EVIDENCE
Whitehorse, Yukon
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Mr. Hardy: Welcome back to the second part of the hearings on the Energy Solutions Centre, and we will just pick up where we left off. I have a few more questions to ask and then will be passing on to somebody else.

I want to go back for a slight clarification on one of the questions, and answer as best you can; it's kind of general. In regard to the contracts of the individuals, the two contracts, on what basis do you think these positions were developed, and how do you think these remuneration levels could possibly have been determined if you feel that they were so high in relation to the work that needed to be done?

Mr. Morrison: I'll do my best, Mr. Chair. I'm not sure I can shed a lot of light on it, but in terms of the level of remuneration, the difficulty I have is that if I were looking at a job — and I'm not suggesting for a minute that the job of managing director at the Energy Solutions Centre doesn't have a certain level of responsibility and require a capable individual. But if I had looked around at the wages that we pay at Yukon Energy and the wages that are paid at places like Northwestel and the government and the Workers' Compensation Health and Safety Board — you know, in comparison, and that's what you do when you classify jobs is try to figure out what is the responsibility level of this job and what kind of professional qualifications are needed, and I can't find any criteria on the managing director's criteria and the managing director's position for the wages that we bear.

The difficulty I have with it — probably more so — is that it was created or was operated under a contract basis, there were no limits to the contract, which is also a very difficult issue. It wasn't that it was so many hours a month, over so many years, and there were some maximums built into it, so they were some points of reference, where you could then determine whether the dollars you were spending were being properly allocated, or you wanted to do other things.

So, the difficulty there is that it was a very significant amount, more like amounts that you'd pay for short-term work. So, if you're going to pay somebody on a short-term basis, you may have to pay that hourly rate, which is higher because you're getting their committed time for a period of time and they can't do other things. But when it's on a day-in-and-day-out basis, that's where I say it wasn't appropriate. The dollars got to be too big, there were no upper-end limits to them, and it was too much for that job.

I don't understand — and I can't give you a reason because I don't know — why they felt they needed to spend that kind of money.

But I would suggest to you that those individuals weren't paid those kinds of dollars on any other job previous to that, so I just don't know why they thought they had to pay that kind of money.

Mr. Hardy: So you feel these were actually employees, based upon the type of work they're doing, their hours and where they work — all that stuff?

Mr. Morrison: My understanding — and I'm not an expert — but I went to the senior management staff at the corporation once I learned that the managing director and CFO were employed under contract. My question was: are these not employees? They come to an office, they have use of office equipment and secretarial administrative staff, they collect a day-in-and-day-out stipend from this organization — my understanding of Revenue Canada was they met all the tests that I would assign to an employee. I was told they weren't, but nobody could produce a Revenue Canada opinion that told me otherwise and, quite frankly, that was the only one I would have relied on.

I was clearly concerned about this. I was very upset about it. I thought we were exposed, but the contracts were there. I advised the board of my concern and I have thought from the very beginning these were employee contracts.

Mr. Hardy: In regard to Revenue Canada, have there been any estimates made of what the costs could possibly be if they come to collect?

Mr. Morrison: Well, the penalties are not — you know, they're not either insignificant or significant. And I don't know exactly what they are. But the problem of trying to do an estimate is how do we estimate whether the persons paid or didn't pay and what levels of taxes they paid. So it's very difficult for us to do it. I would suggest that it would be almost impossible for us to try to come up with a number.

Mr. Hardy: Paragraph 30 of the Auditor General's report says consultants were sent on training courses. Is this a general practice within, say YDC/YEC and Energy Solutions Centre, and if so, is this still being done?

Mr. Morrison: It's not a practice at the Energy Corporation. We allocate training dollars very judiciously to staff. It was done at the Energy Solutions Centre. I believe it may have been done at Yukon Development Corporation. It is not a practice we currently do or will continue to do. But it was — when you're using the business model the Energy Solutions Centre was constructed under, if, in order to get some of the expertise they required, they needed some training, there wasn't anybody else but contractors to be trained. They had no staff. So they pretty much locked themselves into a situation which you wouldn't normally do.

Mr. Hardy: It's quite unusual from my perspective.

I actually have a question for Mr. Thompson, the Assistant Auditor General. And if Mr. Hellsten wants to add comments to it, then feel free to do so.

In paragraphs 40 to 42 of your report, we note that the Yukon Development Corporation Board decided in December 2000 that the Auditor General of Canada should be the Energy Solutions Centre's auditor. The board subsequently reversed this decision and hired another auditor. This was done because the manager of the Energy Solutions Centre told its board of directors that the Auditor General was not in a position to carry out the audit. In your report, you say there was no basis for this statement. Can you shed any light on the situation?

Mr. Thompson: Thank you very much for that question. From time to time, our office is asked to do additional work, and we have a bit of a process that we follow when that comes about. What the process involves is that the right official — generally a minister, but it could be a chair of a board, if it's a corporation — would correspond with the Auditor General, and that's normally in writing, and make a formal request that we do some work. We would then take that request and do a little staff work ourselves to see if we have enough resources to do it. After a bit of staff work, we'd bring that forward to our executive committee and have a decision made by that body as to whether or not we should accept the request.

None of that happened here in relation to Energy Solutions Centre; of that I know because I serve on our executive committee and I've been involved in the Yukon since about that time.

As to why the comment would be made by anybody that we were not in the position to do the work, I have no idea where that comes from.

Mr. Hardy: Do you have any comments to make?

Mr. Hellsten: No, Mr. Chair, I don't have any further comments to make.

Mr. Hardy: I have another question, Mr. Morrison, if you wish. Can you explain to the Committee how and why the Energy Solutions Centre chose the firm it did as its auditor? Would you have any knowledge around that kind of decision?

Mr. Morrison: I wouldn't have any knowledge other than in terms of process. It's my understanding that, based on the information, just following along the information from Mr. Thompson, that the management of the Energy Solutions Centre tendered the audit work. That's my understanding. I'm not sure that I can show you in writing that that happened, but that was what was explained to me, and this particular firm was the successful bidder. Now, whether there were any other bidders, I don't know, but they were the successful bidder.

Mr. Hardy: Thank you. I'm going to turn the questioning over to Mr. Cardiff now.

Mr. Cardiff: I'd like to thank the witnesses for being here today. It has been interesting listening to the questions and answers and hopefully we can shed a little light on what transpired here.

In the Auditor General's report, paragraphs 43 and 44, the Auditor General has offered a qualified audit opinion on the Energy Solutions Centre's 2003 financial statements. On the audits that were done prior to that by the auditor who was contracted, were those audits also qualified? Was there the same problem prior?

