draft – for Discussion purposes only

CLP 12/23 (570) - Channel Lake Petroleum Ltd.: Business Plan – May 1995

CLP 12/24 (571) - Channel Lake Petroleum Ltd.: 1996 Operating Budget

CLP 12/25 (572) - Channel Lake Petroleum Ltd.: 1997 Operating Budget Management Discussion, dated July 15, 1996

CLP 12/26 (573) - Channel Lake Petroleum Ltd.: Correspondence from Channel Lake Petroleum Ltd. to Management Ventures Inc., attention: Glenn MacQueen, President, dated September 1, 1993, re: Interim Management of the Assets of Channel Lake Petroleum Ltd.

CLP 12/27 (574) - Saskatchewan Power Corporation: Correspondence from David Dombowsky to John R. Messer, President of SPC, dated March 14, 1994, re: Fuel Supply; and attached:

Organization for the Fuel Supply Function Within SPC

CLP 12/28 - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated March 21, 1994, re: Implementation of the “Dombowsky Report” on Fuel Supply

CLP 12/29 (575) - Executive Council: Order in Council 611/94, dated September 13, 1994, and attached Schedule: Promissory Note from Channel Lake Petroleum Ltd., dated September 1, 1993

CLP 12/30 (576) - Saskatchewan Power Corporation: Board of Directors meeting October 26, 1994 – excerpt from minutes, and attached:

Topic Summary: Natural Gas Supply Agreement for Supply of Natural Gas by Channel Lake Petroleum Ltd. to SaskPower, dated October 26, 1994 (Schedule B206/94)

CLP 12/31 (577) - Saskatchewan Power Corporation: Memorandum of Agreement between Saskatchewan Power Corporation and Channel Lake Petroleum Ltd., dated November 1, 1994

CLP 12/32 (578) - Executive Council: Order in Council 34/95, dated January 18, 1995

CLP 12/33 (579) - Saskatchewan Power Corporation: Saskatchewan Power Corporation Post Audit Memorandum, dated December 31, 1994

CLP 12/34 (580) - Ernst & Young.: Channel Lake Petroleum Ltd. - Report on Internal Controls, dated December 31, 1995

CLP 12/35 (581) - Ernst & Young.: Auditors’ Report on Channel Lake Petroleum Ltd., dated January 31, 1997

CLP 12/36 (582) - Provincial Auditor of Saskatchewan: Excerpt from 1997 Fall Report – Volume 2: Chapter 5 Saskatchewan Power Corporation

CLP 12/37 (583): Excerpt from Response to the Provincial Auditor’s 1997 Fall Report

CLP 12/38 (584) - Channel Lake Petroleum Ltd.: Processes and Procedures Manual, May 1995

CLP 12/39 (585) - Channel Lake Petroleum Ltd.: Draft - Processes and Procedures Manual, September 1996

CLP 12/40 (586) - Saskatchewan Power Corporation: Internal Audit: Channel Lake Petroleum Ltd. Buy / Sell Gas Transactions and Exposure Analysis, 1996 December

CLP 12/42 (587) - Province of Quebec – Superior Court in Bankruptcy (District of Montreal): Notice of First Meeting of Creditors in the matter of the Bankruptcy of Multi Energies Inc. and KPMG Inc., dated November 18, 1996

CLP 12/43 (588) - Northland Power: Correspondence from Guido C. Bachmann, Vice President, Fuel Operations to Channel Lake Petroleum Ltd., attention: Lawrence S. Portigal, dated November 27, 1996, re: Proposal to Multi-Energies Creditors: Northland Power Security; and attachments

CLP 12/44 (589) - NESI Energy Marketing Canada Ltd.: Correspondence from Bruce C. Chandler to “Our Valued Clients and Suppliers”, dated November 1, 1996

CLP 12/45 (590) - NIPSCO Industries, Inc.: Correspondence from Jeffrey W. Yundt, dated November 1, 1996

CLP 12/46 (591) - Daily Oil Bulletin: excerpt from November 1, 1996, page 4 only

CLP 12/47 (592) - NESI Energy Marketing Canada Ltd.: Notice from NESI Energy Marketing Canada Ltd., dated November 27, 1996

CLP 12/48 (593) - Calgary Herald: Article from November 29, 1996 edition entitled “Another marketer down – volatile natural gas prices deck Tarpon Gas Marketing”

CLP 12/49 (594) - Calgary Herald: Article from November 30, 1996 edition entitled “Gas Marketer seeks court protection”

CLP 12/50 (595) - Daily Oil Bulletin: excerpt from December 2, 1996, 2 pages

CLP 12/51 (596) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd to J.R. Messer, Chairman, Channel Lake Board of Directors, dated December 4, 1996, re: Summary of Events relating to Channel Lake's Buy / Sell Transactions with Multi Energies Inc. and NEM Canada

CLP 12/52 (597) - Daily Oil Bulletin: excerpt from December 5, 1996, 1 page only

CLP 12/53 (598) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd to J.R. Messer, Chairman, Channel Lake Board of Directors, dated December 11, 1996, re: NESI Energy Marketing Canada Ltd. (NEM Canada)

CLP 12/54 (599) - Channel Lake Petroleum Ltd.: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd to J.R. Messer, Chairman, Channel Lake Board of Directors, dated January 7, 1997, re: NESI Energy Marketing Canada Ltd. (NEM Canada)

CLP 12/55 (600): In the Matter of the Receivership of the Property of Cowest Energy Ltd. of the city of Chatham, in the province of Ontario, undated, re: list of unsecured creditors

CLP 12/56 (601) - Channel Lake Petroleum Ltd.: Agreement between Alberta Resources Inc. and Channel Lake Petroleum Ltd., dated April 23 (?), 1997

CLP 12/57 (602) - Saskatchewan Power Corporation: Correspondence from R.K. Hayko, Fuel Supply to K.H. Christensen, Finance, dated June 17, 1997, re: Channel Lake Petroleum Ltd. Trading Information; and attachments

CLP 12/58 (603) - Channel Lake Petroleum Ltd.: Facsimile from Lawrence S. Portigal to Jeff Gienow, SaskPower, dated October 1, 1997, re: Proposed Minutes of Settlement for BayGas Marketing Inc.; and attachments

CLP 12/59 (604) - Milner Fenerty: Correspondence from Lowell A. Westersund to SaskPower, Legal Department, attention: Larry D. Kram, dated December 15, 1997, re: NIPCO Industries Inc. et al

CLP 12/60 (700): *The Power Corporation Act*, S.S. 1998, c. P-19

CLP 12/61 (701): *The Crown Corporations Act*, 1993, S.S. 1998, c. C-50.101

14. The documents contained in Binder 13 are as follows:

CLP 13/1 (801) - Nesbitt Burns: M& A Update, Fall 1996; and

The Journal of Business Valuation 1991: Article entitled "Oil and Gas: Valuation Aspects of Natural Resources (Mineral Interests and Exploration / Production Companies), John E. Bakken

CLP 13/2 (802) - RBC Dominion Securities: Royalty Trust Review – Class Distinction, October 24, 1996

CLP 13/3 (803) - RBC Dominion Securities: Canadian Oil & Gas 100 – A Statistical Review of 100 Canadian Oil and Gas Companies 1996

CLP 13/4 (804) - RBC Dominion Securities: Inside Energy, December / January '97

CLP 13/5 (805): Handwritten notes attributed to K. Christensen, undated

CLP 13/6 (806) - Channel Lake Petroleum Ltd.: Board of Directors meeting December 16, 1996, minutes

CLP 13/7 (807) - Nesbitt Burns: Correspondence from Robert B. Wonnacott, Vice-President, Investment Banking and Donald B. Rawson, Associate, Investment Banking to Ken. H. Christensen, Vice President, Finance & Information Systems, SaskPower, dated December 16, 1996; and attachments

CLP 13/8 (808) - Scotia Capital Markets: Investing in Income Units, January 1997

CLP 13/9 (809) - Handwritten notes attributed to K. Christensen, dated January 28, 1997, re: Channel Lake Divestiture Issues

CLP 13/10 (810) - Handwritten notes attributed to K. Christensen, undated, re: Channel Lake Wind-up

CLP 13/11 (811) - Management Ventures Inc.: Correspondence from Glenn MacQueen, President to John R. Messer, President and Chief Executive Officer, SaskPower, dated January 8, 1997; and attachments

CLP 13/12 (812) - Saskatchewan Power Corporation: Board of Directors – meeting January 13, 1997, excerpts from minutes; and attached:

Topic Summary: Sale of Channel Lake, dated January 13, 1997 (Schedule B5/97)

CLP 13/13 (813) - Management Ventures Inc.: Correspondence from Glenn MacQueen, President to Ken Christensen, Vice President, Finance & Information Systems, SaskPower, dated January 24, 1997; and attachments

CLP 13/14 (814) - Management Ventures Inc.: Facsimile from Glenn MacQueen, President to Ken Christensen, Vice President, Finance & Information Systems, SaskPower, dated January 24, 1997 (14:16), re: Reserve Report; and attachments

CLP 13/15 (815) - Management Ventures Inc.: Facsimile from Glenn MacQueen, President to Ken Christensen, Vice President, Finance & Information Systems, SaskPower, dated January 24, 1997 (16:24), re: Reserve Report; and attachments

CLP 13/16 (816) - Handwritten notes attributed to K. Christensen, dated January 28, 1997, re: Channel Lake Sale – Increase / Cost Analysis in 1997

CLP 13/17 (817) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to Ken Christensen, dated January 29, 1997, re: Channel Lake Petroleum Ltd. – Sale of Assets

