THE SASKATCHEWAN RATE REVIEW PANEL

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Transcript of Proceedings

of

A PUBLIC MEETING

held by the

Saskatchewan Rate Review Panel

at the Prince Albert Inn

at

Prince Albert, Saskatchewan

on Monday, November 25, 2013

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Panel Members:

Kathy Weber	- Chairperson
Bill Barzeele	- Vice Chairperson
Burl Adams	- Member
Shawn Hurd, CSR	- Official Queen's Bench Court Reporter

(COMMENCED AT 7:37 P.M.)

CHAIRPERSON: Well, good evening and thank you very much for joining us this evening. The purpose of tonight's meeting is to review the application and to hear presentations regarding SaskPower's three-year rate application, and we're really pleased that you took time out tonight to join us, bearing in mind I know that it's been an exciting time in Saskatchewan with the Riders' big victory, and also today is one month before Christmas, so it's a busy time for everybody.

Tonight we have two members of the panel besides myself to hear your presentations and your comments. Bill Barzeele from Little Bear Lake is vice chair, and Burl Adams at the door is from Kelvington, and my name is Kathy Weber, and I'm from Saskatoon.

The panel's mandate is to review the application before us and provide a report to the government that balances the interests of SaskPower, its customers and the public. During this review process, the panel hires expert technical consultants to provide

an overview of the application as well as an independent report to the panel. To preserve our impartiality during this process, we endeavour to hire industry experts from outside of Saskatchewan, and for the purpose of this review, our consultants are Forkast Consulting and Kostelnyk Consulting, both from Winnipeg.

I would also like to introduce Shawn Hurd seated right behind me. She is with Royal Reporting, and she will be taking a verbatim transcript of tonight's meeting, and so that will be made available on our web site.

I'd also like to speak briefly about the public consultation process that the panel goes through during its review. The -- the public consultation process is probably one of the most important aspects of our review. In addition to the five public meetings that we're holding during this review, we also hear directly from the public through e-mail, mail and phone, and earlier this year the panel also added Facebook and Twitter to methods that we use to communicate

with the public.

The reason we hold these meetings is so that we have the opportunity to hear from you, and I want you to know that anything -- any of your comments or your feedback this evening is going to be taken very seriously and will be shared with the other members of the panel. We try to keep the process as open as possible during the review period, and we do this mainly through our web site, and on our web site you can find a copy of the application plus we keep updating it with additional information that we obtain during the course of the review.

Now, just a bit about the process we'll be following this evening. We'll begin with a presentation from SaskPower where they'll explain their application. Then if anyone here would like to make a presentation, we'll invite you to do so, and then if there's anyone that just would like to ask some general questions, you're -- you're -- will be welcome to do so at that time.

If you are planning to make

a presentation or ask a question, we would just simply ask that you state your name and spell your last name for the purpose of ensuring that Shawn gets your spelling correct in our transcript.

One of the -- one of the things that the panel is very pleased about is the fact that SaskPower agrees to attend our public meetings and to make a presentation to the public, so I'm not going to introduce all of the gentlemen seated here. I'll leave that up to them to introduce themselves, but first I would like to call on Sandeep Kalra, chief financial officer with SaskPower, and he will begin the presentation of the application.

MR. KALRA: Thanks, Kathy. Thank you very much for joining us here tonight. I'll introduce my colleagues. To my immediate left is Troy King. He's the director of corporate planning, and to far right is Peter Lawn. He's manager of energy for costing and pricing.

So what I'll do is I'll kick off the presentation. I'll cover the first few slides, and then after that Troy will take

you through the rest of the presentation.

So what we have in front of you is a three-year rate application, and it's 5.5 percent next year, 2014, and 5 percent and 5 percent for 2015 and 2016. This rate increase takes into account the needs, you know, for the SaskPower to be financially sustainable, financially strong to be able to provide reliable electricity to the province but, at the same time, the impact on the customer, so this is not the only -- this is not a mechanistic rate application. The public impact has been considered, and these numbers show a balance between the need for us to get reasonable rate fees and, at the same time, you know, provide cost certainty to the customer and taking into account the impact on the customers.

The impact of this rate increase will be -- for average residential customer will be roughly $5 a month starting 2014, January 1, 2014, $4 a month the year -- the next year, 2015, and then an additional $4 from January 1st, 2016. For the average farm customers, the impact will be $7, $10 and $9

more per month for the years of 2014, '15 and '16 respectively.

Can we go to the next slide, please? We are asking for an interim rate increase which will be effective 1st of January 2014. The reason for that is we are bringing this application a little bit late in the year, and the rate panel generally takes, you know, five months to six months to go through the process of -- regarding the rate application, going through the public meetings like this, and their consultants need to do their, you know, work, so in the meantime, what we need is a rate increase which is effective 1st of January, and what it means is this will be an interim rate increase which will -- which will be implemented before the rate process -- the regulation process is complete.

After the completion of this process, if it's a decision of the Saskatchewan Rate Review Panel that the rate increase should be different, then an adjustment would be made for the balance of the years. We might be one-time refunded,

might be, you know, adjustment. We need to work through that mechanism.

This slide shows -- it's a busy slide, so I'll go and take us fully through it. It shows the impact of the rate increase of the customers. So let me -- for example, I'll touch on a few slide -- a few -- a few lines. The farmers, for example, the average rate increase would be 3.5 percent for an average farm in 2014, 4.5 percent in 2015 and 4 percent in 2016. For our customers or industrial customers, the rate increase is 7 percent, 5.8 percent and 5.8 percent, so they are different. They're not -- all of the rate -- all of the customers won't see the same rate increase of 5 1/2, 5, 5. They would see different rate increases because we balance the rates to ensure that each customer does fall within the industry standard of .95 and 1.04 -- 1.05 revenue required. What it simply means is there is no cross subsidization, so whatever the cost of providing service to a customer is, we try and recover that, so the ideal ratio would be one for all the customers. Industry acceptable

ratio is between .95 to 1.05. We try and keep it, you know, within a matter of -- matter of .98 to 1.08, so there's a minimum -- minimum subsidization, cross subsidization between these -- between various customer classes.

This slide shows rate comparison. Now, this is for residential customers nationally. If you look at the first three columns, those are three provinces which have legacy hydro, so that's B.C., Manitoba and Quebec, so they have legacy hydro. The price -- the price that the customer pays, the residential customer pays is relatively low. They also benefit from exports to the U.S., which in many cases subsidizes their domestic consumers. The rest of Canada does not have that luxury, so if you compare our rates with the rest of Canada, they fall somewhere in the middle, okay? So when you compare with the non-hydro utilities, our rates, you know, do fare -- do compare favourably with the rest.

This slide shows the thermal rate compare -- comparison. Now, for the -- for the purposes of this comparison, what we

have done is we have taken the three provinces that I had mentioned earlier, you know, so that's the Quebec, Manitoba and B.C., so the Hydro-Quebec set out the -- the hydro provinces are out. The rest of the provinces are in, and there are four columns which compare residential rates for the residential for the other provinces with similar energy mix as us, so you see that our rates compare favourably. It's 13.8 cents versus 14.1 cents per kilowatt hour, and the difference, you know, keeps increasing. Small commercial is 14 to 15.6. For large commercial it's 11.4 cents to 13.8, and for large industrial, it's 6.1 versus 10.3, so all across the board our rates are, on average, better than the other thermal utilities in Canada, and this is despite the fact that we have very challenging geography. We have more power poles than customers in -- in this province. We have on -- our transmission lines and distribution lines add up to roughly 160,000 kilometers.

If you look at this graph, what it's trying to show is what is the line per customer, so SaskPower is, you know,

300 -- 308 meters of line per -- per customer, so you have to invest in those lines. You have to maintain. All the crews have to go. They have to find faults wherever it is, and if the outage is there, they have to repair it, and then you compare it with some of the other ones which are more compact, and as a result, it's easy to -- the initial investment is lower, and it's easy to maintain that investment. So despite the fact that we have, you know, huge geography that's supported by SaskPower, on the back -- on the -- given that we have only half a million regular customers, our rates did compare favourably as compared to the other provinces.

With that, I'll pass it over to Troy to take you through in more details as to what the rate drivers are for -- for this rate increase.

MR. KING: Thanks, Sandeep. There's two main things that are driving our rate increase for the next three years. First and foremost is our capital investment. Our capital investment translates into our costs through depreciation, through finance charges,

through capital taxes. This year alone SaskPower is going to be investing two billion dollars in its infrastructure, so that's 1.35 that will be spent on our own and that's another 700 million that we've invested through independent power producers, so it's those costs, and they're usually a one-year delayed effect on that is what's driving it. For the next two years, for '14, '15, '16, we're looking to invest about a billion dollars a year in each year.