Mr. Morrison: No. My understanding from reviewing those audits is there was no qualification and there were no issues raised similar to what we're seeing here today.

Mr. Cardiff: So does that mean that everything was okay prior to 2003, then?

Mr. Morrison: I would say to you that I don't understand, and I'm not an auditor or an accountant, so I don't know the process they followed. I certainly don't know the process the contract auditors followed, but I don't think there were any differences in the years 2002 and 2001. I don't think the centre was operated any differently. These contracts we talked about earlier with the chair existed back in 2002, so I can only suggest to you that, no, 2003 was not an anomaly. It was consistent with other years of operation, to the best of my knowledge. Why the auditors didn't comment on that, I don't know.

I will tell you that when I realized the Auditor General wasn't the auditor of the Energy Solutions Centre, and when I realized there were difficulties — and I'm only trying to maybe rationalize this in my own mind — to me it seemed logical that, if you were the auditor of the parent and you understood how the money flowed — in other words, from parent to subsidiary — and you knew how the corporations themselves all worked, it made a lot more sense to me having the Auditor General do the audit now.

Perhaps it didn't make sense to people before me, but that was a big part of why I wanted the Auditor General to come in. I wanted that consistency and that level of rigour that I knew they would bring to the job.

Mr. Cardiff: In the Auditor General's report, they also identified the segregation of duties within the Energy Solutions Centre as a problem. Given that the Energy Solutions Centre really didn't have very many employees, what should have happened, in your view, in order to bring about the appropriate segregation of duties and internal financial control?

Mr. Morrison: I come from a very kind of simple approach to these things. There are general management and business practices that all organizations need to adhere to. I think it was really just not applying the proper systems — the normal systems that exist in most organizations, unless it's a very small mom-and-pop kind of business, where you don't need that segregation of duties as much because the guy who is ordering the groceries for the grocery store is also paying the bills. It may be a little different.

But when you're dealing with these kinds of levels of funds, and when you're dealing with public money, which this is, I think it was clear to everybody that persons who initiated contracts shouldn't approve invoices on contracts. Persons who requested that goods or services be purchased should have been sending the invoices up the line with a recommendation on it, and then some other senior official or a colleague at the same level — I can tell you that we do that.

I don't approve my travel claims. I wouldn't do that. I would find it really strange to think that I could do that. So, I may give them to Eric, the chief financial officer, or the chair. Some other person needs to always — there is a system of checks and balances, so somebody else needs to sign, and somebody else needs to approve. I think the systems existed; they just didn't use them.

Mr. Cardiff: This question is to the chair, to Mr. Phelps. The Auditor General's report also makes a recommendation — we touched on this a little bit earlier — about the setting of performance expectations and accounting back against them at the end of the year. I'd like to know if you agree with this observation, and what type of expectations and performance information do you see being put into place for the Energy Solutions Centre?

Mr. Phelps: The first part is easy. I agree with the recommendation. The second part is a little more difficult. I can only say that we're working in that direction. If one looks at the business plans, a lot of this is tightened up. You can look at the business plan and, from that, glean what's expected of the corporation for this year, as long as it's prior to it being handed over to the department.

In terms of specific performance measurements, those have yet to be developed.

Mr. Cardiff: Has there been any work started with regard to performance measurements?

Mr. Morrison: Let me, if you don't mind, Mr. Chair. Yes, as I said earlier, we've done quite a bit of work. If you look in the business plan, there's a series of priorities. There are goals and objectives, there are strategies and performance measures, targets, budgetary allowances and who's responsible for these things. So we've done a good bit of work, and it's there.

Is it as good as it should be, in terms of whether the performance measures are really as tight and pointed at each strategy and goal? No, they probably need some more work, but the 2005 business plan has come a long way for all three: the Energy Corporation, the Development Corporation and Energy Solutions Centre.

We'll of course share these with the auditors. They can certainly help us by giving their comments on how they feel they could be improved upon, and we'll be happy to hear those. We have done a good deal of work, but we need to do more.

Mr. Cardiff: Okay. Fair enough. Thank you.

The next question — I don't know, Mr. Hoenisch or Mr. Morrison may be able to answer this: the Auditor General's report also brought attention to the fact that there were a lot of contracts where there was no competition. It is normally called sole-sourcing. So there were a number of these sole-source contracts entered into. Do you think that the sole-source contracts should be avoided, and if not, under what circumstances should they be allowed?

Mr. Morrison: Sole-sourcing is one of a series of kinds of contracts that you would make available on a broad basis within an organization. You may use sole-sourced contracts where perhaps that's the only supplier of those goods locally and, say, you need a part or you need a specific piece of equipment that that company has to offer and you need it immediately. As a practice, in terms of economic efficiency or prudent spending, it's not something you want to use a lot. It's there to use as appropriate. But if you're trying to get a good value for your dollar, if you're trying to make sure that you're getting good pricing on the goods and services you're buying, you want to use public tendering or invitation tendering or standing offer arrangements where you've gone out and negotiated pricing after tendering. It's not something that should be used to the extent it has been used.

But it has been a practice, and not just at the Energy Solutions Centre. And I talked earlier about our contracting audit and Yukon Energy Corporation. It's easier, and you fall into these traps of doing things that become easy. You know, it's just easier to go and get somebody else to buy this or you know the plumber or the electrician or whatever it is because you know they do good work — and I'm not suggesting that they don't do good work or they're charging too much. It just is easy. But when you're spending public dollars, you need to make sure that you're always benchmarking and checking those against the best value for the dollar.

So you shouldn't use sole-sourcing anywhere near the extent it has been used.

Mr. Cardiff: Normally, a corporation would have some sort of rules or guidelines for contracting. Did the Energy Solutions Centre have actual rules or guidelines at the time these sole-source contracts were entered into? How would those rules compare to, say, another corporation or the government? And if those rules did exist, were they adhered to?

Mr. Morrison: There were some financial guidelines — not so much contracting guidelines as they were financial guidelines and financial controls. There were some contracting guidelines. They were adhered to for the most part, but they were quite loose and liberal. They weren't to the standard that we would now say exists at Yukon Energy Corporation, which are new contracting and procurement policies. They weren't to the standard of government.

I think I used an example earlier. Even if you had sole-sourcing abilities within the corporation, the levels at which individuals could sole-source should be very minimal. In this case, I think they were too high.

In addition to that, it's this segregation of duties issue that you touched on earlier — there needs to be a check and a balance. So if you, as a department manager or the individual responsible for something, want to sole-source the procurement of those goods or services, you should be coming to someone else to get the sign-off for that. Somebody should be the arbiter of that decision. That piece seemed to be missing. People just sole-sourced things.