CLP 13/18 (818): Unattributed handwritten notes dated February 1, 1997, re: Channel Lake Divestiture Issues – Discussion with Glenn MacQueen

CLP 13/19 (819): Minutes from a meeting held at 09:00 February 4, 1997 at Management Ventures Inc. (MVI), Calgary; and attached unattributed handwritten notes

CLP 13/20 (820): Minutes from a meeting held at 01:00 February 4, 1997 at Nesbitt Burns, Calgary; and attached handwritten notes attributed to Ken Christensen

CLP 13/21 (821): Minutes from a meeting held at 14:30 February 4, 1997 at Ernst & Young, Calgary; and attached handwritten notes attributed to Ken Christensen

CLP 13/22 (822) - Ernst & Young: Correspondence from Ernst & Young Corporate Finance Inc. (per: A.D. Stewart, S.W. Price, J.F. Kozak) to Ken H. Christensen, Vice-President, SaskPower, dated February 12, 1997, re: Divestiture of Channel Lake Petroleum Ltd.; and attachments

CLP 13/23 (823) - OPTUS Natural Gas Distribution Income Fund: Prospectus for OPTUS Natural Gas Distribution Income Fund, dated February 14, 1997

CLP 13/24 (824) - OPTUS Natural Gas Distribution Income Fund: Annual Report to Unitholders 1996

15. The documents contained in Binder 14 are as follows:

CLP 14/1 (825) - Management Ventures Inc.: Facsimile from Glenn MacQueen, President to Ken Christensen, SaskPower, dated January 27, 1997 (16:51); and attachments

CLP 14/2 (826) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated February 26, 1997, re: Stamped Exploration Ltd. – Potential Sale of Channel Lake; and attachments

CLP 14/3 (827) - First Marathon Securities Ltd.: Correspondence from First Marathon Securities Ltd. (per: R. Owen Mitchell), Vice-President and Director to Saskatchewan Power Corporation, attention: J.R. Messer, President and CEO, dated February 28, 1997

CLP 14/4 (828) - Direct Energy Marketing Ltd.: Correspondence from Louis Dufresne, Senior Vice President to Saskatchewan Power Corporation, attention: J.R. Messer, President and CEO, dated February 28, 1997, re: Channel Lake Petroleum Ltd.

CLP 14/5 (829): Estimated Contract Cost to SaskPower – 3% Commission on all Sales to SPC

CLP 14/6 (831) - Gilbert Lausten Jung Associates: Correspondence from Gilbert Lausten Jung Associates (per: Doug R. Sutton, Vice President) to Glenn MacQueen, Management Ventures, dated January 24, 1997, re: Corporate Evaluation – Channel Lake Petroleum Ltd., Effective January 1, 1997; and attachments

CLP 14/7 (832) - Gilbert Lausten Jung Associates: Correspondence from Gilbert Lausten Jung Associates (per: Doug R. Sutton, Vice President) to Glenn MacQueen, Channel Lake Petroleum Ltd, dated March 5, 1997, re: Channel Lake Petroleum Ltd. – Reserve Appraisal and Economic Evaluation Excluding Thunder, Effective January 1, 1997; and attachments

CLP 14/8 (833) - Saskatchewan Power Corporation: Confidentiality Agreement between Saskatchewan Power Corporation and Direct Energy Marketing Limited, dated March 10, 1997

CLP 14/9 (835) - TOM Capital Associates Inc.: Correspondence from Martin G. Abbott to Channel Lake Petroleum Ltd., attention: Lawrence S. Portigal, dated March 12, 1997, re: Purchase of Shares

CLP 14/10 (836) - Channel Lake Petroleum Ltd: Draft - Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 11, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.

CLP 14/11 (837) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 12, 1997, re: President's Report – Sale of Channel Lake Petroleum Ltd.

CLP 14/12 (838) - Direct Energy Marketing Ltd.: Correspondence from Louis Dufresne, Senior Vice President to Saskatchewan Power Corporation, attention: John R. Messer, President and CEO, dated March 13, 1997, re: Non-Disclosure Agreement between Saskatchewan Power Corporation and Direct Energy Marketing Limited

CLP 14/13 (839) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 12, 1997, re: Sale of Channel Lake Petroleum Ltd.

CLP 14/14 (840) - Saskatchewan Power Corporation: Board of Directors – meeting March 13, 1997, excerpts from minutes, re: Sale of Channel Lake Assets; and attached:

Topic Summary: Sale of Channel Lake Petroleum Limited, dated January 13, 1997

CLP 14/15 (840) - Saskatchewan Power Corporation: Board of Directors – meeting March 13, 1997, excerpts from minutes, re: Sale of Channel Lake Petroleum Ltd.; and attached:

Topic Summary: Sale of Channel Lake Petroleum Limited, dated January 13, 1997 (Schedule B36/97)

CLP 14/16 (841) - Saskatchewan Power Corporation: Draft #2 - March 26, 1997: Share and Note Purchase Agreement between Saskatchewan Power Corporation and Direct Energy Marketing Limited, dated March --, 1997.

CLP 14/17 (842) - Channel Lake Petroleum Ltd: Draft - Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Office of the President, dated March 17, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.

CLP 14/18 (843) - Shiningbank Energy Ltd: correspondence between Shiningbank Energy Ltd. (per: David M. Fitzpatrick, President and CEO) to Channel Lake Petroleum Ltd., attention: Lawrence S. Portigal, dated March 19, 1997; and attachments

CLP 14/19 (844) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to K.H. Christensen, Finance & Information Systems and R.A. Patrick, Power Production, dated March 19, 1997, re: Direct Energy Marketing Limited

CLP 14/20 (845) - Saskatchewan Power Corporation: Draft #1 - March 18, 1997: Share Purchase Agreement between Saskatchewan Power Corporation and Direct Energy Marketing Limited, dated March --, 1997, with handwritten annotations

CLP 14/21 (846) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated March 21, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.

CLP 14/22 (847) - Saskatchewan Power Corporation: Correspondence from Larry Kram, SPC to Gary Douglas, SPC, dated March 23, 1997, re: SaskPower and DEML – Gas Management Agreement.

CLP 14/23 (848) - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Finance and Information Systems to Lawrie Portigal, Channel Lake, dated March 24, 1997, re: Purchase Price – Channel Lake

CLP 14/24 (849) - Saskatchewan Power Corporation: Correspondence from Rob Spelliscy, Accounting Policy and Development to Ken Christensen, Lawrie Portigal, John Scobie, dated March 24, 1997, re: Journal Entries

CLP 14/25 (850) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated March 21, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.

CLP 14/26 (851) - Saskatchewan Power Corporation: Topic Summary: Sale of Channel Lake Petroleum Ltd., dated March 26, 1997; and attached Agenda for Channel Lake Petroleum Ltd Board of Directors meeting March 26, 1997

CLP 14/27 (852) - Saskatchewan Power Corporation: Correspondence from Larry Kram, SPC to Lawrie Portigal and Gary Douglas, dated March 27, 1997, re: SPC & DEML

CLP 14/28 (853) - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Finance and Information Systems to Don Mintz, Chair, SaskPower Audit / Finance Committee, dated March 27, 1997, re: Channel Lake Sale; and attachments

CLP 14/29 (854) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to Milner Fenerty, attention: Michael A. Hurst, dated March 27, 1997, re: SaskPower and Direct Energy Marketing Limited – Sale of Channel Lake Shares and Related Matters

CLP 14/30 (855) - Saskatchewan Power Corporation: Correspondence from John R. Messer, Office of the President to Hon. E. Lautermilch, dated March 27, 1997, re: Channel Lake Petroleum Ltd. Tabling of Financial Statements

CLP 14/31 (856) - Saskatchewan Power Corporation: Correspondence from Ken Christensen, Vice President, Finance and Information Systems to Patti Beatch, Crown Investments Corporation, dated March 27, 1997, re: Proposed Sale of Channel Lake Confidentiality Agreement

CLP 14/32 (857) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to John R. Messer, President, dated March 27, 1997, re: SaskPower – Sale of Channel Lake Shares

CLP 14/33 (858) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 1, 1997, re: Sale of SaskPower's shares of Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.

CLP 14/34 (859) - Channel Lake Petroleum Ltd: Correspondence from L.S. Portigal, Channel Lake Petroleum Ltd. to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 2, 1997, re: Sale of SaskPower's shares of Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.

16. The documents contained in Binder 15 are as follows:

CLP 15/1 (860) - Burnet, Duckworth & Palmer: Telefacsimile: DRAFT #3Share and Note Purchase Agreement, dated March 31, 1997. Appears to have been computer checked against a previous draft and changes red-lined.

CLP 15/2 (861) - Crown Investments Corporation of Saskatchewan: Correspondence from Patti Beatch, Vice-President, Finance and Administration, Crown Investments Corporation of Saskatchewan, to Ken H. Christensen, Vice-President, Finance and Information Systems, Saskatchewan Power Corporation (cc: John Millar, John Amundson). Dated Apr 2, 1997 stating CIC support for not tabling Channel Lake financial statements. Annotation in different font from main document: "xc: Lawrie Portigal, Jack Messer, April 10, 1997 Ken Christensen". Handwritten annotation: "Nov. 10/97, copy to Larry Kram"

CLP 15/3 (862) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc: K.H. Christensen, R.A. Patrick, L.D. Kram, all Channel Lake Board of Directors), dated April 2, 1997, re: Sale of SaskPower's shares in Channel lake Petroleum Ltd. To Direct Energy Marketing Ltd.

CLP 15/4 (863) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc: K.H. Christensen, R.A. Patrick, L.D. Kram, all Channel Lake Board of Directors, and B.A. Stevenson, Manager, Communications and Public Affairs), dated April 4, 1997 re: Sale of SaskPower's shares in Channel Lake Petroleum to Direct Energy Marketing Ltd.