The second thing driving our -- our rate increase is fuel costs. Our fuel costs are continuing to rise largely due to the low growth and a need to supply that -- that new growth with natural gas. Our legacy generating systems, our generation fuel is coal and hydro, which is amongst our cheaper sources of fuel. As we grow, that new growth is supplied by natural gas, which has a higher marginal cost than -- than our traditional sources of energy.

So this slide here just breaks down the rate increase for the next three years into -- to what's driving it. The

green is showing the capital portion. The blue is showing the fuel and purchase power, and the light blue is showing the O, M and A cost, so you can see in 2014, of the 5.5 percent rate increase, about 4 percent of that or roughly 70 percent of the rate increase is driven by our capital spending, so that's that two billion dollars that we're spending this year we're having to pay for next year with -- with the rates.

On the fuel side, you can see the fuel cost is about -- worth about .9 of the 5.5 percent increase in '14, and then when you go to '15 and '16, it increases to 2.4 percent or roughly half for the next two years. Similarly, you see the drop in the capital from about 4 down to about 2 percent, and that's as we drop from 2 billion spending down to a billion, each year that piece drops, and as we grow in our energy consumption, we're using more and more natural gas, so that fuel piece picks up, and finally, our O, M cost, which is our -- our maintenance costs and our plants, operation of our facilities and our overhead costs, those are responsible

for about .6 or .7 percent for the next two years.

So what's driving this need for -- for this investment that we're having? Really what we're facing is record growth here in -- in Saskatchewan. Electricity use is expected to grow at 2.6 percent per year over the next 10 years, and that compares to about 1.4 percent what we experienced in the previous decade. In 2013/'14 alone, we're looking at 8 percent growth. So far this year to the end of October, we experienced 6 percent growth in the province of Saskatchewan.

In 2012 we added over 10,000 customers to the system, which is up 14 percent from 2011 and 144 percent from '08, and we're looking for similar numbers in 2013. In 2012 we spent 226 million dollars to connect customers to the system, and in January of 2013, we experienced a record high demand of 3,379 megawatts.

This graph here might be a little tough to see, but what it's showing you, the -- the red line is showing the

generation capacity of SaskPower. The blue line is showing the demand of -- the overall demand of the system. So you can see in 2014, '15, '16 we're staying above the demand by a bit. However, starting in at the end of 2017, you can see we're crossing the line where demand is going to be higher than our ability to generate. That is why we're needing to invest in our system today to -- to prevent that. Then you can see the red line. As the red line is dropping, that's our -- our capacity dropping over the next 20 years, and what that's showing is not that our -- our capacity is going to fall, but we're going to have to make decision points. Each one of those decision points represents our existing generation reaching the end of its life, so you either have to build something new or you have to go and refurbish what -- what exists, okay?

This slide here just talks about what we're doing in 20 -- the period of 2014 to '16 to address this -- this problem. So we're adding 205 megawatts of natural gas-fired generation at the Queen Elizabeth

Power Station effective 2015. We've entered into an agreement with Algonquin Power to provide 177 megawatts of wind power by 2016, and currently we're in negotiations with the Black Lake First Nation to provide 50 megawatts of power to northern Saskatchewan, and that's anticipated to come on line in 2018. However, we're still in negotiations, and nothing's been finalized.

As I mentioned, in addition to the -- adding the new gen., we're also seeing gen. falling -- generation falling off, so this year we saw the retirement of Boundary Dam Unit Number 1, and in 2015 we're going to see the retirement of Boundary Dam Unit Number 2. These were both commissioned in the 1950s, and they've come to the end of their useful life.

This slide here is giving a picture of our transmission system across the -- the province of Saskatchewan, and we have a number of dots on there marking new customer connects, some system development projects, and it's very hard to see, but we also have green and red and yellow lines

showing the health of our existing transmission lines, but what -- I think what we want to point out here, the red circle is what our transmission planning folks are calling our hot spots, so this represents areas of significant growth or deterioration in our transmission system that we set as a priority where we have to make our investments. So over the next five years, this is where the bulk of the investment in our transmission system is going to be going to, addressing these hot spots across the province.

So some of the things that we're investing in. We have the I1K transmission line, which is going from Island Falls north to improve the capacity and reliability of our northern transmission system. In the Saskatoon area, that's again one of those hot spots. We're investing to reinforce that to deal with the growth in the Saskatoon area, so there would be three transmission lines, two switching stations and one new substation.

Just to maintain the lines,

our existing lines, Sandeep mentioned the 110,000 power poles that we have. We have ongoing sustainment programs in place, so wood pole, transformer replacements, rural rebuilds, line upgrades and improvements, and we also have a wood-pole testing program to test and treat poles and trying to extend the useful life of those poles beyond their original estimated life.

In terms of customer service, we're also making investments there, and probably the most visible one we're going to see in the next couple years is our advancing metering infrastructure, so what SaskPower is going to be doing is replacing all the meters that you have at your homes, the analogue and digital meters with smart meters, which allows the corporation to read them -- the meters automatically. We won't need meter readers. It allows us to build a smart grid system which will allow better care and maintenance of our transmission system.

We streamlined some of our processes connecting customers to the system to improve the time that we have and servicing

our customers. There's been an automated work scheduling and dispatching program that's just been implemented. The intent of that program is to dispatch our field staff to different spots, schedule their work. The idea is to reduce -- or improve efficiency and reduce overtime, and, finally, we're working with subdivisions, with developers and with other utilities when they're developing new subdivisions to work together to improve efficiency and reduce costs.

So what is SaskPower doing itself to -- to reduce the impact of the rate increase on -- on its customers? Our -- our key program is our business renewal program, and that's been in place to look at efficiencies and have SaskPower operate more effectively and efficiently. To do this, the corporation brought in three different consultants. We brought in KPMG. We brought in Deloitte & Touche and UMS, and they basically looked at all parts of the organization and gave a number of recommendations on how SaskPower can operate more efficiently. We've taken those

recommendations and turned it into this program.

To the end of 2012, the corporation's realized 137 million dollars of savings. We're continuing, and that's -- it's not something that is done. It's -- it's an ongoing process, and we're looking to continually add new savings. Again, to stress this is meant to reduce rate increases, but it can't completely eliminate it, given the size of our -- our capital investments that we need.

So some of the things that we've done to the end of 2012, that customer connect process improvements that I mentioned before has resulted in about 36 million dollars in savings through more timely service to our customers. We've been able to reduce our finance charges through the use of short-term borrowing, so we were able to get a better interest rate on that, saving about 63 million dollars. We've had changes in our information technology initiatives, has resulted in 12 million dollars in savings, and we have an overhaul maintenance management

program. We're extending the amount -- the time in-between overhauls. We're not doing them as frequently. That has saved us 14 million dollars to date.

As I mentioned before, we also have some -- some new projects on the works, the work scheduling, a materials management process improvement and a redesign procurement process. We're continually adding new projects to the list to continue to drive down savings and reduce our costs.

So what can customers do to -- to reduce their bill? Now, we have some pamphlets at the back, and our -- our key program is our demand-side management program, and that's what the pamphlets describe, some of the things that our customers can do to -- to save money. So one of the things that we have is a refrigerator recycling program. You can save up to $100 a year by recycling your old refrigerator. We have lighting programs, rebates and incentives offered for energy-efficient light bulbs, which can save you up to $40 of the life of the bulb. The block-heater timing program, SaskPower is

giving away block heaters. If you use a block heater to plug in your car, you can save up to $25 a year by plugging in for only 4 hours a night as opposed to 12. For our industrial customers, we have an energy optimization program which is meant to identify efficiency improvements for them, and, finally, a commercial lighting incentive program for some of our commercial customers that allows them to buy premium lighting at standard lighting prices.

So the bottom line for SaskPower I think, as Sandeep mentioned, what we're trying to do is balance the need -- the financial need to the corporation and -- and the -- still be sensitive to our customers and what they can -- can absorb as a rate increase. Normally our return on equity or what we try and achieve in terms of our earnings is 8.5 percent. For the next three years we're looking at ROEs of 1.3 percent, 2 percent and 1.9 percent, so that would give us an income of about 27 million dollars in '14, 40 million in '15 and 40 million in 2016. Given the amount of variability that we can

have in our -- our forecast largely due to our fuel costs due to customer demand, we're very close to break even on these -- these three years here.