As I mentioned earlier, and I don't want to beat on this, but we now have a system in Yukon Energy Corporation. There is a form, there are some very specific reasons under which you can sole-source, and even if you meet those tests, it then has to come to the president's desk, it has to be justified to me, and then I'll sign off. So we make sure there is a control test and that people aren't just — "Okay, well, now you've lowered the dollar value, so we're just going to sneak under the dollar value all the time." We're balancing that by saying that someone at the senior manager level, or someone acting in that capacity, still has to give you the authority.

Mr. Hardy: Let me interrupt Mr. Cardiff here. I'd like to put in something at the present time. In the Auditor General's report, there are a number of paragraphs addressing the various transactions with what they call the Duncan family of companies. How are the various transactions listed in the annual general report related to the Energy Solutions Centre's mandate? Specifically why, as documented in paragraph 59, would the Yukon Development Corporation lease space it apparently did not require? That one really raises questions.

Mr. Morrison: Can I start with the last one first?

Mr. Hardy: Absolutely.

Mr. Morrison: You are not the only one who was surprised when that happened. I can tell you that illustrative of the difficulties we experienced and which we had already asked the auditors to come and do the audit at this point in time — or maybe it was right around the same time — part of good management practice and part of the board's responsibility is to make sure the financial information we report in things like the annual report, which has our financial statements, and in reports we would give to government and for other reasons — perhaps the Public Accounts Committee might ask or the Utilities Board might require it — is to make sure that the financial information you provide is both transparent and understandable; it's clear; it doesn't conglomerate too many things into a big number that is kind of like administration, so you really can't — and I'm just using that as an example — understand where the dollars are spent and how they're spent.

We were reviewing a budget for 2004 and happened to ask a question: why did rent expense increase so much? I thought it was just a reallocation, to tell you the truth. I thought somebody just decided they wanted to put more of the rent to Energy Solutions Centre or Yukon Development Corporation and it was just changed. What I discovered was they had entered into a lease for just as much more space as they already had. When I asked the question what we needed the space for, the answer was that we were thinking of putting some people in there. What people? We don't have any people.

The board caught it, in that case, but the lease had already been signed.

Now, subsequent to that, we were able to go back to Property Management, because it was Property Management Agency lease, and we were able to get them to sublet the space. So we never did occupy it. We didn't have to eat the rent for a couple of months until the Property Management folk helped us out and found a tenant, but we have a tenant in there now who covers the rent. So why people were renting more space — there was no business case for it; it didn't come to the board. Those are the kinds of things that normally I would expect someone to bring forward. It's a long-term lease. It was a significant amount of money, and, yes, you can say that as a board we maybe should have given everybody a list of all the things we wanted, and that is one way to do it, but I can tell you that normal managers would do that. If the CFO, if Eric Hoenisch at Yukon Energy Corporation wanted to enter into a long-term lease, he would get his management colleagues to sign off, and we'd take it to the board. It just is part of the practice.

So, on the second issue, I don't have any personal understanding of all of the contracts. I mean, I have an understanding, but I don't know why all the contracts were created with Duncan's. I don't have any — they involve different aspects of some of the work that the Energy Solutions Centre was doing — the solar wall on the building and heat pumps and things like that. Do I think that they fit into the mandate? I think some of them fit on the edge of the mandate. I think, more importantly, that it needed to be clear about what we were trying to do as an end goal, not just in — doing little projects is one thing, but where are you going with all these little projects or do you have a strategy in terms of geothermal or heat pump, or do we have a strategy on solar, or what objective are we trying to achieve? Yes, we achieve greenhouse gas reductions with all of these things, but what's our ultimate goal?

Those are the kinds of things we're talking about. I'm not sure I can help you a whole lot on the first part of the question, I think, Mr. Chair, is what I'm saying, but certainly these are activities that the Energy Solutions Centre was engaged in, not just with Duncan's.

Mr. Hardy: I'm going to follow up a little bit here. Did you make any inquiries into what the reasons were for this lease? I know you're trying to explain it, but it's still quite vague. Did you follow up to try to find out exactly how that happened? Were you suspicious that something wasn't right here?

Mr. Morrison: No, I wasn't suspicious and I'm not suspicious that it was a deal to rent more space. I actually believe that the management staff thought that they were going to increase the number of persons, consultants and contractors that they had normally been using, and were going to lease more space and actually put people in it. That's my impression.

Mr. Hardy: Okay. On page 15, paragraph 61, it's noted in that section about the lack of a funding agreement between the Yukon Development Corporation and the Energy Solutions Centre. It indicates that even though there wasn't a funding agreement in place, YDC actually advanced money to the Energy Solutions Centre. Can you tell us about it?

Mr. Morrison: Well, let me say, first of all, there should have been a funding agreement in place. The Development Corporation and the Energy Corporation have a relationship, as well, and there is some flow of monies between the corporations, all of which falls under a protocol agreement, all of which is clearly outlined. What I mean by that is, as a for instance, we do accounts payable, we run the cheques, and things like that; we get paid.

We, being the Yukon Energy Corporation, get paid by the Yukon Development Corporation for a service it provides to them, but it's outlined in an agreement.

There is some funding of geothermal projects that takes place in the Energy Solutions Centre in Yukon Development Corporation, but the funding comes through the Yukon Energy Corporation because the Yukon Energy Corporation is a member of the geo-exchange, and you have to be a utility. But it's clear that this is how it's going to be transferred and this is what will be transferred. So, I think for the benefit of transparency and accountability, you have to have an agreement and there should have been an agreement.

I think what you've hit on, though, Mr. Cardiff, is one of my initial difficulties: tell me how much money the Yukon Development Corporation is going to give to the Yukon Energy Corporation this year. I couldn't get a clear answer. There was no budget line that said "Yukon Development Corporation transfers" or "program transfers." It was very difficult.

When I see things like that, I get nervous because I'm accountable for the Yukon Development Corporation. How do I know how much I'm accountable for if I can't find the number anywhere? Those were the things that really stirred me on. If you look now in our budget for 2005, you'll clearly see how much the dollar amount is and where it comes from. It's not a difficult question, but it's an imperative question because how do the Yukon Development Corporation financial people manage their cash flow? How do they know when they're going to need to pay out? What dollar levels are they going to pay out?

Are they going to have enough to pay their own bills? If you don't know the answer to that number, you're in a very difficult position.

The problem was that the finances were intermingled so tightly that you could never figure it out. And quite frankly, I think that led to the budgetary allowances just creeping up. So, if you needed more money and wanted to do more things, it was just so blurred that it didn't matter. It was just Yukon Development Corporation writing another cheque. That's my thinking.