CLP 15/5 (864) - Saskatchewan Power Corporation: Memorandum from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to Lawrie S. Portigal, Channel Lake, dated April 7, 1997, re: Wind-up of Channel Lake.

CLP 15/6 (865) - Saskatchewan Power Corporation: Media release dated April 9, 1997, re: SaskPower to sell Channel Lake Petroleum Ltd. Contact: Lawrence Portigal, Channel Lake Petroleum Ltd., and attached:

1 page, "SaskPower Sale of Channel Lake Petroleum Ltd. Questions and Answers".

CLP 15/7 (866) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc.: K.H. Christensen, R.A. Patrick, L.D. Kram, Channel Lake Board of Directors), dated May 21, 1997 re: Sale of SaskPower's Shares of Channel Lake Petroleum Ltd. To Direct Energy Marketing Limited.

CLP 15/8 (867) - Saskatchewan Power Corporation?: Memorandum from Larry D. Kram, General Counsel, Saskatchewan Power Corporation, to Ken Christensen, Saskatchewan Power Corporation, dated May 27, re: SaskPower and Direct Energy Marketing Limited, Our File: 8929.

CLP 15/9 (868) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc: K.H. Christensen, R.A. Patrick, L.D. Kram, Channel Lake Board of Directors), dated May 29, 1997, re: Sale of SaskPower's shares of Channel Lake Petroleum Ltd., to Direct Energy Marketing Limited., and attached:

1. Channel Lake Petroleum Ltd. Purchase Price Adjustment, May 30, 1997
2. Channel Lake Petroleum Ltd. Final Adjustment December 1, 1997
3. 1997 Provisional Price adjustment to May 31
4. CLP Trading Losses from Jan 1/97 to May 31/97, CLP Trading losses from June 1/97 to Oct. 31/98, Price is from Gerald Energy May 29, 1997
5. Channel Lake Petroleum Ltd. Cash Flow Calculation January to May 1997

CLP 15/10 (869) - Burnet Duckworth & Palmer: Closing Book from Burnet Duckworth & Palmer (Larry Kram's Binder) June 1, 1997 (*See Separate Binder - Document 869*)

CLP 15/11 (870) - Milner Fenerty: Facsimile cover sheet from Michael Hurst, Milner Fenerty, to L. Kram, Saskatchewan Power Corporation, dated June 2, 1997, and attached:

Draft #3, Share and Note Purchase Agreement, dated March 31, 1997. Appears to have been computer checked against a previous draft and changes red-lined. Handwritten annotations.

CLP 15/12 (871) - Saskatchewan Power Corporation: Memorandum from Larry D. Kram, General Counsel, Saskatchewan Power Corporation, to Lawrie Portigal, Channel Lake (cc.: J.R. Messer, R.A. Patrick, K.H. Christensen, J. Kozole, Saskatchewan Power Corporation), dated June 3, 1997 re: SaskPower, Channel Lake and DEML – Share Sale Agreement. Request for written response to six questions regarding the agreement.

CLP 15/13 (872) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to L.D. Kram, Law Department, Saskatchewan Power Corporation (cc: J.R. Messer, K.H. Christensen, R.A. Patrick, J. Kozole, Saskatchewan Power Corporation), dated June 4, 1997 re: SaskPower, Channel Lake Petroleum Ltd., and Direct Energy Marketing Limited – Share and Note Purchase Agreement. Response to CLP/ 15/12., and attached:

1. Topic Summary: Sale of Channel Lake Petroleum Ltd., presented to: SaskPower Board of Directors' Meeting, March 17, 1997; prepared March 24 1997 by L.S. Portigal, Channel Lake Petroleum; submitted by K.H. Christensen, Vice-President, Finance, Saskatchewan Power Corporation
2. Topic Summary: Sale of Channel Lake Petroleum Ltd., presented to Channel Lake Petroleum Ltd. Board of Directors' Meeting, March 27, 1997; prepared March 24, 1997 by L.S. Portigal, Channel Lake Petroleum Ltd.; submitted by K.H. Christensen, Vice-President, Finance.
3. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to: J.R. Messer, Chairman, Channel Lake Board of Directors (cc.: K.H. Christensen, R.A. Patrick, L.D. Kram, Channel Lake Board of Directors), dated April 1, 1997 re: Sale of SaskPower's shares of Channel Lake Petroleum Ltd. To Direct Energy Marketing Ltd.
4. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc: K.H. Christensen, R.A. Patrick, L.D. Kram, Channel Lake Board of Directors), dated April 2, 1997, re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. To Direct Energy Marketing Ltd.
5. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd. To J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 3, 1997 re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. To Direct Energy Marketing Ltd.
6. Summary of Reserves and Revenues, Channel lake Petroleum Ltd., Corporate Consolidation, Gilbert Laustsen Jung (96-11 Base) Pricing and Cost Escalations, Effective Date: January 1, 1997

CLP 15/14 (873) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Office of the President (cc.: K.H. Christensen, Finance, R.A. Patrick, Power Production, L.D. Kram, Law Department), dated June 4, 1997 re: SaskPower, Channel Lake Petroleum Ltd. And DEML., and attached:

1. Correspondence from R. Owen Mitchell, Vice-President and Director, First Marathon Securities Limited to Saskatchewan Power Corporation, Attention J.R. Messer, President and C.E.O., dated February 28, 1997, re: proposal from Direct Energy Marketing Limited to acquire SaskPower's interest in Channel Lake Petroleum Ltd.
2. Correspondence from Louis Dufresne, Senior Vice-President, Direct Energy Marketing Limited, to Saskatchewan Power Corporation, attention: J.R. Messer, President and C.E.O., dated February 28, 1997 re: Channel Lake Petroleum Ltd. Offer to purchase.

3. Direct Energy Marketing Limited Gas Supply Management Proposal for SaskPower, Executive Summary, dated March 3, 1997.
4. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Office of the President, dated March 11, 1997 re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.
5. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd. To J.R. Messer, Office of the President, dated March 12, 1997, re: Sale of Channel Lake Petroleum Ltd. Handwritten annotation: "Hand delivered to Joanne Mar 12/97 DM"
6. Correspondence from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to Direct Energy Marketing Limited, attention: Louis Dufresne, Senior Vice-President, dated March 12, 1997 . re: offer to purchase. Handwritten annotation: "Copy to: Ken Christensen, Rick Patrick, Larry Kram"
7. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd. To J.R. Messer, Chairman, Channel Lake Board of Directors (cc.: K.H. Christensen, R.A. Patrick, L.D. Kram, Channel Lake Board of Directors), dated March 17. 1997 re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.
8. Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc: K.H. Christensen, R.A Patrick, L.D. Kram, Channel Lake Board of Directors), dated March 21, 1997, re: Offer to purchase SaskPower's shares of Channel Lake Petroleum Ltd.

CLP 15/15 (874) - Channel Lake Petroleum Ltd.: Closing Documents, dated June 4, 1997 (*See Separate Binder - Document: 874*)

CLP 15/16 (875) - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to Direct Energy Marketing Limited, attention Mr. Gary Drummond, dated June 6, 1997 re: Share and Note Purchase Agreement dated April 2, 1997 between Saskatchewan power Corporation and Direct Energy Marketing Limited, as amended.

CLP 15/17 (877) - Direct Energy Marketing Limited: Telecopier transmittal sheet from Louis Dufresne, Senior Vice President, Direct Energy Marketing Limited to John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, dated June 11, 1997 re: Response to Saskatchewan Power Corporation, and attached:

Correspondence from Louis R. Dufresne, Senior Vice President, Direct Energy Marketing Limited to Saskatchewan Power Corporation, attention John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, dated June 11, 1997, re: Share and Note Purchase Agreement dated April 2, 1997 between Saskatchewan Power Corporation ("SaskPower") and Direct Energy Marketing Limited ("DEML"), 3 pages.

CLP 15/18 (881) - Saskatchewan Power Corporation: Memorandum from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to: File, dated June 17, 1997 re: Sale of Channel Lake Petroleum Ltd. Shares. Note re discussion with Minister.

CLP 15/19 (882) - Saskatchewan Power Corporation: Memorandum from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to: File, dated June 18, 1997 re: Sale of Channel Lake Petroleum Ltd. Shares. Note re meeting with Ron Bruce.

CLP 15/20 (883) - Saskatchewan Power Corporation: Memorandum from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to: File, dated June 18, 1997 re: Sale of Channel Lake Petroleum Ltd. Shares. Note re meeting with Ken Christensen and Larry Kram.

CLP 15/21 (884) - Saskatchewan Power Corporation: Memorandum from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to: File, dated June 18, 1997 re: Sale of Channel Lake Petroleum Ltd. Shares. Note re meeting with Don Mintz, Chair of Audit and Finance Committee of the Board.