So again, we're trying to balance the needs between our -- our financial interests and that of our -- our customers, and probably the most important ratio that we look at over the time is our debt ratio. For those not familiar with the debt ratio, it's really how much of the company is mortgaged. The debt shows how much we owe to the bank relative to the value of the assets of our company, so our -- we can see that our debt ratio is forecast to increase from 74.6 in 2014 up to almost 77 percent in 2016. This is a key indicator for us because it's -- it can be reflective not only of SaskPower but on the province and are we able to sustain and operate independently as our own business. If our debt ratio continues to climb, we'll be seen to be really part of the government and not a stand-alone corporation, so then all of our debts become the debts of the province. By maintaining an effective debt ratio, we

keep our debt separate from the government and we don't become a drag on the province.

I think that's all we have for our presentation, and we'll just turn to questions.

MR. LEE: We have lots of questions, then.

CHAIRPERSON: Is there -- is there anybody that wants to make a presentation to the panel? No? Or is it just questions? Then just step up to the microphone and give us your name and spell your last name, please.

MR. LEE: My name is Brian -- is it on?

CHAIRPERSON: Yes, I think. Is it?

MR. BARZEELE: Yeah.

CHAIRPERSON: It sounds like it's on.

MR. LEE: There we go.

CHAIRPERSON: Okay.

MR. LEE: My name is Brian Lee, L-e-e. I'm pleased that you're here in Prince Albert to explain these -- these intended rate increases. I'm disappointed that we only have a few of us here tonight. I have lots of questions, so maybe I'll just ask one at a

time, and as soon as I'm done, if you'd like to jump in at any time, okay?

So, first of all, your -- on your graphs there, you're showing that you're meeting your demand through your generation at the present time. You're in the range of 4,000 megawatts, are you --

MR. KING: Yeah.

MR. LEE: -- 36? So my first question, then, is does SaskPower have a transmission intertie with other utilities --

MR. KING: Yes.

MR. LEE: -- like B.C. Hydro?

MR. KING: We have it with Alberta, with Manitoba and to the south into North Dakota.

MR. LEE: Okay. Alberta has a transmission intertie with British Columbia.

MR. KING: Yes.

MR. LEE: So there's -- on your graph, you're showing a cheaper rate for residential per-kilowatt-hour cost.

MR. KING: In B.C.? Yeah.

MR. LEE: And the explanation was because of their hydro capacity?

MR. KING: Yeah.

MR. LEE: Right. Does that filter in to the rate structure here in SaskPower, the intertie, doing that intertie? Does that -- and then if you're on an intertie system, if another utility is wheeling power through this province, do you charge for -- do you have a wheeling charge?

MR. KALRA: I can -- should I get up or --

MR. KING: Stand up.

MR. KALRA: Yeah, okay.

CHAIRPERSON: If you don't mind.

MR. KALRA: Yeah.

CHAIRPERSON: Yeah. Thanks.

MR. KALRA: I think I will be a while to answer the question.

MR. KING: Okay. Sure.

MR. KALRA: The -- the prices of electricity in the province are -- are driven by what the province can charge its own customers, so, you know, they go through their own rate applications, and, you know, the regulator would say this is what's allowed based on how much investment you have made,

how much returns do you need. If one jurisdiction or -- you know, think of these as private companies for one second. If one private company sells the power or a service to other -- other entity, they don't sell it at the price, you know, they can produce it at. They try and sell it at what the -- you know, what price they can get from this market, and our module cost is much higher than the cost of production in -- for example, in B.C. and Manitoba, so if we buy power from them, we are not paying the same prices as a local consumer would do. We pay close to how much it would cost us to generate that power, so even if the price is maybe lower, by the time we buy it and sell it, the prices are much higher. Okay? So we don't get the benefit of those low prices.

The second thing is there is a limit on the intertie capacity as to how much power can be imported and exported at a given point in time, and it's quite low. It's, you know, 150 megawatts, it's 75 megawatts, it's 300 megawatts, so when you look at our overall system, it's a very small

amount.

And third thing is many of these provinces are -- for a certain point in time, for a short period in time, they are power surplus and we can buy them. We import and export power, but it's very hard to get into long-term agreements with them because they don't have, you know, spare capacity. They don't have spare firm capacity, so many -- much of the building that has been done in these provinces has been done for local use. Site C is coming up in B.C. Some of the other big projects are coming up in -- in Manitoba, and historically they have sold the excess power to -- to the U.S. market because they have, you know, got good -- good prices in the U.S. market.

Now, we're looking at Manitoba to see if we can get some sort of long-term arrangement with them, but when we do it, we won't be paying Manitoba prices because Manitoba doesn't sell to us or to U.S. at Manitoba prices. They sell at the export prices, which are a little bit higher. When it's the wheeling thing, yes, electricity can

be wheeled through the province, and we have an open access tariff -- what is it called?

MR. KING: OATT.

MR. KALRA: And -- and basically it's a standard tariff. You know, our transmission system is open, and it can be used upon providing comparative tariff. You know, other companies can use it. I hope it answered your questions. Yeah.

CHAIRPERSON: Do you have other questions you'd like to --

MR. LEE: Other questions?

CHAIRPERSON: You can proceed.

MR. LEE: We have more questions, but --

MR. KALRA: Yeah. Sure.

CHAIRPERSON: You can proceed.

AUDIENCE MEMBER: I don't have any. I was just here to listen.

CHAIRPERSON: Why don't you proceed and then -- or do you want to switch?

MR. WALKER: That's fine.

CHAIRPERSON: That's fine. Okay.

MR. LEE: Thank you for that response.

MR. KALRA: Sure.

MR. LEE: Just real quick now. In your -- in your presentation again, you're showing that you're going to be -- with your smart meters you're going to be eliminating a lot of the labour force.

MR. KALRA: Yeah.

MR. LEE: So my question is overall on an annual basis --

MR. KALRA: Yeah.

MR. LEE: -- on -- on the big pie of your revenue and your expenses what is the percentage of costs of your labour?

MR. KALRA: It's roughly 14 percent of our revenues.

MR. LEE: 14?

MR. KALRA: Yeah.

MR. LEE: 14 or 40?

MR. KALRA: No, one four, 14 --

MR. LEE: 14.

MR. KALRA: -- percent is our wages and benefits of our total revenue.

MR. LEE: Okay, and now the city of Saskatoon and the city of Swift Current --

MR. KALRA: Yeah.

MR. LEE: -- buy from you; is that

correct?

MR. KALRA: That's correct.

MR. LEE: So this rate -- intended rate increase, is that going to affect those customers?

MR. KALRA: The end customer is -- what they do is their rates would go up, so they'll buy a little bit more expensive power from us, but the -- at the customer level, the rates are same in the province, so what they charge would be the same as what we're charging outside of those two cities.

MR. KING: So yes.

MR. LEE: So the answer is, yes, it will affect them.

MR. KALRA: Yeah.

MR. LEE: Okay. Now, you also -- in your presentation you brought forward that there's cogeneration with Black Lake, which is a First Nations entity, right? Is it -- what did you say, 50 megawatts?

MR. KING: About that.

MR. KALRA: It's up to 50 megawatts, yeah.

MR. LEE: Okay. My question -- I'm

a -- I'm a Metis.

MR. KALRA: Okay.

MR. LEE: And we are -- by constitutional right, we have the same recognition, if you will, nationally --

MR. KALRA: Okay.

MR. LEE: -- federally. However, we don't have the same types of land base --

MR. KALRA: Okay.

MR. LEE: -- as First Nations. So my question is we're interested to invite corporations to come to Saskatchewan to get into -- in the -- that are solely in the business of renewable energy. Now, does the Saskatchewan legislation, Saskatchewan powers act, would that prevent the Metis from doing that similar to it prevents -- doesn't it not prevent other private industry from producing power using whatever method, selling that power then to SaskPower? First Nations are exempt I understand, right?

MR. KALRA: There's no exemption for anyone and there's no restriction on anyone, so I don't think I completely understand the question.

MR. LEE: Okay.

MR. KALRA: What we do is we have arrangements with private parties, and they could be First Nations, they could be Metis, they could be, you know, other private parties, and we get into those, you know, arrangements on a bilateral basis. Some of these are comparatively solicited, so, for example, you know, Troy talked about the big power project in North Battleford. It was compare -- comparatively sourced. You know, a company from Ontario won that project, and, you know, they -- they're doing that project over here.

The project that we're working on on the Black Lake First Nations, it's site specific, so you cannot have, you know, comparative solicitation for that because it's -- it's -- it is only possible to do it in a specific location, and it happens to be on their land, so we're doing it with them, in partnership with Black Lake First Nations. So different types of sourcing would mean that we would have different partners.

Our preference is to do

comparative sourcing wherever it's possible. Wherever it's not possible, wherever it's site specific -- so that the -- the case in point is the Tazi Twe Power Plant, and there will be -- for example, in a potash mine there may be a cogeneration opportunity which we can do with, you know, the -- that site, so we would do a bilateral arrangement with them. So going back to your question, there is no restriction on -- with whom we partner. We can partner with anyone as long as there's a viable project and as long as it's a comparative project, price comparative project.