Mr. Cardiff: Of the Energy Solutions Centre total annual cash influx, how much came from Yukon Development Corporation? How much of it came from other government funding and how much of it came from other sources?

Mr. Morrison: I don't know what paragraph it is in the auditor's report, but there's a reference fairly early on to the agreement setting up the Energy Solutions Centre whereby the Development Corporation would put in — I'm rounding — about $600,000 over three years. Then there was an NRCan agreement for about $175,000 a year for each of the three years.

If that was the intent in the beginning, it certainly departed from that fairly quickly. The Energy Solutions Centre funding goes like this, and has for the last few years. There's about $200,000 from NRCan, which is Natural Resources Canada, as core funding. There is a certain amount of money — and it's not significant — we'll round it up to about $100,000 that may come from NRCan or other federal programs that are very specific projects that the Energy Solutions Centre might have entered into with those agencies to do a very specific piece of work.

In 2002, the budget, basically the bottom line, is that the Energy Solutions Centre spent $1.5 million, rounded — $1.48 million. Some $300,000 of that came from the federal government; the rest came from Yukon Development Corporation, in either direct Yukon Development Corporation dollars or green power or energy efficiency power trust funds. Both those trust funds were originally funded by the Government of Yukon. They sit in trust over at Yukon Development Corporation.

In 2003, out of $1.7 million — sorry, out of $2 million, rounded, in total budget, say again $300,000 came from federal sources and the rest came from Yukon Development Corporation.

So, just in reference — and I have copies here I'd be happy to give everyone. I'm looking at the financial statements, and you can see that on page 37 of the annual report that this is a subsidy from Yukon Development Corporation to Energy Solutions Centre in the last couple of years, including the NRCan funding of about $1.4 million and about $1.7 million. So this 50:50 sharing that started in the beginning certainly crept away from that fairly quickly.

Mr. Cardiff: So what you alluded to at the beginning of your answer was that if you look at the front of the Auditor General's report, this was set up to kind of be what looked to be funded equally by the territorial government and the Canadian government, or the Yukon Development Corporation and the Canadian government, but it doesn't sound like that's the case.

Mr. Morrison: That's fair. Out of a $2-million budget, there was about $300,000 coming from the federal government. Maybe a little bit more, but not much.

Mr. Cardiff: Do you have any contact with the Government of Canada, which was a contributor to the Energy Solutions Centre, particularly around accounting for the use of those federal funds?

Mr. Morrison: We had to do some catch up last year — when the board asked for signing authority to come to the chair's office last year, one of the things we had to do early in 2004 was catch up the reporting requirements for NRCan. We were behind. We were behind invoicing them for money, and we were behind reporting to them. We're back on track with them now. We invoice on a quarterly basis. They have very stringent requirements about the information we have to provide to them in order to get paid. We have a contract with them. We adhere to that contract. We provide the information, and then they pay us.

Mr. Cardiff: Is it conceivable that, after the federal government reviews the Auditor General's report, some of these funds may be recalled?

Mr. Morrison: I don't think so. We actually have an agreement; we did the work under this agreement; we've reported. They could always dispute a number with us, which would be the normal course of events, but I don't think they'll recall or ask for their dollars back. We've done the work.

Mr. Cardiff: The next question is — I don't know if Mr. Hoenisch or Mr. Morrison would like to answer — is it not possible, in the absence of a funding agreement for the Yukon Development Corporation, to effectively manage or manipulate its bottom line and the bottom line of the Energy Solutions Centre?

Mr. Morrison: I'm not sure I quite understand the question, but let me try this. I think it's difficult for the Development Corporation to manage its bottom line in an effective manner when it doesn't have a funding agreement in place and, therefore, really doesn't understand the framework or the parameter of all the costs it might incur.

What it also does, I think, is not bring as much discipline to bear on the managers of the Energy Solutions Centre because it leaves a more open system. If we need some money, we'll just get it from the Development Corporation. But if you're working within the framework of an agreement, you have to adhere to that.

I'm not sure if they could manipulate the bottom line. It certainly makes it difficult to manage the bottom line.

Mr. Cardiff: I'd like to ask some questions. We may return to that a little later.

The auditor comments on the green power fund and the renewable power sales incentive programs. I believe it's secondary sales. Is that the same program? I'm just wondering how these two initiatives are being carried out today?

Mr. Morrison: The green power fund was — I'm just trying to get my years right here. I think, in 1998, the government of the day provided some money to the Yukon Development Corporation — I think it was about $3 million — to set up this green power fund. And they provided another couple of million dollars for an energy efficiency fund.

Those funds were to be used for energy efficiency and green power purposes. But I think one of the problems with them was that there wasn't a lot of clear policy guidance around where government was really trying to go with them. Consequently, while the monies were there, I think the basis of how they were reported and how the dollars were spent seemed to kind of drift away from people.

What we've done now — on the monthly financial statements provided to the board, the board gets a monthly update of the status of these funds and all expenditures in and out of the funds. We try to look at the building of budgets around the use of these funds. We've actually made a policy decision that all of the monies left in the green power and energy efficiency funds — originally the fund was to be a 10-year fund. There didn't seem to be any kind of focus on how much money was spent each year. So, what we've done now is to say, "This is how much is left. Divide that by five years, because there are five years left in the program, and we'll spend that amount of money each year." Or, we'll at least allocate that amount of money each year toward projects under those funds.

So then we've taken a lot closer look at what we're trying to do for Yukon energy efficiency and what projects we are allocating them to and how much is available. And it's about $600,000 a year over the next five years that would be available. Now, I haven't followed up on the auditor's comments yet about public access to those funds. But I do think they were right that the original intent was that groups would apply to the Energy Solutions Centre with projects and the centre would allocate those dollars to other interest groups or NGOs and things like that that were trying to do work in those areas.

We've gotten quite a ways away from that and try to use the money for our own purposes, and that is an aspect that needs to be looked at. On the renewable energy sales program, which is the secondary sales program you mentioned, the board of the corporation — Energy Solutions Centre and YDC and YEC collectively — decided that that program really wasn't in the right organization.

It's an energy program that should have been left in the Energy Corporation, and it has been returned to the Energy Corporation. It's Energy Corporation power. It's surplus hydro power from the Whitehorse-Aishihik-Faro system. It's very difficult for someone other than the utility to manage the program because they don't understand when there are too many people on the system or not enough or when they're going to turn them off. It does not have anything to do with the Energy Solutions Centre, but it is an operational issue for us. I mean, we watch very closely in the winter, and the last two winters we've turned all the secondary sales customers off for about a week as we get to peak. It is not the norm to have a program like that outside of the utility. So we brought it back.