CLP 15/22 (885) - Saskatchewan Power Corporation: Memorandum from R.A. Bruce, Internal Audit, Saskatchewan Power Corporation, to J.R. Messer, President & Chief Executive Officer, Saskatchewan Power Corporation, dated June 18, 1997 re: Sale of Channel Lake Petroleum Ltd., File no. 97.30, and attached:

Audit Observations and Recommendations, Sale of Channel Lake Petroleum Ltd., Audit Period: 1997 February 28 to 1997 June 16, Audit Visit: 1997 June 13 to 1997 June 16, dated June 16, 1997

CLP 15/23 (886) - Saskatchewan Power Corporation Legal Department: Telefacsimile confirmation report and cover sheet from Larry D. Kram to Hugh McIntosh, Direct Energy Marketing Limited, dated June 20, 1997 and attached:

1. Correspondence (2 p.) from Larry D. Kram, General Counsel, Saskatchewan Power Corporation to Direct Energy Marketing Limited, attention Hugh McIntosh (cc: Ken Christensen, Saskatchewan

- Power Corporation, M. Hurst, Milner Fenerty), dated June 20, 1997 re: SaskPower and Direct Energy marketing Limited ("DEML") – Share and Note Purchase Agreement dated April 2, 1997.
2. Correspondence (1 p., apparently incomplete) from 2025 Victoria Avenue, Regina, to Direct Energy Marketing Limited, attention Louis Dufresne, dated June 20, 1997 re: Share and Note Purchase Agreement dated April 2, 1997 between Saskatchewan Power Corporation and Direct Energy Marketing Limited as amended
 3. Schedule "A", Assignment (2 p.)

CLP 15/24 (887) - Direct Energy Marketing Limited: Telefacsimile cover sheet from Hugh McIntosh, Direct Energy Marketing Limited, to Larry Kram, Saskatchewan Power Corporation, dated June 20, 1997 and attached: Signed letter of agreement dated June 20, 1997

CLP 15/25 (888) - Saskatchewan Power Corporation: 1997 Minutes, Saskatchewan Power Corporation Board of Directors Conference Call Meeting, Eighth Meeting, 9:00 a.m., Friday, June 20, 1997, Regina, Saskatchewan (1 p.) and attached:

Topic Summary: SaskPower and Direct Energy Marketing Limited Sale of Channel Lake Petroleum Ltd. Shares, presented to SaskPower Board of Directors, June 20, 1997 (2 p.) submitted by John R. Messer, President and Chief Executive Officer.

CLP 15/26 (889) - Saskatchewan Power Corporation: 1997 Minutes, Saskatchewan Power Corporation Board of Directors Conference Call Meeting, Eighth Meeting, 9:00 a.m., Friday, June 20, 1997, Regina, Saskatchewan (page 2) and attached:

1. Topic Summary: Change Order to P.O. No. S9612 33329 for Purchase of Natural Gas for 1997 by SaskPower from Channel Lake Petroleum Ltd., presented to SaskPower Board of Directors, June 20, 1997; prepared by G.J. Douglas, Fuel Supply, June 16, 1997; submitted by R.A. Patrick, Vice-President and General Manager, Power Production Business Unit.
2. Topic Summary: Purchase of Natural Gas for 1997 from Various Suppliers including Direct Energy Marketing Ltd., presented to SaskPower Board of Directors, June 20, 1997; prepared by G.J. Douglas, Fuel Supply, June 16, 1997; submitted by R.A. Patrick, Vice-President and General Manager, Power Production Business Unit.
3. Topic Summary: Purchase of Natural Gas for 1997 from Enron Oil Canada Limited, presented to SaskPower Board of Directors, June 20, 1997; prepared by G.J. Douglas, Fuel Supply, June 16, 1997; submitted by R.A. Patrick, Vice-President and General Manager, Power Production Business Unit.

CLP 15/27 (890) - Saskatchewan Power Corporation: Memorandum from Sheila Harlos, Executive Assistant, Office of the President, Saskatchewan Power Corporation, to: Scott Goddard, Crown Investments Corporation, dated June 23, 1997, re: SaskPower and Direct Energy Marketing Limited Sale of Channel Lake Petroleum Ltd. Shares and attached:

Topic Summary: SaskPower and Direct Energy Marketing Limited Sale of Channel Lake Petroleum Ltd. Shares, presented to: SaskPower Board of Directors, June 20, 1997, submitted by John R. Messer, President and Chief Executive Officer, June 20, 1997.

CLP 15/28 (891) - Saskatchewan Power Corporation: Memorandum from K.H. Christensen, Finance and Information Systems, Saskatchewan Power Corporation, to J.R. Messer, President's Office, dated June 23, 1997, re: Channel Lake Petroleum, Our File: CL1452.00 and attached:
Channel Lake Petroleum Limited Sale by SaskPower Non-DEML "Offers"/Valuation for Assets, 1 p., dated June 23, 1997.

CLP 15/29 (892) - Saskatchewan Power Corporation: Memorandum from Larry D. Kram, General Counsel, Saskatchewan Power Corporation, to: Carole Bryant, Ken Christensen, Gary Douglas, dated June 25, 1997, re: SaskPower and Direct Energy Marketing Limited – Sale of Channel Lake Shares – Gas Supply Management Agreement Our File: 8929

CLP 15/30 (893) - Direct Energy Marketing Limited: Telefacsimile cover sheet from Hugh McIntosh, Direct Energy Marketing Limited to Larry D. Kram, Saskatchewan Power Corporation (cc: Garry Drummond, TransPrairie), dated June 27, 1997 re: Share & Note Purchase Agreement, and attached:

Correspondence from Hugh N. McIntosh, Secretary, Direct Energy Marketing Limited, to Saskatchewan Power Corporation, attention: Larry D. Kram, General Counsel, dated June 27, 1997 re: SaskPower and Direct Energy Marketing Limited ("DEML") – Share and Note Purchase Agreement dated April 2, 1997.

CLP 15/31 (894) - Saskatchewan Power Corporation: Memorandum from John R. Messer, President and Chief Executive Officer, to Donald Mintz (Chair), Colleen Bailey, Daryl Kuchinka (cc.: CIC, Secretary to the Board), dated July 2, 1997, re: SaskPower – Sale of Shares of Channel Lake Petroleum Ltd. ("Channel Lake") to Direct Energy Marketing Limited ("DEML")

CLP 15/32 (895) - Saskatchewan Power Corporation:

1. E-mail from Rick Patrick, Saskatchewan Power Corporation, to John R. Messer, Saskatchewan Power Corporation, dated 7/3/97 1:48 p.m., re: DEML/Channel Lake, with handwritten annotations.
2. Memorandum between Rick Patrick, PPBU, and Gary Douglas, Fuel Supply, dated May 20, 1997 re: Natural Gas Organizational Structure.

CLP 15/33 (896) - Milner Fenerty, Barristers and Solicitors: Correspondence from Lowell A. Westersund, Milner Fenerty, to Saskatchewan Power Corporation, attention: Mr. Larry Kram, dated July 7, 1997 re: Channel Lake Petroleum. Cover letter for several documents not included in this binder. Handwritten annotation "See separate binder".

CLP 15/34 (897) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel, to Direct Energy Marketing Limited, attention Hugh McIntosh, dated July 18, 1997 re: SaskPower and Direct Energy Marketing Limited ("DEML") – Option Reassignment of Action, Our File: 9040

CLP 15/35 (898) - Channel Lake Petroleum Ltd.: Correspondence from High N. McIntosh, Secretary, Channel Lake Petroleum Ltd., to Saskatchewan Power Corporation, attention Larry D. Kram, General Counsel, dated July 22, 1997, re: SaskPower and Direct Energy Marketing Limited ("DEML") – Option Reassignment of Action, Your File: 9040 and attached:

Executed copy of Assignment in the form of Schedule "A" to the June 20, 1997 letter agreement.

CLP 15/36 (899) - Saskatchewan Power Corporation: Memorandum from Larry D. Kram, Rick Patrick, Ken Christensen, Saskatchewan Power Corporation, to: John R. Messer, President, Saskatchewan Power Corporation, dated September 9, 1997 re: SaskPower to Direct Energy Marketing Limited ("DEML") – Sale of Channel Lake Shares. Summary and update of outstanding issues pertaining to the sale.

CLP 15/37 (900) - Saskatchewan Power Corporation: Information item: Sale of Channel Lake Shares; presented to: SaskPower Board of Directors, November 6, 1997; prepared by Larry K. Kram, General Counsel, October 28, 1997; submitted by Carole Y. Bryant, Executive Vice-President, October 29, 1997.

CLP 15/38 (950) - Saskatchewan Power Corporation: Memorandum from Rob Spelliscy, Accounting Policy and Development, Saskatchewan Power Corporation, to: Ken Christensen, Lawrie Portigal, John Scobie, Saskatchewan Power Corporation (cc: Pat Hall), dated March 24, 1997 re: Journal Entries

CLP 15/39 (951) - Saskatchewan Power Corporation: Memorandum from Rob Spelliscy, Accounting Policy and Development, Saskatchewan Power Corporation, to: Ken Christensen, Pat Hall, John Kozole, Saskatchewan Power Corporation (cc.: Grant Ring), dated June 11, 1997 re: Journal Entries

CLP 15/40 (952) - Saskatchewan Power Corporation: Memorandum from Rob Spelliscy, Accounting Policy and Development, Saskatchewan Power Corporation, to: Pat Hall, Grant Ring, Tara Forsyth, Saskatchewan Power Corporation, dated July 7, 1997 re: Journal Entries.

CLP 15/41 (953) - Saskatchewan Power Corporation: Memorandum from Rob Spelliscy, Accounting Policy and Development, Saskatchewan Power Corporation, to: Pat Hall, Grant Ring, Tara Forsyth, Saskatchewan Power Corporation, dated August 27, 1997 re: Journal Entries and Gain on Disposal of Channel Lake, and attached:

1. Saskatchewan Power Corporation Posted Journal Inquiry dated 08/27/97, with handwritten annotations
2. Saskatchewan Power Corporation Dollar Journal Voucher, effective date 07/31/97, source P. Taylor, to record gain on elimination of intercompany transactions re: Channel Lake.
3. Saskatchewan Power Corporation Dollar Journal Voucher, effective date 07/31/97, source L. Ubell, Channel Lake clearing.
4. SaskPower 1996 Gas Purchases from Channel Lake (spreadsheet)
5. Saskatchewan Power Corporation Dollar Journal Voucher, effective 06.30/97, source L. Ubell, Provisional price adj. (2 pages)
6. SaskPower 1997 Provisional Price Adjustment to May 31st, 1 page with handwritten annotations
7. 1997 Provisional Price adjustment to May 31, 1 page with handwritten annotations.
8. Saskatchewan Power Corporation Posted Journal Inquiry dated 08/28/97
9. Memorandum from Ken Christensen, Vice-President, Finance and Information Systems, Saskatchewan Power Corporation, to Lawrie Portigal, Channel Lake (cc: L. Kram, J. Scobie, Saskatchewan Power Corporation), dated March 24, 1997 re: Purchase Price – Channel Lake.