MR. LEE: So that is -- there's no restrictions if it's a corporation that's mining or whatever --

MR. KALRA: Yeah.

MR. LEE: -- forestry, cogeneration --

MR. KALRA: Yeah.

MR. LEE: -- there's no -- no restrictions.

MR. KALRA: There's no restriction. It has to be price comparative, and we need to -- we -- we need -- the premise is that we need

power at that point in time, right, so if we need power, if we're going out looking for power, someone is able to provide it through comparative sourcing or through bilateral negotiation at a comparative price, we'll look at it.

MR. LEE: You talked about the First Nations, they have a land base, so anything that they decide to produce --

MR. KALRA: Yeah.

MR. LEE: -- or any kind of an arrangement would be something on their land base; is that right?

MR. KALRA: It was on their -- this project, Tazi Twe project is on their land, yeah.

MR. LEE: Okay. For Metis now, we'd be interested in looking at Metis traditional territories --

MR. KALRA: Yeah.

MR. LEE: -- which in this case would be Crown-resourced land.

MR. KALRA: Yeah.

MR. LEE: So any problems there with legislation?

MR. KALRA: I cannot answer it --
MR. LEE: Okay.
MR. KALRA: -- at this stage. I need to get a -- yeah. Well, maybe we can look into it --
MR. LEE: Yeah, because --
MR. KALRA: Yeah.
MR. LEE: -- this is something that we're very interested in -- in pursuing --
MR. KALRA: Yeah, but once again, it's --
MR. LEE: -- as Metis in Saskatchewan.
CHAIRPERSON: It's probably beyond --
MR. KALRA: We ask for --
CHAIRPERSON: -- your scope. It's probably beyond the scope of SaskPower to make that determination.
MR. KALRA: Yeah. The way we do it, you know, we source power. Most of the power is sourced comparatively, so --
CHAIRPERSON: Right.
MR. KALRA: -- for example, the -- the wind farm which Troy talked about, 177 megawatts of wind power, that's a very good example. We said we're looking for wind

power, we need roughly 250 megawatts wind power. Who can provide it us -- provide it to us most comparatively? And there were lots of bids, and we chose, you know, the best possible partner for us, so in those cases, it doesn't really matter who -- who is providing it as long as it kind of works for us and it works for -- you know, by default works for the people of the province, so we do it all the time. We have comparative, you know, solicitation for power all the time. You know, we go out and ask for it, so we don't restrict anyone anywhere from offering us that, you know, power.

MR. LEE: Okay. One of the things that's in the news a lot lately --

MR. KALRA: Yeah.

MR. LEE: -- is climate change.

MR. KALRA: Yeah.

MR. LEE: And I think we're all aware of what's -- you know, we've all heard of it.

MR. KALRA: Yeah.

MR. LEE: So what we've been looking at is evidence, scientific evidence that shows that we need to reduce the production of

fossil fuels by 90 percent --

MR. KALRA: Yeah.

MR. LEE: -- in the next 20 years.

MR. KALRA: Yeah.

MR. LEE: This is really astounding when you think of it. SaskPower going forward on that graph, you're going to need capacity. In your plans do you have plans for small nuclear reactors?

MR. KALRA: Oh, can you go to slide 12?

MR. KING: This one?

MR. KALRA: 12.

MR. LEE: Now, the reason I ask that question --

MR. KALRA: Thanks.

MR. LEE: The reason I ask that question --

MR. KALRA: Yeah.

MR. LEE: -- is a few years ago the government commissioned a study called the UDP, Uranium Development Partnership, chaired by Dan Perrins.

MR. KALRA: Yeah.

MR. LEE: 86 to 88 percent of the people that participated in that study were

opposed to Bruce Power's proposal --

MR. KALRA: Yeah.

MR. LEE: -- to build a 3,000 or 3,200-megawatt reactor on the Saskatchewan River. SaskPower, to my memory, wasn't so opposed to that idea. So my question is --

MR. KALRA: Yeah.

MR. LEE: -- does SaskPower intend sometime in the next 20 years, 25 years or sooner on developing renewal -- or developing nuclear power --

MR. KALRA: Okay.

MR. LEE: -- small nuclear reactors or whatever?

MR. KALRA: Yeah. Let me start by this one in terms of current direction, where we're going. If you look at what we're looking in the next few years, what you will see is we are phasing out --

MR. LEE: Yes.

MR. KALRA: -- coal, and what we're doing is basically wind, hydro, natural gas, so what we're doing is our mix is changing, so it's become more and more and more. So directionally we're going in that direction.

You know, base and speed and velocity remains to be seen, but directionally we are moving in that direction. So coal would -- is not impeding. If any coal we would put in would be clean coal from now on, which captures, you know, 90 percent of CO2, and we'll re -- we will be replacing -- the initial capacity would come from -- maybe from natural gas in the next 20 or 15 years, 20 years, and some hydro, some wind.

Going back to the question on the nuclear, we are examining all the options, and all the -- at this stage no one has done small nuclear reactors. There is no single -- you know, no small nuclear reactor which is in operation right now. There's a company called TVA, Tennessee Valley Authority, in the U.S. which is looking at small nuclear reactors. They may be in place by 2021, '22, '23, okay? So we will see, you know, how they work, how much they cost, what the -- what the experience is and then make a decision after that, you know, in -- with a lot of public consultation, whether people are prepared for small nuclear reactor in this

province or not, so that's one thing we are following with keen interest as to how that technology develops. At this stage there is no commitment that has been made by SaskPower to nuclear because we don't have technology. The big nuclear doesn't work for SaskPower because the -- for Sask -- Saskatchewan because the science tends to be too large given our -- given our province, so we are looking at technology development in the small nuclear reactor field, but it's too soon to say what will -- what'll happen. We'll wait and see what the experience of some of the other, you know, bigger utilities is before we decide anything and what, you know, the people of the province want before we decide on anything.

MR. LEE: What is your record, SaskPower's record in -- do you consult and accommodate aboriginal communities whenever you have an intended development for power generation or you're building a new transmission line somewhere? Have you been involved with any --

MR. KALRA: With all of them, yeah, so

wherever it's --

MR. LEE: Well --

MR. KALRA: -- needed. Whether it's a transmission line or whether it's a new project, wherever that was required, we have people who are fully dedicated to that function.

MR. LEE: What -- what we're finding in the aboriginal community is such that you as a proponent, let's say --

MR. KALRA: Yeah.

MR. LEE: -- you -- you say that you consulted the aboriginal community --

MR. KALRA: Yeah.

MR. LEE: -- and it might be a forum such as this where there will only be two people show up.

MR. KALRA: Sure.

MR. LEE: So we do not have a real representation of the aboriginal community.

MR. KALRA: Okay.

MR. LEE: The -- the CPF of the provincial government clearly says that you have to consult with the chief of the individual First Nation and the president of

the Metis local whenever there's -- you have a proposal, which would include any development, right, anything that might have an adverse impact on the land.

MR. KALRA: Mm'hmm. We do. We have -- we understand our duty to consult on any -- on any -- you know, on any project which has this application, we do follow, you know, the right procedure.

MR. LEE: Okay. I'm going to sit down pretty soon. On your graph, you show a cost of six cents per kilowatt for industry.

MR. KALRA: Yeah.

MR. LEE: Is that a subsidy or is that a different form of energy? Is that an interruptible energy or what? Why do they get a cheaper rate?

MR. KALRA: We don't subsidize anyone. Remember I talked about the rate balancing where we try and ensure that no class of customer is subsidizing, cross subsidizing other class of customers.

MR. LEE: Okay.

MR. KALRA: The biggest difference -- and it's all -- it's all -- becomes a pool,

whether it's coming from, you know, hydro, whether it's coming from coal. Energy, once it becomes part of the pool, it all becomes one pool, and it's all graded cost average, so it all becomes, you know, one price. The single biggest difference between the industrial customers and a residential customer is the distribution. Most big customers are connected directly to our transmission systems. They don't use the distribution system, and there is no charge for it, so that's why their prices are lower. We don't have, you know, special deals with anyone.

MR. LEE: Are you aware that Saskatchewan per capita is the highest emitter of greenhouse gas, greenhouse gases in the entire world, higher than even entire countries?

MR. KALRA: Yeah, I know it's -- I know it's high, and the reason for that is historically, you know, we've benefited from coal, which is in abundance in this province, so over time, you know --

MR. LEE: Yeah.

MR. KALRA: -- we've been reducing the reliance. We're doing carbon capture, so we're moving in the right direction.