We also got involved in a whole bunch of leases and loans, and the board has given direction to management and gave it to them a year ago that there would be no more of these, other than ones that were already in the system. So I don't think the Energy Solutions Centre should have been in the loan business or the lease business. They're not financed well enough to do that. It takes away from monies that could be used for other things. It's great that we have secondary sales in the Energy Corporation, but the Energy Corporation is a big kid and it knows how to manage its own business and could generate those sales all on its own. I don't think we needed to have a middleman in place here.

Mr. Cardiff: You mentioned that the green power fund was a trust fund given by the government to the Development Corporation. So how would it be that the Energy Solutions Centre ended up accessing these funds, and what other organizations are or were getting money from the green power fund?

Mr. Morrison: Let me answer the last part of your question first by answering it this way: I'll have to come back to you with that. I'm not sure which organizations, but there aren't very many. But we'll respond to you, if you don't mind, just so that I'm clear. Is that fine, Mr. Chair?

On the first part, it's my thinking that what happened was — and I go back to my comments earlier about mandate creep. I believe that what happened was that the Energy Solutions Centre began getting involved in a fairly broad breadth of areas of energy efficiency and demand-side management and those kinds of issues.

It didn't really put the energy into focusing on what I think was its original mandate and which I think is part of the problem of them spending the money on green power and energy efficiency initiatives and maybe other agencies and organizations not getting the money.

One of the original intents of the organization, at least if I reference the NRCan agreement, is that the centre would be the focus of — they would provide information to people looking for money. They would provide a help to people who were looking for money to take on projects.

I think they did some of that in the beginning but got away from it very quickly and actually became the people doing the projects, instead of helping others to access funds and show them how the NRCan system works so they could fit into this or that program. They very quickly got away from that and got into being the actual implementers of the programs. That's this mandate creep: what do we think we're supposed to be doing versus what we are doing. I don't think we looked at it.

I can say to you that, on all these funds, we started with a "what can we do" mentality, and "where are we going to get the money to do it", instead of looking outward.

Mr. Cardiff: So instead of becoming the vehicle to create the happening, they actually were trying to do the work. I have one more question. A little earlier in your comments about the secondary sales program, you alluded to the leases and you indicated that the board has given direction that no more leases be entered into. I'm just wondering if you can tell us what authority the Energy Solutions Centre had at the time it did enter into those leases to enter into those leases without board approval.

Mr. Morrison: They had no authority to do that, in my mind. Clearly any time you're going to loan money, it should have been approved by the board. I certainly may be proved wrong on this, but my understanding when I went to the board and asked if they had approved the hospital loan or any of these leases — they clearly said no, they weren't even aware they were there.

So management had gone out and entered into these agreements without anyone ever giving approval.

And it shouldn't happen. I'm not trying to be flip at all. It just happened. It did just happen. People went out and exercised these authorities.

Mr. Hardy: I'll be turning the questions over to Mr. Rouble now.

Mr. Rouble: Good afternoon, gentlemen. In the Auditor General's report, special mention was made of energy audits. In fact, it indicated that energy audits exposed the company to unnecessary financial risk. Would you briefly explain what energy audits are, what the costs are to the Energy Solutions Centre, and how the costs are recovered?

Mr. Morrison: While I'm starting to answer the question, I'm just going to ask — Eric, in the financial statement, do we have a number on the cost of energy audits or the write-off?

Just to help me out for a minute here while we're — perhaps it might be clearer if you think of energy audits as energy efficiency audits of buildings or reviews of buildings. So there are certain pieces of equipment, bits of technology and processes you use to test how efficient a building is, both commercial and residential buildings.

The Yukon Housing Corporation has a residential energy audit program, and there are so many dollars allocated each year to that.

The purpose of doing them is to, say, look at a commercial building — in the case of the Energy Solutions Centre — to determine how and what the building owner might do in order to save money on their power bill and reduce either the burning of heating fuel oil or propane, thereby reducing greenhouse gas emissions and lowering the requirement for energy consumption.

So, it can be a very positive program. The process that was entered into here — and we talked about this a little bit yesterday among ourselves. Energy audits are a good thing. They can provide a good service within the community, and then if the building owners undertake the work, it will be something we will all benefit from in the long run because they will reduce pressure on the system and greenhouse gases.

The difficulty here was there was not a real plan and no commitment on behalf of the building owners. They didn't have to do anything and they had no investment, which is part of the problem. So, how are you allocating the resources of the corporation, and then how are you picking people to do these energy audits? And I guess the question I would ask, if I were reviewing this program, is: how many people actually did the work?

Well, there weren't very many. There were some companies that did some lighting work, so they were saving some money on their light bill. But overall, the criticism provided in here by the Auditor General is fair criticism because in the case of commercial buildings the energy audits can be thousands of dollars. And if you don't recoup that money, those thousands of dollars have kind of gone by the wayside.

The general idea was that the building owners would pay back the Energy Solutions Centre once they had undertaken this work and were generating energy savings. But from a business point of view, at some point you have to analyze whether or not an asset you've got on your books, which is a recovery of these monies, is really recoverable. In the past, we had never taken the time to look at writing these things down — whether or not we were ever going to recover the monies. I mean, if it's 10 years old, you're not recovering the money. Now, maybe you'll be really lucky and it will happen, but that's not good business practice.

So, I think it's a question of how you're going to best allocate your resources. What is the likelihood you're going to recover? Are these people actually going to make the investment? Can they make the investment? These are thousands of dollars' worth of improvements. You know, in an economy that's maybe not the best, are people going to make that investment? You have to ask yourself those questions.

So out of it all, this year, it was about $82,000 in the financial statements that we wrote off for the non-recovery of these costs. Now, perhaps we'll recover some. We won't take them off the books entirely, and down the road there may be some money that comes back, but that is the issue.

Mr. Rouble: Does the Energy Solutions Centre still conduct these audits?

Mr. Morrison: Well, we haven't done anything in the last little bit here, but there is an ability to do that. But again, it's not a question that the program's all bad. It's a question of whether or not you're doing it in a prudent manner. And I think that's the issue — that we have to be doing them in a prudent manner — and we have very little money set aside for them. They also fit into the NRCan agreements that we have, so it's not something that we can totally abandon, even if we wanted to.

Mr. Rouble: In paragraphs 78 to 89 of its report, the Auditor General comments on the Yukon Hospital Corporation project and the Haines Junction aquifer project. Would you please update the Committee on the current status of these two projects and the likely future involvement in them of the Energy Solutions Centre?