CLP 15/42 (1001) - L.S. Portigal: Correspondence from L.S. Portigal to J.R. Messer, President and CEO, Saskatchewan Power Corporation, dated July 23, 1992 re: confirmation of agreement relating to services Mr. Portigal will provide to SaskPower and the basis on which such services will be provided. Signed by J.R. Messer indicating agreement.

CLP 15/43 (1002) - Saskatchewan Power Corporation: DRAFT memorandum from Rick Patrick, Vice President & General Manager, Power Production, Saskatchewan Power Corporation, to: Lawrie Portigal, dated October 29, 1996 re: Coal Supply Agreement.

CLP 15/44 (1003) - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to Lawrie Portigal, dated November 7, 1996 re: Your Consulting Contract with SaskPower

CLP 15/45 (1004) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd. To J.R. Messer, Office of the President, Saskatchewan Power Corporation, dated December 6, 1996 re: Your Memorandum of November 7, 1996, with handwritten annotations.

CLP 15/46 (1005) - Saskatchewan Power Corporation: Correspondence from John R. Messer, President and Chief Executive Officer, Saskatchewan Power Corporation, to Lawrence S. Portigal, dated June 4, 1997 re termination of services. Handwritten annotation.

17. The documents contained in Binder 16 are as follows:

CLP 16/1 (874) - Saskatchewan Power Corporation: Share and Note Purchase Agreement between Saskatchewan Power Corporation and Direct Energy Marketing Limited, dated April 2, 1997; and attachments

CLP 16/2 - Saskatchewan Power Corporation: Acknowledgment re: Share and Note Purchase Agreement dated April 2, 1997 (the "Purchase Agreement") between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser") with respect to the shares of Channel Lake Petroleum Ltd. (the "Corporation"), dated April 3, 1997

CLP 16/3 - Saskatchewan Power Corporation: Escrow Agreement among Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser") and Burnet, Duckworth & Palmer, Barristers and Solicitors (the "Escrow Agent"), dated April 3, 1997

CLP 16/4 - Direct Energy Marketing Limited: Photocopy of certified cheque from Direct Energy Marketing Limited, payable to Saskatchewan Power Corporation, in the amount of two million, five hundred thousand dollars (\$2,500,000.00), dated April 2, 1997

CLP 16/5 - Many Islands Pipe Lines Limited: Photocopies of share certificates:

1. Certificate numbered 22 representing three common shares in the capital of Many Islands Pipe Lines Limited, registered in the name of Saskatchewan Power Corporation, signed December 31, 1987.
2. Certificate numbered 19, representing ninety-six shares of the capital stock of Many Islands Pipe Lines Limited, registered in the name of Saskatchewan Power Corporation, signed June 24, 1987.

CLP 16/6 - Saskatchewan Power Corporation: Power of Attorney to Transfer Stock, dated June 1, 1997

CLP 16/7 - Channel Lake Petroleum Ltd.: Promissory note from Channel Lake Petroleum Ltd. to Saskatchewan Power Corporation in the sum of twenty-five million dollars, dated September 1, 1993

CLP 16/8 - Saskatchewan Power Corporation: Note Repayment Agreement between Saskatchewan Power Corporation ("SaskPower") and Channel Lake Petroleum Ltd. ("Channel Lake"), dated April 2, 1997

CLP 16/9 - Saskatchewan Power Corporation: Assignment of Note, dated June 1, 1997, in which Saskatchewan Power Corporation ("SaskPower") transfers to Direct Energy Marketing Limited all of SaskPower's interest in the promissory note of September 1, 1993 (CLP 16/7) and the note repayment agreement of April 2, 1997 (CLP 16/8)

CLP 16/10 - ??? : (According to index supplied by Saskatchewan Power Corporation, this document should be the "Gas Supply Management Agreement between the Vendor and the Purchaser")

CLP 16/11 - Marsh & McLennan Limited: Insurance Certificate issued by Marsh & McLennan Limited of Calgary, Alta., on April 3, 1997 to Direct Energy Marketing Ltd. Name of insured: Channel Lake Petroleum Ltd.

CLP 16/12 - Channel Lake Petroleum Ltd.: Channel Lake Petroleum Ltd. Board of Directors, certified true copy, dated April 1, 1997, of a Minute adopted on March 26, 1997 regarding termination of natural gas supply agreement with Saskatchewan Power Corporation

CLP 16/13 - Saskatchewan Power Corporation: Saskatchewan Power Corporation Board of Directors, certified true copy of a Minute adopted on March 27 regarding termination of natural gas supply agreement with Channel Lake Petroleum Ltd. and subsequent entry into a gas supply management with Direct Energy Marketing Services Limited

CLP 16/14 - Direct Energy Marketing Limited: Resolution of the Board of Directors of Direct Energy Marketing Limited ("Corporation") re: Purchase of Channel Lake Petroleum Ltd. Certified true copy, dated April 2, 1997, of resolution adopted on March 27, 1997

CLP 16/15 - Saskatchewan Power Corporation: Certificate re: Share and Note Purchase Agreement dated April 2, 1997 (the "Purchase Agreement") between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser")

CLP 16/16 - Direct Energy Marketing Limited: Certificate re: Share and Note Purchase Agreement dated April 2, 1997 (the "Purchase Agreement") between the Vendor and Direct Energy Marketing Limited (the "Purchaser"), dated June 1, 1997

CLP 16/17 - Saskatchewan Power Corporation: General Release from the Directors and Officers of Saskatchewan Power Corporation, dated June 1, 1997

CLP 16/18 - Channel Lake Petroleum Ltd.: General Release from Channel Lake Petroleum Limited, dated June 1, 1997

CLP 16/19 - Channel Lake Petroleum Ltd.: Resignations of the Directors and Officers of Channel Lake Petroleum Ltd.:

1. John R. Messer, dated June 1, 1997
2. Richard A Patrick, dated June 1, 1997
3. Kenneth H. Christensen, dated June 1, 1997
4. Larry D. Kram, dated June 1, 1997

CLP 16/20 - Alberta Energy and Utilities Board: Exemption Order (Order U97059, File 6640-134) from Alberta Energy and Utilities Board re: Direct Energy Marketing Limited and Channel Lake Petroleum Ltd., dated May 27, 1997

CLP 16/21 - Channel Lake Petroleum Ltd.: Financial Statements

1. December 31, 1996
2. March 31, 1997 (3-page facsimile of unaudited balance sheet, statement of earnings, and statement of changes in financial position. Fax dated 05/27/97)

CLP 16/22 - Saskatchewan Power Corporation: Verification Notice from Saskatchewan Power Corporation and Direct Energy Marketing Limited to Burnet, Duckworth & Palmer re: Escrow Agreement dated April 3, 1997 ("Escrow Agreement") among Saskatchewan Power Corporation (the "Vendor"), Direct Energy Marketing Limited (the "Purchaser"), and Burnet, Duckworth & Palmer (the "Escrow Agent"); and attachments:

1. Statement of Adjustments
2. Calculation of Interest Due on Purchase
3. National Bank of Canada Schedule of Rates

CLP 16/23 - Burnet, Duckworth & Palmer: Photocopy of cheque dated June 2, 1997 from Burnet, Duckworth & Palmer in the amount of fifteen million dollars, payable to Saskatchewan Power Corporation

CLP 16/24 - Direct Energy Marketing Limited: Resolution of the Shareholder of Channel Lake Petroleum Ltd. (the "Corporation") re: election of directors of the Corporation, dated June 1, 1997. Attached are statements of consent, all dated June 1, 1997, from:

1. Gary J. Drummond
2. Lawrence S. Portigal
3. Louis R. Dufresne

CLP 16/25 - Channel Lake Petroleum Ltd.: Resolution of the Directors of Channel Lake Petroleum Ltd. (the "Corporation") re: election of officers of the Corporation, dated June 1, 1997

CLP 16/26 - Channel Lake Petroleum Ltd.:

1. Photocopy of specimen share certificate
2. Photocopy of share certificate numbered 23, representing ninety-nine common shares of Channel Lake Petroleum Ltd. registered to Direct Energy Marketing Limited, dated June 1, 1997.