MR. LEE: Another situation that's developing is the process of hydraulic fracturing --

MR. KALRA: Yeah.

MR. LEE: -- for oil and gas.

MR. KALRA: Yeah.

MR. LEE: Saskatchewan is into the process. There's -- there's a different process today than there was 20 years ago. Today at each wellhead, you will destroy from one million to eight million gallons of potable water. That's not acceptable in these times when we're having a greater demand on our -- on our water.

As an aboriginal community, we declare water is sacred. It should actually have a constitutional right such as some other countries on -- on the planet earth, so whenever you're talking -- the provincial government just created the 25-year water security plan, right, last year, and in there they said a portion of 12 percent of the

water allocation for the province of Saskatchewan is given to the recovery of oil and gas or will be. We oppose that. We -- it's called -- the new term for recovery of these two fossil fuels is called extreme energy because of the method that's used, how you destroy -- how you destroy the element of water, the two elements that make up water.

CHAIRPERSON: I think we're getting a little bit beyond the scope of SaskPower.

MR. LEE: Well --

CHAIRPERSON: Yeah. Okay.

MR. LEE: -- the thing is is that it all ties together --

CHAIRPERSON: Okay.

MR. LEE: -- because they're talking about energy sources using -- using natural gas. Didn't they say that earlier?

CHAIRPERSON: Yes.

MR. LEE: Yeah. So that's what I'm talking about.

CHAIRPERSON: Okay.

MR. LEE: Thank you.

CHAIRPERSON: Okay.

MR. LEE: So anybody else want to --

CHAIRPERSON: Other questions?

MR. WALKER: Hi, my name is Rick Walker. The last name is W-a-l-k-e-r, and I guess for the chief financial officer a question. Either this year or last year what was the net profit of SaskPower? How much money, when it was all said and done, did SaskPower make? Now, before the government took off some to go into their general revenue how much money did you make?

MR. KING: So do you want me to stand up?

MR. KALRA: Go ahead.

MR. KING: Last year we made 130 million dollars.

MR. WALKER: How much?

MR. KING: 130.

MR. WALKER: 130? Okay.

MR. KING: Yeah, and this year we're forecasting about 175.

MR. WALKER: Okay. So out of that forecasted 175, how much do you anticipate that you will have left over to cover infrastructure, debt and things like that? How much -- so, in other words, how much is --

is going into the general revenue fund?

MR. KING: This year 100 percent of that should be -- will be staying with SaskPower. That's what we anticipate.

MR. WALKER: And how about last year, about how much?

MR. KING: Last year we paid 120 million dollars to the government.

MR. WALKER: Out of that what was the -- was it 130, was it, or --

MR. KING: It was 130, but it was really based on our 2011 profit is what they took, and that's when we made almost 240 --

MR. WALKER: Yeah.

MR. KING: -- and they take about half of it we pay back.

MR. WALKER: I guess -- and that's the concern as -- as a customer and a resident of Saskatchewan that I understand everything's got to be paid for somewhere, but when the money is taken out of a -- taken away from a Crown corporation that's making this money -- 130 million dollars. Oh, we're going to take 120 million away, and that leaves you 10 million dollars to -- for infrastructure and

for -- to service your debt, and then they come along and say, oh, by the way, we need some more money from you. It's a little hard to swallow. It's more of a comment than a question.

MR. KING: Yeah. Okay.

CHAIRPERSON: Thanks, Rick. Any other questions? If you have more questions, we're here. We're -- we welcome them, so you're --

MR. LEE: Well, along that thought, is the review panel going to take that -- that fact into consideration that the provincial government took 120 million away from the SaskPower profits in 2012? That's a question for you, then.

CHAIRPERSON: Okay. There's certain things that are within our mandate to review and other things that are to be considered given within our -- within our mandate. Now, we, through our consultants and through our own -- our own review, we look at all aspects of the corporation including the amounts that are paid in -- in the form of a dividend to -- to the government. We look at all aspects of the financials of the corporation from one end

to the other, so it's a very intensive and complete review, and I think that if you've looked at any of our reports in the past, I think you'll -- you'll find that we do -- we do a fairly intense review of the entire corporation but bearing in mind there are only certain areas that we're allowed to really comment on and make recommendations to the government.

MR. LEE: I may be -- might be down to my last question, a question for the CFO, then. How much has SaskPower budgeted for this media blitz, the television advertisements that are going on?

MR. LAWN: What we'll spend on media placements in 2013 will be $700,000, and that cost of advertising is less than .0007 percent of our total infrastructure spend of the year.

MR. KALRA: Okay. So it's 700,000.

MR. LAWN: 700,000.

MR. KALRA: And they have it made by, you know, using our -- they have been made by using our own employees, so, you know, which the workers you see are SaskPower workers, are SaskPower employees, and they take a lot

of pride in, you know, what they do, and that kind of shows up there, so it's -- it's -- for many who cannot attend or will not attend, you know, some of these meetings, it's -- it's a way to reach the wider audience in the province at a very reasonable cost.

CHAIRPERSON: Does that answer your question? That's -- that would be for the entire year, though, right, not just including this current blitz that you have going on?

MR. KALRA: Well, we don't do too much in terms of media, right? We don't do any paid advertising. It's all news, news, news, news whenever SaskPower shows up. This is probably the only paid advertising that we've done the last many years I guess.

CHAIRPERSON: Does that -- does that answer the question for you?

MR. LEE: Yes, it's -- it's fairly insignificant. Like he said, it's .001 percent or something --

CHAIRPERSON: Okay.

MR. LEE: -- of their budget. So I think I've already asked the questions on renewable, but maybe I didn't. Okay. Sask --

what is SaskPower's plans going forward, going into the future with all of the science that's out there to do with climate change? What are your plans going forward and your -- your intent to move away from power generation by using fossil fuels and going into solar, wind and -- more into wind? I know you're already doing some wind.

MR. KALRA: Yeah.

MR. LEE: But we really are a small -- a small population in terms of most other places, so, yeah, do you have a plan or is there a plan in place or do you have a percentage in terms of your capacity that's required today?

MR. KALRA: The challenge with solar and wind and most of the renewables is they are intermittent sources, so you still need -- so they're not available all the time when you need them. Solar is available during, you know, the sunny hours. Wind is available when the wind is blowing. You still need to back it up by -- by -- by a reliable base of power. That base of power historically has been coal. We're moving away from coal to clean coal,

which reduces emissions by 90 percent. We're moving away from coal to natural gas, which reduces emissions by 50 percent, so that's direction where we're going. That's where it will be -- we -- we cannot go a hundred percent, you know, solar. We cannot go a hundred percent wind. So it will be some wind, some solar, which will be underpinned by lots of clean coal, lots of natural gas for the foreseeable future.

20 years down the road, 25 years down the road, who knows. It might become small mod -- modular reactor which might start replacing clean coal which might start replacing some of natural gas, so, you know, emissions go down further. The technology is not there. We cannot talk about it. Technology is only developing. We'll see how it develops, whether it's cost effective or not.

So it's -- you cannot do it overnight. You cannot do it in a cost-effective manner. Directionally we know where we need to go to, and, you know, slowly we're trying to transition there so the rate

base can absorb the shock. If we moved too soon, too fast, what we have is a Germany-like scenario, a Denmark-like scenario where the price of power is, you know -- cost of power to the consumer is four times as compared to what we pay over here, so trying to get a balance that need -- we balance three things, the affordability from a customer point of view, reliability from a grid point of view and sustainability from an environmental point of view, and that's the delicate balance that you have to do, so directionally we are. You know, it's just a question of base of it and how much can we absorb -- absorb the customer, you know, how soon and whether technology is there or not. If storage technology starts developing and starts becoming cheaper, wind and solar would play, you know, bigger role than -- than they play right now.

So that's where we're going. So I can't give you fixed dates or fixed time because we're con -- continuously looking at technology, continuously looking at, you know, what the cost of producing some of the power is from these resources -- from these sources,

how do we best manage those three things, you know, affordability, sustainability and reliability.

MR. LEE: So the answer is you don't have --

MR. KALRA: No, the answer is it's a work in progress. You know, I can't give you a number and then say, oh, yeah, we can't meet that number. It's a work in progress. Directionally I think we're on the same side. We want, you know, greener power. We want affordable power, and at the same time everyone wants the power to be there when you flick the light on.

CHAIRPERSON: We've had another gentleman join us. We've had a presentation from SaskPower --

MR. LAWRENCE: Mm'hmm.

CHAIRPERSON: -- and we're now in the portion of our meeting where we're just -- it's open to ask questions, if you have any questions you'd like to ask either the panel or if you'd like to make a presentation to the panel or if you'd like to ask questions of SaskPower.