Mr. Morrison: The Energy Solutions Centre started the Whitehorse hospital project, and it was to install an electric boiler system at the hospital so that the hospital could buy secondary power from Yukon Energy Corporation. The hospital is a large user of renewable energy sources for heat, and this project was going to save the hospital quite a bit of money and, I believe, over time it will save the hospital money.

To make the project happen, someone had to lend the hospital approximately $750,000. That was done by the Energy Solutions Centre. Subsequently, the Yukon Development Corporation took over the loan. But nonetheless, the Energy Solutions Centre lent the hospital $750,000. The hospital repays that loan based on half of the amount of money it saves each month on burning diesel fuel — or heating fuel. So it is a very quick payback, and it is also a good customer for Yukon Energy. So the hospital has been operating on this system for a number of months now, and I think it is proving to be a beneficial project. If you had the kind of resources to lend everybody, or other people, $750,000 — you know, you could keep doing those kinds of things. But the Energy Solutions Centre had no money. It was being funded on a deficit basis by its parent, and how could you expect that it could lend people three-quarters of a million dollars? I don't understand this, but nonetheless it's out there. The Hospital Corporation is a good corporate citizen. It's paying its loans back, and I am hopeful we'll get all our money out of it. And Yukon Energy is getting some revenue. So there is a good part there.

On the Haines Junction aquifer project, we got funding from the Canadian Geo-Exchange and, I believe, the Federation of Canadian Municipalities, to enter into a project with Haines Junction to look at the warm water aquifer that they have out there in Haines Junction and determine whether or not we could take that water and set up a small municipal heating system — a district heating system primarily for municipal buildings, to start with, on a test basis.

We drilled a well and then we had an engineering firm do a feasibility analysis. Basically the design of the system and the feasibility analysis proved to us that there was not enough cost savings. In other words, what would happen is a hot-water system would heat these municipal buildings instead of their oil- or propane-fired furnaces. There weren't enough savings on the cost of oil to make the system economical.

We've been meeting with the Village of Haines Junction on a pretty regular basis. We had a little spat in the summer but we mended our fences, so we're back on with them. They have asked us to do a couple more things in terms of looking at the numbers that were prepared and looking at the size of the system, but it's relatively clear that, without a large capital contribution, at least most or half of the amount of money it would take to put in the system, which is a couple million dollars, in absence of somebody giving us that money, the system isn't going to be economical.

We're going to look at a smaller version and it may be more economic, but it's going to need a large capital infusion.

At the same time as we've been working on this project with the Village of Haines Junction, the Champagne and Aishihik First Nations have applied for some money under a federal program called the "opportunities envelope" to drill a well on their properties within the Haines Junction area.

They have a much newer and more efficient water and sewer system. They have a large number of buildings they may be able to put on the system, and they want to pursue, and will be and are pursuing the drilling of another well to determine whether some economies of scale might make the project more economical.

All we're doing with these organizations at this point is — if I could go back to the role I was talking to Mr. Cardiff about — helping people facilitate their investigations. We're helping them prepare applications for money from other sources and we're helping them to understand the intricacies of the project. We have a few dollars allocated in our budget this year to help them do that, given that the Champagne and Aishihik First Nations would be successful in their application for funds.

But it's now down to a point in that project where we have to decide who's going to fund it and whether or not it's economical. An initial view of it is that it's not economical.

That's what we were up to.

Mr. Rouble: With the Yukon Hospital Corporation — I look at this project and would hope that those putting forward this solution would be doing so with the best of intentions. How can we find a way to facilitate the hospital in reducing greenhouse gas emissions, saving money, but I have a question. When the managing director was writing the proposal, where did he anticipate getting three-quarters of a million dollars to fund it from?

Mr. Morrison: I'd like to be able to help you, but I'm not sure. My only speculation can be that the Development Corporation would provide the dollars.

Mr. Rouble: Then how did the process work? Did he then say, "Well, I've sold this system. Now all I need is three-quarters of a million dollars to buy it, and here's the business case as to how it will be paid back"?

Mr. Morrison: I would hope that that would be how it happened, and I'm sorry, I just don't know the reasons. It was done before I got there, so I'm just trying to think through — that it was a project that people, as you say, thought was — with good intentions. They thought it was a good thing. We're going to reduce greenhouse gases; we're going to get people off heating fuel. It's going to be a good deal for the Energy Corporation because they're going to sell power. Where they were going to get the money — I'm quite sure they thought the Development Corporation would provide the money. It blurs in those budgets as to where these dollars come from when there's no clear agreement, as we were talking about earlier with Mr. Cardiff. It would have been budget highlighted, we need this money next year, specifically this is the project — approve or disapprove.

Mr. Rouble: A level of approval from the board. And I think that gets right to the crux of the matter, was what were the limits of activities on individuals throughout the corporation and did they actually respect the limits of authority that were placed upon them?

Mr. Morrison: In this case, I think I'm going to have to come back to you about this. But I think the president had capital authority in that range, so I think that's how they did it. But regardless of that, it should have been clearly outlined and presented to the board for approval — regardless of whether someone had authority to do it or not.

Mr. Rouble: I think you've already answered this question: do you believe that it makes sense for the Yukon Development Corporation to lend money to the Yukon Hospital Corporation, particularly when neither the Yukon Development Corporation nor the Energy Solutions Centre has received explicit approval from the board of directors for the series of projects?

Mr. Morrison: I don't think that's the proper way to do it. If the Yukon Energy Corporation wanted to sell secondary power to the hospital, they should have been dealing directly with the hospital, and any monies that were invested in order to make that sale happen should have been invested by the Yukon Energy Corporation — if at all. I'm not suggesting that the Yukon Energy Corporation should have gone out and lent them money.

What I'm saying to you is that it's part of what the utility business would call demand-side management. It would have been, and should be, subject to the scrutiny of the Yukon Utilities Board as a Yukon Energy Corporation activity. So I think that's where it more appropriately should have happened. Then the board could have made a decision about whether it wanted to invest this amount of money to generate this amount of sales. Then there's a direct relationship. Now we've got a separate corporation lending money to another corporation of the government in order to benefit a third corporation of the government.

I'm not sure there are clear lines here. So I would rather see — I'm a fairly black-and-white, straightforward operator that way. I'd rather have seen it stay in the Yukon Energy Corporation. It was clearer and cleaner.

Mr. Rouble: To follow up on this then — for Mr. Phelps. Would you see it as a board decision, then, to approve such a business case decision, or is the authority to enter into positive business cases delegated to the management of the organization?

Mr. Phelps: Clearly I see it as a board decision.

Mr. Rouble: Thank you, Mr. Chair.

Mr. Hardy: Thank you. Mr. Cathers has a few wrap-up questions.