CLP 16/27 - Channel Lake Petroleum Ltd.: Notice of Change of Directors, dated June 1, 1997

18. The documents contained in Binder 17 are as follows:

CLP 17/1 (1100) - Channel Lake Petroleum Ltd.: Memorandum from L. S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors, dated April 3, 1997, re: Sale of SaskPower's shares in Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd., and attached:

Summary of Reserves and Revenues, Channel Lake Petroleum Ltd., Corporate Consolidation, Gilbert Laustsen Jung (96-11 Base) Pricing and Cost Escalations, Effective Date: January 1, 1997

CLP 17/2 (1101) - Saskatchewan Power Corporation: Memorandum from Ken Christensen, Finance and Information Systems, to J.R. Messer, President's Office, and R.A. Patrick, Vice President, Power Production, dated May 14, 1997, re: Channel Lake Petroleum Auditor's Report and attached:

1. DRAFT Auditor's Report, dated 05/09/97, by Ernst & Young, Chartered Accountants

CLP 17/3 (1102) - Saskatchewan Power Corporation: Legal Department – notes from L.D. Kram to (T/A) Mike Hurst, 2 pages of handwritten notes dated April 1, 1997

CLP 17/4 (1103) Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to K.H. Christensen, Vice President Finance and Information Systems and L.D. Kram, General Counsel, dated April 1, 1997 re: Sale of [sic] SaskPower's shares of Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd., requesting preparation of documents required for closing of sale

CLP 17/5 (1104) - Saskatchewan Power Corporation: Legal Department - Memorandum from Larry D. Kram, General Counsel, Saskatchewan Power Corporation to Ken Christensen, dated May 27, 1997, re: SaskPower and Direct Energy Marketing Limited

CLP 17/6 (1105) - Saskatchewan Power Corporation: Legal Department –notes from L.D. Kram to (P/A) K. Christensen, 1 page of handwritten notes dated May 23, 1997, 9:50 a.m., re: Channel Lake

CLP 17/7 (1106) - Saskatchewan Power Corporation: Legal Department – notes from L. D. Kram to L. Portigal, 1 page of handwritten notes dated April 9, 1997 (*according to descriptive list – date on document not legible*)

CLP 17/8 (1107) - Saskatchewan Power Corporation: Legal Department – notes from L.D. Kram to (T/A) K. Christensen, and J.R. Messer, 4 pages of handwritten notes dated June 2, 1997. Pages following the first page are numbered 2,3,5

CLP 17/9 (1108) - Saskatchewan Power Corporation: Handwritten note from L.D. Kram dated June 2, 1997, 2:00 p.m. to Mike Hurst

CLP 17/10 (1109) - Saskatchewan Power Corporation: Legal Department – notes from L.D. Kram to (T/A) Mike Hurst, 4 pages of handwritten notes dated June 2, 1997 re: \$5.2m trading losses

CLP 17/11 (1110) - Saskatchewan Power Corporation: DRAFT: SaskPower Sale of Channel Lake Petroleum Ltd. 1997 June, prepared by S.D. Manson, R.A. Stobbs, J.A. Zylak, signed by R.A. Bruce, Internal Auditor. 10 p. with handwritten annotations (*by L.D. Kram?*)

CLP 17/12 (1111) - Milner Fenerty, Barristers and Solicitors: Invoice # 1700325, page 2 only, for services provided by MAH and DAD between 4/01/97 and 4/14/97

CLP 17/13 (1112) - Saskatchewan Power Corporation: Escrow Agreement entered into on April 3, 1997 among Saskatchewan Power Corporation (the "Vendor"), Direct Energy Marketing Limited (the "Purchaser") and Burnet, Duckworth & Palmer (the "Escrow Agent")

CLP 17/14 (1113) - Milner Fenerty, Barristers and Solicitors: Facsimile cover sheet dated June 2, 1997, from Michael Hurst, Milner Fenerty, to L. Kram, Saskatchewan Power Corporation; and attached:

1. DRAFT #3, Share and Note Purchase Agreement, dated March 31, 1997, with handwritten annotations. Facsimile machine date stamping indicates document was previously transmitted to Milner Fenerty by Burnet, Duckworth & Palmer on March 31, 1997

CLP 17/15 (1114) - Saskatchewan Power Corporation: E-mail from Charles Warriner to Larry Kram dated 6/5/97 8:46 a.m., re: Lawrie Portigal termination

CLP 17/16 (1115) - Saskatchewan Power Corporation: Manuscript organization chart of Direct Energy Marketing Limited and Channel Lake Petroleum Ltd., dated June 4, 1997. Description provided by depositing agency attributes authorship to Warriner

CLP 17/17 (1116) - Saskatchewan Power Corporation: Memorandum from K.H. Christensen, Finance and Information Systems to J.R. Messer, President, dated March 25, 1997, re: Tabling of Channel Lake Statements, and attached:

1. DRAFT correspondence from K.H. Christensen, Vice-President, Finance and Information Systems, Saskatchewan Power Corporation to Patti Beatch, Crown Investments Corporation of Saskatchewan (cc: to Pat Hall, Jack Messer, Lawrie Portigal, Larry Kram), dated March 25, 1997, re: Proposed Sale of Channel Lake Confidentiality Agreement

CLP 17/18 (1117) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors) (cc: to K.H. Christensen, R.A. Patrick, L.D. Kram, all Channel Lake Board of Directors), dated April 1, 1997 re: Sale of SaskPower's shares of Channel Lake Petroleum Ltd. To Direct Energy Marketing Ltd. Document stamped "May We Discuss", handwritten annotations

CLP 17/19 (1118) - Saskatchewan Power Corporation: DRAFT #2 Share and Note Purchase Agreement between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser"), dated March 26, 1997, p. 1-8, with handwritten annotations

CLP 17/20 (1119) - Saskatchewan Power Corporation: Share and Note Purchase Agreement between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (The "Purchaser"), dated April 2, 1997, with handwritten annotations

CLP 17/21 (1120) - Saskatchewan Power Corporation Legal Department: Memorandum from L.D. Kram, General Counsel, Law Department, to J.R. Messer, President and Chief Executive Officer, dated April 3, 1997 re: Direct Energy Marketing Limited and Channel Lake Petroleum Ltd. – Sale Transaction Our File: 8929, requesting signature and return of Messer's resignation as chairman and director of Channel Lake and five copies of a general release. Handwritten annotation "Signed & returned April 4/97)

CLP 17/22 (1121) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors (cc: to K.H. Christensen, R.A. Patrick, L.D. Kram, all Channel Lake Board of Directors, and B.A. Stevenson, Manager, Communications and Public Affairs), dated April 4, 1997 re: Sale of SaskPower's shares in Channel Lake Petroleum to Direct Energy Marketing Ltd.

CLP 17/23 (1122) - Saskatchewan Legislative Assembly: Photocopy of page 743 of Saskatchewan Hansard for April 10, 1997, including in Statements by Members Mr. Thomson's remarks re: Sale of Channel Lake Petroleum Ltd.

CLP 17/24 (1123) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to G.J. Douglas, Fuel Supply, Shand Power Station, Estevan, dated May 7, 1997, re: Management of SaskPower Natural Gas Supply after the sale of the shares of Channel Lake Petroleum Ltd., with attached:

1. Photocopy of first page of the above document with attached handwritten note dated May 27 to "Joanne" requesting discussion re: L. Portigal and 1 month notice.
2. Handwritten notes, undated and appearing to be written by two different people: "Reminder, JRM to deal with Lawrie Portigal & Channel Lake re. 1 month notice", "Joanne may we discuss"

CLP 17/25 (1124) - Saskatchewan Power Corporation: E-mail from Sheila Harlos, SPC, to Lunette Nicholas, SPC (cc: Carole Bryant, John R. Messer, SPC), dated 5/14/97 8:55 a.m. re: Lawrie Portigal, with handwritten annotations

CLP 17/26 (1125) - Saskatchewan Power Corporation: Memorandum from Ken Christensen, Vice-President, Finance and Information Systems, to J.R. Messer, President's Office, and R.A. Patrick, Vice-President Power Production, dated May 14, 1997, re: Channel Lake Petroleum Auditor's Report, and attached:

1. Telefacsimile of DRAFT 05/09/97 Auditors' Report by Ernst & Young.

CLP 17/27 (1126) - Saskatchewan Power Corporation: E-mail from Rick Patrick, SPC, to John R. Messer, SPC, dated 5/20/97 12:49 p.m., re: Channel Lake staffing. Stamped "May We Discuss", with handwritten note

CLP 17/28 (1127) - Channel Lake Petroleum Ltd.: Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to J.R. Messer, Chairman, Channel Lake Board of Directors, (cc: K.H. Christensen, R.A. Patrick, L.D. Kram, all Channel Lake Board of Directors), dated May 29, 1997 re: Sale of SaskPower's shares of Channel Lake Petroleum Ltd. To Direct Energy Marketing Limited and attached:

1. Channel Lake Petroleum Ltd. Purchase Price Adjustment, May 30, 1997
2. Channel Lake Petroleum Ltd. Final Adjustment, December 1, 1997
3. 1997 Provisional Price adjustment to May 31
4. CLP Trading losses from Jan 1/97 to May 31/97, and CLP Trading losses from June 1/97 to Oct. 31/98, Price is from Gerald Energy May 29, 1997.