MR. LAWRENCE: I just have questions right now I guess.

CHAIRPERSON: Okay. If you'd like to ask some questions, you're welcome to go to the mike. Just state your name, and please spell your last name so that our court reporter can ensure that we get the correct spelling.

MR. LAWRENCE: Hi, my name is Steve Lawrence. My last name is spelled just like the river, L-a-w-r-e-n-ce. Okay. I guess my question is, first of all, how much power is -- how much capacity are you going to have to increase by 2021 to accommodate all the heavy industrial that's planned for this province?

MR. LAWN: By 2021?

MR. LAWRENCE: I -- I heard a figure of 59 percent, so I'm just wondering if there's -- that's even realistic.

MR. KALRA: Some of that might be replacement of existing capacity.

MR. LAWRENCE: Pardon me?

MR. KALRA: Some of that would be placement of existing capacity because we have some costs retiring. You know, Boundary Dam

1, 2 are retiring, 3 is being replaced, coal to clean coal, so that's all -- all of that is not new power. So if we --

MR. LAWN: (Inaudible).

COURT REPORTER: If they could come to the mike, please.

CHAIRPERSON: Could you -- could you step to the mike, please, Peter?

MR. LAWN: Sure. In 2023 we're expecting a peak demand of about 4,440 megawatts, and the -- the peak demand this year is about thirty-five sixty is what we're expecting in 2013, so --

MR. KALRA: So that's 25 percent.

MR. LAWN: About 25 percent.

MR. KALRA: About 25, 27 percent.

MR. LAWN: A lot of that load is -- is, as you say, coming from industrial customers. A lot of the load is coming from oil field as well. There's a lot of oil production expected over the next -- especially the next five to seven years but also the industrial load, the potash load, of course. All of the existing mines have expanded in the province, and there's at least two new -- what we call

greenfield mines that are possibly going to be -- well, for sure the K + S mine is under construction right now, will be in service in 2015/'16.

MR. LAWRENCE: Is that a solution mine?

MR. LAWN: That's a solution mine, yeah, and then BHP has a mine that's underway at Jansen Lake as well that may be pushed off now. It was supposed to be coming on line in 2016 but may be pushed off a little bit.

The other big load growth in the province of the industrial nature is for pipeline pumping. All of the -- the oil that's being produced in -- in northern Alberta or a lot of the new oil that's coming on line, there is no place for it to go except on existing pipelines and a little bit of rail traffic, so a lot of that oil is -- is going to end up flowing through -- or in pipelines through Saskatchewan going south towards the Gulf Coast or some perhaps towards Eastern Canada as well, so that's what the nature of growth is coming from.

MR. LAWRENCE: Okay. So I can't quite see your chart there, but are you saying that

the -- the growth in -- in capacity is going to increase by 25 percent by -- by 2021 or something?

MR. LAWN: Yeah, it's -- it's in that neighbourhood, yeah.

MR. LAWRENCE: Okay, and that's -- but you're also retiring some of your facilities, so you're -- actually your -- your capacity you're building will be more than 25 percent --

MR. KALRA: That's right, yeah.

MR. LAWRENCE: -- when you think about replacing the stuff that you're replacing, so what -- what kind of figure are we looking at, then, between the replacement and the -- and the actual increase?

MR. KING: I don't know if I have that number.

MR. KALRA: It will show up over here, right?

MR. LAWN: It's -- it's on the graph there, yes.

MR. KALRA: The graph shows it over here, so if you look at 2021, we would have available capacity of -- this is after

retirement of 4,000 and demand of 4,000 -- how much would that be? 4,800, is it?

MR. LAWN: Yes.

MR. KING: So our -- our supply gap at 2023 is about 900 megawatts.

MR. KALRA: Yeah, 900, which is --

MR. LAWRENCE: Does that -- does that include the -- what you're going to replace as well?

MR. KALRA: That's right.

MR. LAWRENCE: 900 megawatts?

MR. KING: Yeah. So that's the growth plus -- plus replacing.

MR. KALRA: Replacement, yeah.

MR. LAWRENCE: Okay. So that's -- you're going from 3,500 to 4,400 or something?

MR. KING: Yeah.

MR. KALRA: Right.

MR. LAWRENCE: So that's what, an increase of 20 -- that's what you said, 25 -- about 25 percent or something. Okay. So does SaskPower have plans about how they're going to create that energy yet?

MR. KALRA: Yeah. For -- we don't need --

CHAIRPERSON: San -- Sandeep?

MR. KALRA: Oh, sorry. Up to 2020 it's been kind of pencilled in, you know, what we need. So can you go back to slide -- that slide again. I think it's this slide. So this shows we recently had Northland develop an IPP for us that's 261 megawatts. It's natural gas in North Battleford. We're increasing the size of Queen Elizabeth Power Station 200 megawatts from there, so we'll get some, not too much capacity from there, but it is coming.

MR. LAWRENCE: Okay. So is -- is Queen Elizabeth natural gas as well?

MR. KALRA: Yeah, that's natural gas as well.

MR. LAWRENCE: Okay.

MR. KALRA: And the BD3, Boundary Dam 3 which is being converted from clean to -- to coal -- to clean coal would add roughly 110, 115 megawatts.

MR. LAWRENCE: Mm'hmm.

MR. KALRA: So most of that 900 megawatts would come from natural gas, some clean coal, and, you know, balance would be --

a little bit of balance would be from hydro.

MR. LAWRENCE: So basically you're increasing what's already at existing sites.

MR. KALRA: We -- we'll have newer plants as well, so we will have at least one new plant by '20 or '22, and it could be Swift Current. It could be in -- what was the other site we're looking at, Lanigan? There are two sites that are being looked into for an additional power plant of, you know, up to 300 megawatts of natural gas.

MR. LAWRENCE: So basically decisions have been made how that power's going to be produced.

MR. KALRA: Yeah. Yeah.

MR. LAWRENCE: Has there been any public input as to what the public would like to see how that power is produced?

MR. KALRA: We had, I think, published our pathway, ten-year plan when there were some hearings before the Crown and Central Agencies Committee, and at that time, you know, it was kind of published where we'd like to go, but what is it that you would like to see?

MR. LAWRENCE: Well, you know, yeah, those hearings were what, 2008 or something or -- is that when they were?

MR. KALRA: Yeah, somewhere around there, '08, '09 maybe, yeah.

MR. LAWRENCE: Yeah. Well, I just -- I'm -- I see power being something that generates wealth in communities as well as the province and in the country, and I see prices going up for power, prices going up for petroleum, things like that, and people have to wonder how are they going to create sustainable communities when -- when power is going to increase so much. Now, one way to do that would be for communities to get involved in projects, and so if they're creating -- if they're investing in their own projects and creating that power, it not only stabilizes the power within that community, but it might generate wealth that they can export as well, so, you know, the things that communities can get involved in that I would like to see are green projects.

MR. KALRA: Yeah, so what we have is we have some programs. We have a Green Options

Program where we pay, you know, certain price for power. We buy it. You know, if anyone can produce it, we buy it, and it's for, you know, green sources. We also have a process called unsolicited proposals process, so if a community or a developer, you know, has a plan which he, you know, wants to develop, a community wants to do it, we have a process of entertaining those proposals and working with the developers to see, you know, how -- whether they would work, whether they, you know, won't work when we need power, where we need power, and whether some of those projects can go ahead, so that it is -- that avenue is still open. It's not closed to it because most of the community projects are not at this scale, so we need to kind of keep it going, but at the same time, if some proposals come, you know, we entertain them at the same time.

MR. LAWRENCE: Okay. So does SaskPower have some sort of price that they have in mind that the green power could come in at, a guaranteed kind of price or --

MR. KALRA: Yeah.

MR. LAWRENCE: -- are they going to have to

negotiate that with SaskPower at every step?

MR. KALRA: No, there are programs with -- with some power in there. For example, flare gas right now, the power is around -- I don't know -- 67, $68 per megawatt hour, and there are, you know, other prices for some of the other ones.

MR. LAWRENCE: Mm'hmm.

MR. KALRA: What we don't have is we don't have a feed-in tariff like Ontario had because, once again, we're trying to balance at the end. Who's paying for it in the -- you know, at the end. It's the customers who are paying for it, and are they getting a good deal from this, so that's what we have to, you know, keep in mind.

MR. LAWRENCE: Okay. So you're looking at getting power from flare gas?

MR. KALRA: Yeah. There's -- there's a flare gas program.

MR. LAWRENCE: Yeah. Are you aware that 21 percent of the greenhouse gases produced in Saskatchewan come from flare gas that is vented with no power?