Mr. Cathers: I'd like to ask you a few questions about the future of the Energy Solutions Centre. Of course, there was the Yukon government news release yesterday concerning the future of it and the announcement by the Premier that the Energy Solutions Centre is supposed to be moved under the Department of Energy, Mines and Resources.

Are you in a position to advise us specifically how the transfer of the Energy Solutions Centre to Energy, Mines and Resources will be carried out? I'm not sure who wishes to answer that question.

Mr. Phelps: I'm presuming, and I'm pretty sure that what will happen, is the corporation itself will be wound up, cease to exist, as a corporation under the corporations act, and the assets will be transferred to the department. We will then have to enter into appropriate negotiations between Yukon Development Corporation on the one hand and the department on the other with regard to what becomes of some of the funding, specifically the two funds. I suspect, as well, there will have to be some kinds of arrangements made as to transition costs as this occurs.

Hopefully this will all take place over the course of the next five or six months and be done.

Mr. Mr. Cathers: That answers part of my next question. So your understanding, then, is the Energy Solutions Centre is likely to be a branch of Energy, Mines and Resources, or would it alternatively be a program or remain in corporation form?

Mr. Phelps: We don't have an answer to that. It's more appropriate that the department and the minister answer that. I think it has been clearly demonstrated that there was no need for this corporation and some of the pitfalls of having this particular corporation have become quite obvious — and the expense of it, the unnecessary expense. I could see it — I am perhaps speaking out of turn — being something like a directorate, a branch, a special directorate of the branch, of course maintaining the storefront and acting as a clearing house and facilitator for getting federal funds for these kinds of things, and matching them with YTG funds.

Mr. Cathers: Can you tell the Committee whether the transfer of authority for the Energy Solutions Centre has been discussed with its board of directors?

Mr. Phelps: Yes.

Mr. Cathers: One final question I have — I believe it's the final question: can you provide some specifics on how this transfer of authority will address and resolve the issues raised in the Auditor General's report, particularly with regard to accountability to the minister and, ultimately, to the public?

Mr. Phelps: I think we touched on all the issues. We were talking about accountability and transparency; we were talking about them now being a part of a department in government, with all the financial controls and rules that are in place now. We're really talking about their money coming from the government, after being debated in the budget each year in the Legislative Assembly. I think we're going to be seeing a situation where we don't have some of the unnecessary expenses that are attendant upon having a corporation for a rather small program.

Anything else?

Mr. Morrison: No, I think that's pretty good.

Mr. Hardy: Are there any questions that people want to follow up on? I have a few right now, so if people are thinking about it, I'll ask a couple. I'm going to pick up where Mr. Cathers left off. You indicated the board has discussed this transfer.

When did the board discuss it, and does this need board approval, or is this something that the territorial government has the authority to do?

Mr. Phelps: Well, I can assure you it will have board approval. I don't know if that's absolutely necessary. I think in the end result the government can do it over the objections of the board, but this was discussed at our last board meeting, which was in December and, I believe, before I was involved, in November.

Mr. Morrison: Yes. We presented to the board the possibility that this was one of the directions that things could go. We just had the Premier announce this the other day. But we've — and I don't mean for this to sound gratuitous, but we try to keep the board informed of all the issues, even issues that are being dealt with with the government on governance. I mean, the board has a role in that. We can't necessarily outline them in public all the time, but we can't do anything in terms of new governance structures without having the board clearly be supportive or give direction in that regard. So this was talked about with the board as a possibility and perhaps one of the options that the government might want to exercise.

Mr. Hardy: To clarify, so this was an initiative that came out of the Yukon Development Corporation as a suggestion that would resolve some of these issues and then present it to the government? Yes. Okay, thank you.

Okay, going back on a couple things, you mentioned the operational audit, which the auditor generals use a different term for; I think it's "value for money". Yes. How public is this operational audit? Is it provided to the minister, and are there standards developed for such an audit?

Mr. Morrison: It certainly isn't a document that we've made public. You know, in my position as chair at the time the audit took place, I certainly reviewed the audit and the recommendations with the minister and, in addition to that, informed him of the actions we were going to take to improve the operations. I think that's part of the chair's normal responsibilities. We did provide a copy to our auditors. I think it's important that they are up to speed as well.

We didn't have a standard. That's why I say that we probably look at it a little bit differently than the auditors would on a value-for-money audit. But what we've done each year is to try to come up with a different area. So, if there was a way to develop a standard, overall, for doing these things, we'd be happy to talk to the auditors about it, but we've only approached it on a case-by-case basis.

Mr. Hardy: A lot of the discussion and a lot of the concerns today have been around keeping various people informed, communications, accountability, and reporting to each other. That has obviously been lacking for awhile, anyway.

I do have the shareholder letter of expectations 2004-05. This is the agreement between the minister responsible for the Yukon Development Corporation and, of course, the Yukon Development Corporation and Yukon Energy Corporation. I was looking at it and going down the bullets and it's nice to see some of this work being done.

I just have a couple of questions with respect to it. The bottom bullet — you don't have a copy of this in front of you, do you? I'll read the sentence out to you and follow with a question. It says, "Adopt and implement strategic and annual business plans, which identify comprehensive, attainable goals and objectives and set appropriate performance measures for the corporation and which promote transparency and accountability within the regulatory regime set up under the auspices of the Yukon Utilities Board." We've heard a lot of that today already, and I think we all agree with that.

My question out of it is this: what progress has been made in setting performance measures for the corporation? How and when will these be reported and to whom?

Mr. Morrison: I've partly answered it. I think the piece that we haven't finished yet, and the reason we haven't in this regard is that we have to take — let me back up for a minute. At the board meeting in December, the board of the Energy Corporation reviewed and approved both the financial budget, which is part of the business plan, and the business plan itself — so the narrative and the priorities and the entire plan. Unfortunately, because we had a fair bit of work on our plate, what we took to the board of the Development Corporation and the Energy Corporation in December was just the financial plans, and they've been approved. At the end of this week, we have the Development Corporation and Energy Solutions Centre corporation board meetings, and the directors will be reviewing the business plan in entirety, including the financial plan. Once they're all approved, it is our intention to provide these to the minister for his information.

Now, this is a departure from what we have normally done and we think it is good governance practices for us to do that. These plans contain goals and objectives, strategies and performance measures. I think we could do work on them. I think we can improve them. But they're there, and that will give us an opportunity to at least start addressing that commitment we've made in the letter of expectation or the commitment that is required of us in the letter of expectation.

Mr. Hardy: I have one more question in regard to that agreement. On the second page, again I will read the sentence: "Develop for the government's review a commercial dividend policy". Can you elaborate on the possibility of the commercial dividend policy, what is it and where are you going with this?