5. Channel Lake Petroleum Ltd. Cash Flows Calculation January to May 1997

CLP 17/29 (1128) - Saskatchewan Power Corporation: Memorandum from Gary Douglas, Fuel Supply, to Rick Patrick, PPBU, dated May 20, 1997, re: Natural Gas Organizational Structure

CLP 17/30 (1129) - Saskatchewan Power Corporation: Channel Lake Transaction Chronology of Events, including listing of draft agreements and memos sent, March 18, 1997-May 21, 1997, and table of changes to Channel Lake Sale total purchase price, trading loss adjustment and cash to be received from various draft agreements and agreement of April 2, 1997

CLP 17/31 (1130) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal, President, Channel Lake Petroleum Ltd., to Management Ventures, Inc., Attention: Glenn MacQueen, President, dated May 30, 1997 re: Termination of Management Agreement

CLP 17/32 (1131) - Saskatchewan Power Corporation: Correspondence from Larry Kram to John R. Messer, Carole Bryant, Ken Christensen, all SPC, dated 6/8/97 2:51 p.m., re: SaskPower, Channel Lake Sale-DEML. Refers to "standstill agreement"

CLP 17/33 (1132) - Saskatchewan Power Corporation: Handwritten notes, 1 page, undated. Description provided by depositing agency attributes authorship to John R. Messer

CLP 17/34 (1133) - Saskatchewan Power Corporation: Handwritten notes, 1 page (legal size) undated. Bottom of page stamped "May We Discuss". Description provided by depositing agency attributes authorship to John R. Messer

CLP 17/35 (1134) - Saskatchewan Power Corporation: Memorandum from Larry D. Kram, General Counsel, to John R. Messer, dated June 19, 1997, re: SaskPower and Direct Energy Marketing Limited – Sale of Shares Agreement – Background Our File: 8929. Stamped "May We Discuss", handwritten annotation

CLP 17/36 (1135) - Saskatchewan Power Corporation: E-mail from Joan Zylak, SPC, to Carole Bryant, John R. Messer, Ken Christensen, Rick Patrick, all SPC, dated 6/17/97 6:10 p.m., re: Audit of Sale of Channel Lake. (Although e-mail header identifies Zylak as author, message is signed "Ron")

CLP 17/37 (1136) - Saskatchewan Power Corporation?: MacPherson Leslie and Tyerman Findings - Channel Lake Petroleum Ltd. Sale, June 16, 1997. Six short quotations

CLP 17/38 (1137) - Saskatchewan Power Corporation: Correspondence from R.A Bruce, Internal Auditor, to President, SaskPower and Executive Vice President, Corporate and Business Services, dated June 16, 1997, re: Audit Observations and Recommendations, Sale of Channel Lake Petroleum Ltd., Audit Period: 1997 February 28 to 1997 June 16, Audit Visit: 1997 June 13 to 1997 June 16. Marked "DRAFT for Discussion Purposes Only" 3 pages with handwritten annotations

CLP 17/39 (1138) - Saskatchewan Power Corporation: SaskPower Sale of Channel Lake Petroleum Ltd., 1997 June, prepared by S.D. Manson, R.A. Stobbs, J.A. Zylak. 10 pages, stamped "May We Discuss", marked "DRAFT for Discussion Purposes Only" handwritten annotations

CLP 17/40 (1139) - Saskatchewan Power Corporation: E-mail from Rick Patrick, SPC, to Larry Kram, Ken Christensen, Joan Zylak, John R. Messer, all SPC, dated 6/16/97 9:05 a.m., re: Sale of Channel Lake., with reply from Joan Zylak dated 6/16/97 1:57 a.m.

CLP 17/41 (1140) - Saskatchewan Power Corporation:

1. Handwritten notes signed "L. Portigal", dated June 4, 1997, re: Items to Discuss
2. Manuscript organization chart of Direct Energy Marketing Limited and Channel Lake Petroleum Ltd., dated June 4, 1997, initialed C.J.W
3. Correspondence from Lawrence S. Portigal, President, Channel Lake Petroleum Ltd. To Management Ventures, Inc., Attention: Glenn MacQueen, President, dated May 30, 1997 re: Termination of Management Agreement

CLP 17/42 (1141) - Saskatchewan Power Corporation: Handwritten notes, 1 page dated March 23, 1997, "Lawrie P., Ken C., John S. LDK"

CLP 17/43 (1142) - Saskatchewan Power Corporation: Memorandum from Rob Spelliscy, Account Policy and Development to Ken Christensen (cc. To Murray Black, Lawrie Portigal), dated March 10, 1997 re: Channel Lake Sale.

CLP 17/44 (1143) - Saskatchewan Power Corporation: Handwritten note dated March 17, 1997 re: Channel Lake

CLP 17/45 (1144) - Burnet, Duckworth & Palmer: Correspondence from Burnet, Duckworth & Palmer (per: G. Dino DeLuca) to Channel Lake Petroleum Ltd., Attention: Mr. Lawrence Portigal, dated March 18, 1997 re: Direct Energy Marketing Limited, and attached:

1. DRAFT #1, Share Purchase Agreement between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser"), dated March 18, 1997, with handwritten annotations

CLP 17/46 (1145) - Saskatchewan Power Corporation?: Redlined draft showing the differences between original document F:\043483\0015\313A04.AGR and revised document F:\043483\0015\313A05.AGR, cover sheet and pages [1] and 9 of DRAFT#2, Share and Note Purchase Agreement between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser"), dated March 26, 1997. Handwritten annotations

CLP 17/47 (1146) - Saskatchewan Power Corporation: Share and Note Purchase Agreement between Saskatchewan Power Corporation (the "Vendor") and Direct Energy Marketing Limited (the "Purchaser"), dated April 2, 1997. Pages 1,19, 23 only; handwritten annotation

CLP 17/48 (1147) - Burnet, Duckworth & Palmer: Correspondence from Burnet, Duckworth & Palmer (per: G. Dino DeLuca), to Saskatchewan Power Corporation, Attention: Mr. Kenneth H. Christensen, Vice-President, Finance, dated April 3, 1997, re: Channel Lake Petroleum Ltd., and attached:

1. Photocopy of certified cheque dated April 2, 1997 from Direct Energy Marketing Limited in the amount of two million, five hundred thousand dollars, payable to Saskatchewan Power Corporation

CLP 17/49 (1148) - Saskatchewan Power Corporation: Memorandum from Ken Christensen, Vice President, Finance and Information Systems to Pat Hall, Controller, John Kozole, Assistant Treasurer, John Scobie, Manager, Financial Analysis, all of SPC, dated May 14, 1997, re: Channel Lake Petroleum Auditor's Report, and attached:

1. DRAFT Auditors' Report, dated 05/09/97, by Ernst & Young, Chartered Accountants, with handwritten annotations

CLP 17/50 (1149) - Saskatchewan Power Corporation: Memorandum from Larry D. Kram, General Counsel, to Ken Christensen dated May 28, 1997 re: Channel Lake Petroleum Ltd. – Amending Agreement to 1974 Agreement Our File: 7902 and attached:

1. **Channel Lake Petroleum Ltd.:** Memorandum from L.S. Portigal, Channel Lake Petroleum Ltd., to L.D. Kram, Law Department, Saskatchewan Power Corporation, dated May 22, 1997 re: Amending Agreement to May 1974 Agreement
2. **Ernst & Young Inc.:** Telefacsimile dated May 21, 1997 from G. Levy, Ernst & Young Inc., Receiver of Dynex Petroleum Ltd., to: B. Davids, [no affiliation stated]; W.S. Armstrong, Vimyview Ltd.; Field Atkinson Perraton, Attention : W.T. Corbett; Bank of Montreal Special Accounts Management Unit, Corporate and Institutional Financial Services, Attention C. Carmody;;Channel Lake Petroleum Ltd., Attention L. Portigal; Enchant Resources Ltd., Attention: H. Westmore, re: Dynex Petroleum Ltd., 2 pages and attached: Amending Agreement to May 1974 Agreement

CLP 17/51 (1150) - Saskatchewan Power Corporation: Draft Summary of SaskPower (Chronology of events, March-June 2 [1997])

CLP 17/52 (1151) - Saskatchewan Power Corporation: E-mail from John Scobie, SPC, to Ken Christensen, John Kozole, SPC, dated 6/9/97, 1:49 p.m. re: Direct Energy Marketing. (Indicates that directors of Direct Energy Marketing include Gary Drummond, William Woodward and Lloyd Barber.)

CLP 17/53 (1152) - Saskatchewan Power Corporation?: DEML/Channel Lake Proposed Agenda, June 13, 1997

CLP 17/54 (1153) - Saskatchewan Power Corporation: Memorandum from R.K. Hayko, Fuel Supply to K.H. Christensen, Finance, dated June 17, 1997, re: Channel lake Petroleum Ltd. Trading Information. Mentions several attachments not included with this copy of the memorandum

CLP 17/55 (1154) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to Direct Energy Marketing Limited, Attention: Louis Dufresne, (cc: Rick Patrick, Ken Christensen,SPC) dated June 17, 1997, Re: SaskPower and Direct Energy Management Limited – Share and Note Purchase Agreement and Acknowledgment re: Share Note Purchase Agreement. (*Note: Schedule "A" mentioned as being attached not included with this copy*)

CLP 17/56 (1155) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to: Direct Energy Marketing Limited, attention: Hugh N. McIntosh, (cc: Gary Douglas, Kory Kayko, Ken Christensen, all SPC), dated June 25, 1997, re: SaskPower and Direct Energy Marketing Limited (“DEML”) – Share and Note Purchase Agreement dated April 2, 1997; and attached:

1. **Direct Energy Marketing Limited:** Correspondence from Hugh N., McIntosh, General Counsel, Direct Energy Marketing Limited to Saskatchewan Power Corporation, attention: Larry D. Kram, General Counsel (cc: Louis Dufresne, Direct Energy Marketing Limited), dated June 24, 1997, re: SaskPower and Direct Energy Marketing Limited (“DEML”) – Share and Note Purchase Agreement dated April 2, 1997
2. **Direct Energy Marketing Limited:** Correspondence from Direct Energy Marketing Limited to Channel Lake Petroleum Ltd. (??), attention Mr. Lawrence Portigal, re: Schedule “A”, Sequence #001 to a Short Term Gas Sale/Purchase Agreement dated the 22nd day of November, 1996 between Direct Energy Marketing Limited and Channel Lake Petroleum Ltd.