MR. KALRA: Yeah, I'm aware of that, so,

you know --

MR. LAWRENCE: So wouldn't there be a natural incentive there for -- to use instead of just flaring that stuff into the atmosphere, to actually do something with it?

MR. KALRA: Yeah, we're in -- we're in agreement over here, yeah.

MR. LAWRENCE: Pardon me?

MR. KALRA: Yeah. I said we are in agreement exactly. That's --

MR. LAWRENCE: So would you have priorities on something that -- rather than just building more natural gas kind of stuff?

MR. KALRA: We have a program for flare gas, and we are open to receiving proposals, but we can't wait for someone to, you know, bring a proposal. We have to -- we have to meet the load needs of the province, so we have to keep going, but at the same time, if someone has a flare gas program, we're open to it. We already have a program which is soliciting proposals for -- for -- from developers.

MR. LAWRENCE: Is the SaskPower aware of the intergovernmental panel on climate change

and report released in September?

MR. KALRA: I'm sure SaskPower is aware. What is it you would like to highlight?

MR. LAWRENCE: Okay. Well, one of the proposals in that -- in that -- or one of the findings, they looked at a number of different scenarios that would combat climate change, and the one that's technologically feasible that would guarantee -- well, not guarantee but likely we'd be able to miss most of the things that go with climate change would mean we'd have to phase out of fossil fuels by 2050.

MR. KALRA: Mm'hmm.

MR. LAWRENCE: That means if we want to get out of fossil fuels by 2050, we have to stop building stuff that burns fossil fuels.

MR. KALRA: You're absolutely right, and that's where the -- the -- you know, the -- the regulations on coal are there now, so we cannot build a new coal plant today unless it meets the emissions targets, which are as -- as clean as gas, and that's where the clean coal is coming, so, you know, we're doing our part. Regulators have to do their

part to come up with something which provides clarity to the industry, and -- you know, and then we'll kind of follow those -- those regulations.

MR. LAWRENCE: Mm'hmm. So what kind of power are you expecting to sell the heavy industrial? What -- what kind of price are you proposing to -- to -- to sell the power to them?

MR. KALRA: They pay $60; 60, $70?

MR. LAWN: 65 to $70.

MR. KALRA: $65, $70 per megawatt hour.

MR. LAWRENCE: Well, what -- what would that be in kilowatt hours?

MR. KALRA: Six cents.

MR. LAWRENCE: Six cents. And what -- what are residential customers paying?

MR. KALRA: Residential customers pay roughly twelve cents.

MR. LAWRENCE: Mm'hmm. So just about -- just about double.

MR. KALRA: Yes, and --

MR. LAWRENCE: So --

MR. KALRA: -- I think before you came this question was asked, and the biggest

reason why residential customers pay more than the industrial customers is because the industrial customers are connected to our transmission grid, so it would be the cost of the distribution system, which is roughly 150,000 kilometers, and I don't know how many substations and transformers and everything are not a factor in supplying power to the industrial customers. They're -- they're only a factor on the subline to the -- to the residential customers. We don't have cross subsidization. We try and keep it to the minimum. Our rates are a range of revenue required to tie us to the business. We are between 98 to 102. The industrial side is 95 to 105, so there is -- you know, we try to minimize any cross subsidization, so industrial customers are paying less because -- because it costs us less to serve them.

MR. LAWRENCE: Because you're selling more power.

MR. KALRA: No, because it costs us less to serve them because our assets which are needed to serve the industrial customers

are -- are, you know, much -- significantly lower as compared to the residential customers. There is no volume rebate for -- to anyone, given to anyone.

MR. LAWRENCE: Yeah. Is -- is -- do you require these heavy industrial customers to -- to meet some sort of level of efficiency in their -- in their industrial processes?

MR. KALRA: We have demand-side programs with them in some -- I think in some --

MR. LAWN: It's Industrial Optimization Program, but we -- we don't force them to do it. It's a -- it's a program that we offer to help them identify measures they can take within their businesses to become more efficient.

MR. LAWRENCE: But if you're selling them power for 6 cents and it doesn't -- it doesn't pay them to get into energy efficiency then why would they -- why would they invest in energy efficiency? Why don't you charge them more to force them into energy efficiency instead?

MR. KALRA: We would love to.

MR. LAWRENCE: You what?

MR. KALRA: I said we would love to charge them more.

MR. LAWRENCE: You're not allowed to charge them more?

MR. KALRA: We can't. You know, we charge what it cost us to provide power to a given customer.

MR. LAWN: And in the -- in the rate application that we're looking at right now, the power class customers are going to get amongst the highest increases of all customers. It'll be 7 percent this year.

MR. KING: Right here, Peter.

MR. LAWN: Oh.

MR. KING: Just show him the --

CHAIRPERSON: Actually -- and maybe speak to the cost of service study process a little bit.

MR. LAWN: So, anyways, I'll finish with this, so -- first. The -- the power customers are going to get 7 percent in '14, 5.8 percent in '15 and '16, so they're getting amongst the highest increases in this rate application.

MR. LAWRENCE: Where -- where are we

looking at?

MR. LAWN: I'm sorry.

MR. LAWRENCE: Okay.

MR. LAWN: Much higher than -- than the system -- the average for all customers.

MR. LAWRENCE: I thought the residential customers were looking at 8 percent or something.

MR. KALRA: No, it's 4 -- 5.3, 4.5, 4.5.

MR. LAWRENCE: Okay. So SaskPower's borrow -- borrowing a lot of money for all this new -- this 25 percent more capacity they're building or --

MR. KALRA: Yeah. Our -- our debt right now is 5.2, 5.2 billion. Roughly 50 percent -- between 45, 50 percent of our capital investment is done by generated cash, so it's profits, it's depreciation added back to non-cash. For the rest we have to go and borrow. Our capital -- our debt target ratio is between 60 and 75 percent. Because of the low rate increases, we would get up to 77 percent by the end of 2016.

MR. LAWRENCE: Okay. So you got a 5.2 billion debt right now?

MR. KALRA: Yeah.
MR. LAWRENCE: And in -- in 7or 8 years you're going to increase your capacity by 25 percent?
MR. KALRA: Yeah.
MR. LAWRENCE: And what's your debt going to be at that point?
MR. KING: By what year?
MR. LAWRENCE: Oh, say 2021 or 2020.
MR. KALRA: Oh, you've probably seen that one, right? The next numbers. So our debt goes up, but at the same time, remember our assets are also going up, so this is not comparative. This is against, you know, an asset, which will be on our books. The ratio of debt would go up from 74.6 percent to 77 percent during this, so it's -- it's going up by 2, 2 1/2 points.
MR. LAWRENCE: So you're -- you're -- you're okaying it by -- by doing a ratio between assets and debt --
MR. KALRA: That's how you --
MR. LAWRENCE: -- is what you're talking about.
MR. KALRA: -- do it, yeah. Yeah.

MR. LAWRENCE: Okay. What -- if private power producers were allowed in this province to -- to put power in a big way in this province --

MR. KALRA: Yeah.

MR. LAWRENCE: -- the capacity would be their -- their debt and not SaskPower's debt?

MR. KALRA: No, it's -- the 5 billion includes the debt of the private -- the IPP as well. What happens is what -- they take on the debt, but at the same time they get into a long-term power purchase agreement with us, so we have that obligation to pay them over the next 25 years, 30 years, so that 5-billion-dollar number includes the debt of the private sector because ultimately it's passed on to us. This is not a merchant market. It's not an open pool where they take on the risk. We buy power from anyone who produces it, so that becomes our debt.

MR. LAWRENCE: Yeah. Yeah. No, I know Alberta has a deregulated system --

MR. KALRA: Yeah.

MR. LAWRENCE: -- and when they need power, I think they put tenders out for that power,

and they have -- I think part of their process is they also say they want a certain percentage from say wind or solar or natural gas or whatever -- whatever the power sources they're looking for. Is that -- so is -- is -- is SaskPower looking at any of that kind of thing at all?

MR. KALRA: No, we're not looking at changing the market structure. You know, when we compare what the customers pay over here, the kind of stability we get, the kind of reliability when you compare it to Alberta, we don't see any, you know, pressing need for changing the market structure in Saskatchewan.

MR. LAWRENCE: So is that because that would affect the control that SaskPower has on -- on the grid --

MR. KALRA: SaskPower --

MR. LAWRENCE: -- system here?

MR. KALRA: No, SaskPower works, you know, for the service of the people of -- of the province, and we think the people of the province would be best served by the structure that is in place today.