Mr. Phelps: This gets back to — of course, the Yukon Development Corporation receives funds from the Yukon Energy Corporation in two ways: payment on the loans and dividends. The Yukon Development Corporation acts as the main financier for the Yukon Energy Corporation. That's worked out pretty well over the history of the two companies.

The intention is that money over and above that ought to be paid by way of dividend to government. So it goes into general revenues and then is spent in the budgetary process, even if it's money that will be coming back to be spent by Yukon Development Corporation, such as what happened with the rate relief program, should it be continued.

So what is anticipated is that we will simply be coming up with a dividend policy for Yukon Development Corporation and for Yukon Energy Corporation, which will take into account the needs of the utility company and ensures that money over and above the anticipated needs of the Yukon Energy Corporation would be dividended to government, would go into the general revenues, and be debated and spent in accordance with government priorities.

We assume that most of that would go back into the energy field, but that's a government decision. It's their money — or your money.

Mr. Hardy: I want to see where we are because I do have a follow-up question. What you're saying is quite fascinating. Do we have questions here from other — okay, I'll just finish up with one follow-up question: why?

Why would you move it over into government coffers with the hope that some of it will be put back into energy, but knowing the way general revenues work that it can disappear quite easily into what is considered other very high priorities?

Mr. Phelps: But the practice is, and the understanding is in other jurisdictions, of course, that the power corporations dividend their profits to government. I mean, that's the standard practice right across the country, as I understand it. And why, why would we do it? We've talked about the transparency and accountability. For all the faults, the way the Legislature works, I think it's a very important exercise, the budget debate, and what's more transparent than that, really? Why would government at any given time spend most or all of it on energy-related issues? Well, that's a political decision, of course, but I think there would be a fair amount of public sentiment about whether this money should go back into the energy field. It's just that the Legislature shouldn't be bypassed, in our view, and that's our recommendation to government.

Mr. Hardy: Okay. I was seeking some rationale around it. Thank you very much. Now Mr. Rouble has a question or two.

Mr. Rouble: Thank you, Mr. Chair.

Gentlemen, I'd like to thank you for your participation today and your candour. You've been very forthcoming with information, and it has been very easy to conduct a dialogue. There have been a lot of good things said about the Energy Solutions Centre. It has been an award winner, an innovator, an organization that has tried creative solutions. They've tried new experiments and thought outside the box in more than one sense of that term.

Now, the lack of controls, the decision making without authority, the inefficiency in their spending and the lack of transparency in the organization certainly cannot be excused.

I recognize that the Auditor General's audit was not a value-for-money audit. But, please, I'd like to give you the opportunity to leave us with some of the successes of Energy Solutions Centre.

Mr. Morrison: Thank you very much, Mr. Rouble, for that question. I really appreciate the opportunity that you have given us to make this point. You know, it is easy in all of this to lose sight of the fact that, just as you've stated, the Energy Solutions Centre has done some very good work. They are involved in some very good programs, programs that benefit all of us. There are some very good people who have done some very good work within the Energy Solutions Centre umbrella, and I would hate to lose sight of that in all of this.

I think if the board had thought that the work wasn't beneficial, the board would have maybe taken some different action, but, no, the board of Yukon Development Corporation and the board of the Energy Solutions Centre have approved budgets that provide the ability for this organization to go on and keep doing good work — maybe with more controls than in the past, and certainly with a lot more accountability.

Some of the programs in terms of this year, where we're looking at some district heating issues in Watson Lake and Mayo, where we've got some small community wind initiatives, very small — but the First Nations energy management work that we do out of the centre, the advice that we have been able to give people on energy efficiency and some of the green power programs in the past, where we've done the fridge exchange, which has been a really successful program and the green HOG program.

There is a lot of good work and that is the difficulty that I have with the situation we found ourselves in — trying to make sure that we didn't lose sight of all of that while at the same time maybe reining back in the financial controls. But I really thank you for the opportunity to say that there is a real reason for keeping the Energy Solutions Centre in some form and for those people who are doing this work to keep doing their work.

Mr. Hardy: I've got a couple of little questions. And I'm not going back to the dividend one, even though I'm really interested in getting into that discussion.

There has been a change on the board. Mr. Phelps, of course, is the new chair. Have there been any other changes on the board? Have new people come on?

Mr. Phelps: Yes, in the last few months, Barb Joe is new. She was appointed following the retirement of Ed Chambers. Paul Hunter has been appointed. He was appointed four or five months ago — and myself.

Mr. Hardy: That's not half. How many make up the board — seven?

Mr. Phelps: Nine now. We can go up to 10.

Mr. Hardy: Now, you mentioned earlier — and I'm not going to belabour this point — that you felt that these appointments should be removed from the political influence they have historically been under and that it's time to find another way to make appointments. I appreciate that comment, and I think a lot of other people appreciate it too.

Saying that, I don't see — sorry, Mr. Thompson wishes to make some comments.

Mr. Thompson: I just wanted to confirm one rather important point, I think. It's our view that our report on the Energy Solutions Centre should not in any way be read or understood as tarnishing the entire Yukon public service or Yukon public institutions. It has been our experience working here in the Yukon that the vast majority of public servants care very much about managing scarce taxpayer dollars in a very responsible manner. I think that should be understood.

What we've been discussing today, and what our report reveals, we view as being very much the exception to the rule.

Thank you.

Mr. Hardy: Thank you, Mr. Thompson. There are so many things within the report that also make a lot of questions, and I'm sure those questions will be asked by the media and within the Legislative Assembly when it reconvenes, and I know the challenges facing you.

Before I close out, Mr. Cathers has another question or comment.

Mr. Cathers: It's actually not a question; it's a closing comment. I'd like to thank you three gentlemen — Mr. Morrison, Mr. Phelps, Mr. Hoenisch — for your help here this afternoon and this morning and the information you've provided to us. You've been very forthcoming in your answers, and I appreciate that. I'd like to thank the Auditor General's staff as well.

And speaking as an MLA, I'd like to thank all of you for your work in fixing the problems that have been identified and improving the accountability of how the taxpayers' money is handled.

Mr. Hardy: I should let Mr. Cathers do the wrap-up comments, shouldn't I?

On behalf of the Public Accounts Committee, I also thank you for your candour, for your comments, and for your commitments and contributions to the future of the Yukon as well. We will be seeing you tomorrow — I believe it's the same people again — to continue discussions on another topic within your corporation. So, thank you very much.

I'd also like to thank my colleagues and the assistants of the Auditor General, and the Clerk as well for their assistance today. We'll see everybody tomorrow.

The Committee adjourned at 3:00 p.m.