CLP 17/57 (1156) - Channel Lake Petroleum Ltd.: Channel lake Petroleum Summary of Significant Closing Document Items, plus:

1. Contract Summary
 2. Verification Notice
 3. Statement of Adjustments
 4. Handwritten note (1 page) re: purchase price, adjustments.
 5. Channel Lake Petroleum [sic] Ltd. Calculation of Purchase Price
 6. CLP Trading Loses from Jan 1/97 to May 31/97 and CLP Trading Loses from Jun 1/97 to Oct. 31/98 (price is from Gerald Energy, May 28, 1997)
 7. CLP Trading Loses from Jan 1/97 to May 31/97 and CLP Trading Loses from Jun 1/97 to Oct. 31/98 (price is from Gerald Energy, May 29, 1997)
 8. DRAFT Channel Lake Petroleum Ltd. Balance Sheet, April 30, 1997 and December 31 1996, Unaudited.
 9. SaskPower Transaction Report – Business Chequing 02 Jan 1997 to 06 Jun 1997, page 8, dated 09 Jun 1997., with handwritten annotation.
19. The documents contained in Binder 18 are as follows:

CLP 18/1 (1301) - Channel Lake Petroleum Ltd.: Alberta Business Corporations Act – Certificate of Amendment for Channel Lake Petroleum Ltd., dated April 23, 1993; and attachments

CLP 18/2 (1302) - Lawrence S. Portigal: Curriculum vitae (undated)

CLP 18/3 (1303) - Correspondence from (unknown) to J.R. Messer, President and CEO, SaskPower Corporation, dated June 17, 1992, re: Fuel Supply Task Force

CLP 18/4 (1304) - Saskatchewan Energy Holdings Ltd.: Correspondence from Robert L. Haynes, General Counsel and Secretary to SaskPower, attention: Larry D. Kram, General Counsel, dated May 8, 1992, re: Proposed Purchase of Natural Gas

CLP 18/5 (1305) - Saskatchewan Power Corporation: Correspondence from G.K. Rever, Transmission & Distribution – SaskPower and G.D. Winslow, Corporate Development – SaskEnergy to J.R. Messer, President & CEO - SaskPower and C.W. Baker, President & CEO – SaskEnergy, dated May 19, 1992, re: Economies and Efficiencies

CLP 18/6 (1306) - Saskatchewan Power Corporation: Correspondence from H. Jim, Finance to J.R. Messer, President’s Office, dated May 29, 1992, re: SaskEnergy Natural Gas Storage Arrangements; and attachment

CLP 18/7 (1307) - Saskatchewan Power Corporation: Correspondence from John .R. Messer, President and Chief Executive Officer to “those listed”, dated July 24, 1992, re: Fuel Supply Task Force

CLP 18/8 (1308) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated August 12, 1992, re: Fuel Supply Task Force – Initial Report

CLP 18/9 (1309) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to L.S. Portigal, dated August 14, 1992, re: Fuel Supply Task Force

CLP 18/10 (1310) - Saskatchewan Power Corporation: Mandate of the Fuel Supply Task Force (undated)

CLP 18/11 (1311) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to Hon. Dwain Lingenfelter, dated September 14, 1992, re: SaskPower / SaskEnergy Gas

CLP 18/12 (1312) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to Crown Investments Corporation, attention: Donald Ching – Acting President, dated September 15, 1992

CLP 18/13 (1313) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Supply to J.R. Messer, Office of the President, dated December 16, 1992, re: Hedging and Futures – Natural Gas

CLP 18/14 (1314) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Supply to J.R. Messer, Office of the President, dated February 15, 1993, re: Some Thoughts on SaskEnergy Problems and Solutions

CLP 18/15 (1315) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to Jullian Olenick, Acting President, SaskEnergy, dated February 15, 1993

CLP 18/16 (1316) - Saskatchewan Energy Corporation: Correspondence from Jullian Olenick, Acting President to Jack Messer, President and CEO, SaskPower, dated March 8, 1993, re: Gas Supply for SaskPower; and attachment

CLP 18/17 (1317) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to Hon. Doug Anguish, dated March 15, 1993, re: SaskPower's Relationship with SaskEnergy; and attachment

CLP 18/18 (1318) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to Hon. Lorne Calvert, dated March 15, 1993, re: SaskPower's Relationship with SaskEnergy; and attachment

CLP 18/19 (1319) - Saskatchewan Power Corporation: Correspondence from Randy R. Semenchuck, Law to Larry D. Kram, Law, dated June 15, 1993, re: Channel Lake Petroleum Ltd.

CLP 18/20 (1320) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to L.S. Portigal and R.A. Patrick, dated September 30, 1993, re: Fuel Supply

CLP 18/21 (1301) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Supply to J.R. Messer, Office of the President, dated October 20 1993, re: Fuel Supply Organization

CLP 18/22 (1322) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel, Law Department to Lawrie Portigal, dated November 24, 1993, re: SaskPower – Authority to Sell Natural Gas

CLP 18/23 (1323) - Saskatchewan Power Corporation: Correspondence from Randy R. Semenchuck, Law to Larry D. Kram, Law, dated December 7, 1993, re: Channel Lake Petroleum Ltd.

CLP 18/24 (1324) - Saskatchewan Power Corporation: Correspondence from R.A. Patrick, Operations to L.S. Portigal, Fuel Supply Task Supply, dated January 11, 1994, re: Fuel Supply Task Force

CLP 18/25 (1325) - Saskatchewan Power Corporation: Correspondence from John R. Messer, Office of the President to Lawrie Portigal, Rick Patrick and Ken Christensen, dated January 21, 1994

CLP 18/26 (1326) - Saskatchewan Power Corporation: Correspondence from John R. Messer, Office of the President to "those listed", dated March 14, 1994, re: Final Report – Fuel Supply Task Force

CLP 18/27 (1327) - Saskatchewan Power Corporation: Correspondence from J.R. Messer, Office of the President to L.S. Portigal, Fuel Supply Task Force, dated March 21, 1994, re: Implementation of the "Dombowsky Report" on Fuel Supply

CLP 18/28 (1328) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal and R.O. Mickleborough, Fuel Supply Task Supply to J.R. Messer, Office of the President, dated March 26, 1993, re: Gas Supply Options

CLP 18/29 (1329) - Saskatchewan Power Corporation: Correspondence from R.A. Patrick, Operations to J.R. Messer, President and Chief Executive Officer, dated March 29, 1994, re: Channel Lake Petroleum Ltd.

CLP 18/30 (1330) - Saskatchewan Power Corporation: Position Description: President – Channel Lake Petroleum Ltd. (CLPL) (undated)

CLP 18/31 (1331) - Saskatchewan Power Corporation: Correspondence from Carole Y. Bryant, Executive Vice President, Corporate Affairs to John R. Messer, dated April 22, 1994, re: Channel Lake

CLP 18/32 (1332) - Saskatchewan Power Corporation: Correspondence on Office of the President letterhead to Susan Milburn, Chair, Finance Committee, dated May 3, 1994 (*Note: 1st page only*)

CLP 18/33 (1333) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to Carole Y. Bryant, Executive Vice President, dated July 19, 1994, re: Channel Lake Petroleum Corporate Reorganization; and attachments

CLP 18/34 (1334) - Saskatchewan Power Corporation: Correspondence from L.S. Portigal, Fuel Supply Task Force to J.R. Messer, Office of the President, dated September 13, 1994, re: Practical Hedging and Risk Management Strategies for Buyers and Sellers of Canadian Natural Gas; and attachment

CLP 18/35 (1335) - Saskatchewan Power Corporation: Correspondence from Carole Y. Bryant, Executive Vice President to Larry D. Kram, dated November 30, 1994, re: SaskPower – Shareholder of Channel Lake Petroleum Ltd. and SaskPower Commercial Inc.

CLP 18/36 (1336) - Saskatchewan Power Corporation: Correspondence from John R. Messer, Office of the President to L.S. Portigal, Channel Lake Petroleum Ltd., dated January 24, 1995, re: Channel Lake Petroleum Ltd.

CLP 18/37 (1337) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel to J. R. Messer, dated July 27, 1995, re: Channel Lake Petroleum Ltd. – Board Meeting of July 11, 1995

CLP 18/38 (1338) - Saskatchewan Power Corporation: Correspondence from Larry D. Kram, General Counsel, Law Department to J. R. Messer, President and Chief Executive Officer, dated October 2, 1995, re: Channel Lake Petroleum Ltd. – Lawrence S. Portigal; and attachment

CLP 18/39 (1339) - Channel Lake Petroleum Ltd.: Correspondence from Lawrence S. Portigal to J. R. Messer, Office of the President, dated November 29, 1995, re: Channel Lake Petroleum Ltd. – Board Meeting; and attachments

CLP 18/40 (1341) - Saskatchewan Power Corporation: Correspondence from ?? Warriner to J. R. Messer, (cc: Carole Bryant and Larry Kram), date unclear, re: Lawrence S. Portigal

CLP 18/42 (1342) - Excerpt from an unidentified document, dated February 23, 1994, re: Report on In-Camera Meeting

CLP 18/43 (1343) - Excerpt from an unidentified document, dated March 22, 1995, re: Audit and Finance Committee – Mandate; and CEO Increase

CLP 18/44 (1344) - Excerpt from an unidentified document, dated November 5, 1997, re: CEO Evaluation; and Adjournment

CLP 18/45 (1345) - Saskatchewan Power Corporation: Correspondence from John R. Messer, Office of the President to Hon. Dwain Lingenfelter, Chair, SaskPower Board of Directors, dated March 4, 1998, re: Letter of resignation

CLP 18/46 (1346) - Saskatchewan Power Corporation: Correspondence from Saskatchewan Power Corporation (per: J. Milton Fair, Vice Chairman) to J.R. Messer, dated March 9, 1998, re: Severance Agreement; and attachments