MR. LAWRENCE: Okay. Well, I -- I just

heard about this meeting about an hour ago, so I don't know very much about -- I know a little bit about the power -- power things that happened in the province, but I'm -- I'm not -- I really would like SaskPower to look at -- at inviting communities and private power producers to put more power on and put more green power. I want them to look at -- if we're going to go into -- if we're going to go into oil, we got to look at that flaring gas, and we're going to -- we're going to save a lot more in greenhouse gases by taking care of that flaring gas than you're going to do with your sequestering at your coal plants.

MR. KALRA: It's not that we have to do one or the other. We're trying to do both.

MR. LAWRENCE: Mm'hmm.

MR. KALRA: And coal provides us base power for roughly 50 percent of the system. Flare gas can't do it. Even if we captured all the flare gas in the province, you know, it can't replace all the coal that is in the province.

MR. LAWRENCE: Okay, and how about cogeneration? It could take place --

MR. KALRA: Co --

MR. LAWRENCE: -- at your new potash mines.

MR. KALRA: Yeah, we --

MR. LAWRENCE: The potash mines, are they planning -- planning cogeneration?

MR. KALRA: If they are, we are interested, so, you know, we look at all those opportunities. Whenever these players show an indication, we look at that. We already have a few of those. We have a couple of them at Cory and at --

MR. LAWRENCE: Meridian?

MR. KALRA: -- Meridian, yes. We already have some of those, and, you know, if these opportunities come up in the future, we're definitely interested.

MR. LAWRENCE: So are we -- are we doing anything to make it more attractive for those -- those potash mines to -- to do cogeneration or -- I don't know what the barriers are. I mean I know Cory -- Cory has a cogeneration plan there, and I'm not sure what the difficulties or what the -- what the -- what the problems are there, but it seems to me if you want to -- if you want to

have an industry like potash that's going to be competitive on a world stage that they have to have -- they have to have competitive energy use as well, so if they can produce their own power -- if they can produce power and use the waste heat for their processes there, then -- then it seems to me that they're providing power for you guys and they're provide -- providing a more competitive edge for themselves, so --

MR. KALRA: Yeah, we're in agreement there, yeah.

MR. LAWRENCE: So I'm looking for -- I'm looking for -- you know, you're saying, you know, we'll see what they do, and I'm saying I don't want to see what you wait and do.

MR. KALRA: No.

MR. LAWRENCE: I want you to start telling them they got to -- they got to get into cogeneration --

MR. KALRA: Yeah, we're already --

MR. LAWRENCE: -- and get into this stuff.

MR. KALRA: -- there. We're talking to them. We're not -- we're not waiting for -- for anything. We are always, you know, in

touch with the potash developers to see if they are interested in doing --

MR. LAWRENCE: Yeah.

MR. KALRA: -- something with us.

MR. LAWRENCE: Yeah.

MR. KALRA: That's already going on. It's not that we're waiting on it.

MR. LAWRENCE: Yeah. Well, when I looked at -- at the -- the environmental assessment for Jansen Lake, basically they said that all the power is coming from SaskPower and that the greenhouse gases were their problem, so, you know, I don't see that as being a responsible way of supplying power to them or responsible attitude on their -- on their part, so, you know, that's not acceptable. We're moving into a time of climate change. We've got 'til 2050 to get off of fossil fuels. You can't -- you can't -- you can't bring industry -- industries in that -- that are not -- that are not going to pull their weight, so you have to -- if they're not willing to pull their weight, then SaskPower should talk to the government and maybe insist that they do pull their weight or -- or

reorient your -- your structure so they have to pay more for their power and force them to get into that kind of stuff, make it profitable for them to get into that.

You know, you guys are the financial wizards. You should be able to make that work somehow. You know how things are working. I -- I got no idea how all that stuff works, but if there's no incentives in place, nothing's going to happen. You can't sell cheap -- you can't sell power for six cents and then tell the guys that, you know, we want you to go to cogen. and we're -- okay. We'll pay you -- well, we'll see what we pay you for that, and, anyway, I'm not --

CHAIRPERSON: Okay. I want -- I just wanted to thank you for -- for coming and participating, and there are materials -- I think maybe you do have a copy of the --

MR. LAWRENCE: Yeah.

CHAIRPERSON: -- presentation that SaskPower made and their application.

MR. LAWRENCE: Yeah.

CHAIRPERSON: And, as well, this is not -- this isn't the only time that you can provide

feedback to the panel. You can contact us through various means that are -- are all detailed on our web site --

MR. LAWRENCE: Yeah.

CHAIRPERSON: -- which is saskratereview.ca up until February 7th, so if you have further thoughts, you need more time and you have more questions or comments, we would welcome --

MR. LAWRENCE: Yeah. Well --

CHAIRPERSON: -- to receive them during that time period.

MR. LAWRENCE: -- is all the tendering process and all the planning process, is that all on the web site or is that -- or is that --

CHAIRPERSON: Okay. I'm talking about -- I'm talking about what's available on the -- the Rate Review Panel's web site.

MR. LAWRENCE: Yeah.

CHAIRPERSON: I'm sure SaskPower has much --

MR. KALRA: It would --

CHAIRPERSON: -- more information in theirs.

MR. KALRA: -- be on our web site. If you go to saskpower.com, some of that information will be available. I'm sure the gas information is -- is available. It's a program which is open right now.

MR. LAWRENCE: Mm'hmm.

MR. KALRA: And there may be other programs as well.

MR. BARZEELE: And the application is on our site, so they can look at that.

MR. LAWRENCE: Thanks very much.

CHAIRPERSON: And, as Bill -- as Bill pointed out, the application's on our web site as well.

MR. LAWRENCE: Yeah.

MR. LEE: I would like to finish just making a comment on some of your comments. First of all, when I first introduced myself, I thanked you for coming, and I was dismayed to see that there's only about three or four of us that actually attended this. I think it's quite important.

The other thing for the Rate Review Panel, you asked us if we had submissions. If we'd had some lead time --

and like I found out about it two days ago. This gentleman found out about it an hour ago. If we had some time to prepare, we -- I have contacts, science that would do real impacting presentations to you and to SaskPower. My perspective is just a person that's interested in what's happening to our water and our earth. That's the perspective that I come from as an aboriginal person.

Your comments saying that -- just one quick comment, first of all. Going forward we will not have a choice as to our energy source. Today we have the choice. We need to get wise and to make the correct choice and go renewable because in 20 or 30 years, the depletion of fossil fuels -- the tar sands project I'm told is -- is 50 years, and I asked the presenter at an open forum, Well, what is your plan then? He says, Well, then we'll go renewable. You know, it's -- it's mind-boggling that you wouldn't consider going renewable now, saving the planet, saving all the acidification of our land and water in northern Saskatchewan that's going on right now. The pH levels in La Loche right now are

at that point where you can't use the water from the acidification that's coming from the tar sands, so that's my point. We have the choice today. We should make it because down the road, we won't have the choice.

Now, one last comment. You said solar and wind are not reliable. The Cowessess First Nation have gone on line, as I understand, an 800-kilowatt wind turbine that has the capacity to store 746 kilowatts. That's a new wind turbine device, as I understand it. I'm not really -- I'm no expert on wind turbines or anything, but when that happens, we need to encourage that kind of development, right? And as for solar, the new systems that are being designed and built, we don't even need to see the sun for 200 days of the year and we've got energy coming from the sun.

Thank you very much for your presentation.

CHAIRPERSON: Are there any other questions or comments from anyone?

MR. LAWRENCE: I don't know enough about what's going on to ask any questions.

CHAIRPERSON: Okay. Well, again, I'd just like to thank you for attending and for your participation and remind you again that if you do want to contact the panel, we are open to receiving input up until February 7th, so that's quite a time line if you do want to provide more detailed information to us.

MR. LAWRENCE: So what's the -- like this is just -- is the -- is the web site on here or --

CHAIRPERSON: No, it's not. Those are materials that were provided tonight by SaskPower --

MR. LAWRENCE: Yeah.

CHAIRPERSON: -- for your information.

MR. LAWRENCE: So is there --

CHAIRPERSON: Our -- did you see the ad that was in the newspaper? Our -- our -- our web site address is --

MR. LAWRENCE: No, I just heard it by word of mouth tonight, so --

CHAIRPERSON: Okay. It's very simple. It's saskratereview.ca, and -- and on -- and on the web site we detail all the methods that you can contact us, so we're having four other

public meetings over the next couple of weeks, and -- and, as well, you can contact us by e-mail, letter, phone, whatever, so there's lots of different methods, so --

MR. LAWRENCE: Okay. Thanks.

CHAIRPERSON: Thank you.

AUDIENCE MEMBER: Okay. Thank you.

CHAIRPERSON: Oh, you're welcome. I'm glad you came. If there's nothing else, this meeting is adjourned.

(Adjourned at 9:02 p.m.)

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