



Legislative Assembly of Alberta

The 27th Legislature
Third Session

Standing Committee
on
Public Accounts

Energy

Wednesday, March 10, 2010
8:30 a.m.

Transcript No. 27-3-4

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Anderson, Rob, Airdrie-Chestermere (WA)
Benito, Carl, Edmonton-Mill Woods (PC)
Calahasen, Pearl, Lesser Slave Lake (PC)
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Mike Ekelund	Assistant Deputy Minister, Energy Future and Strategic Initiatives
Tim Grant	Assistant Deputy Minister, Electricity, Alternative Energy, and Carbon Capture and Storage
Dan McFadyen	Chair, Energy Resources Conservation Board
Peter Watson	Deputy Minister
Rhonda Wehrhahn	Assistant Deputy Minister, Resource Revenue and Operations

Auditor General's Office Participants

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Doug Wylie	Assistant Auditor General
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[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this committee meeting to order, please, and welcome everyone to the Standing Committee on Public Accounts this morning. I would advise our guests before we start that we do not need to operate the microphones as this is taken care of by the *Hansard* staff. The meeting is recorded by *Hansard*, and the audio is streamed live on the Internet.

Before we proceed to item 2 on the agenda, I will quickly request that we go around the table and introduce ourselves, starting with the hon. Member for . . .

Mr. Rodney: Calgary-Lougheed, of course. Thank you, Mr. Chair. Dave Rodney, Calgary-Lougheed, deputy chair.

Dr. Massolin: Good morning. Philip Massolin, committee research co-ordinator, Legislative Assembly Office.

Mr. Groeneveld: George Groeneveld, Highwood.

Mr. Griffiths: Doug Griffiths, Battle River-Wainwright.

Mr. Vandermeer: Tony Vandermeer, Edmonton-Beverly-Clareview.

Mr. Dallas: Good morning. Cal Dallas, Red Deer-South.

Mr. Kang: Good morning, everyone. Darshan Kang, Calgary-McCall.

Mr. Chase: Good morning. Harry Chase, Calgary-Varsity.

Ms Wehrhahn: Rhonda Wehrhahn, Department of Energy, resource revenue and operations.

Mr. Ekelund: Mike Ekelund, Department of Energy, strategic initiatives.

Mr. Borland: Douglas Borland, Department of Energy, finance.

Mr. Watson: Peter Watson, deputy minister, Department of Energy.

Mr. Grant: Tim Grant, Department of Energy, electricity and alternative energy and carbon capture and storage.

Mr. McFadyen: Dan McFadyen, chair, Energy Resources and Conservation Board.

Ms Dawson: Mary-Jane Dawson, principal, office of the Auditor General.

Mr. Wylie: Doug Wylie, with the office of the Auditor General.

Mr. Saher: Merwan Saher, Acting Auditor General.

Mr. Olson: Good morning. Verlyn Olson, Wetaskiwin-Camrose.

Mr. Sandhu: Good morning. Peter Sandhu, Edmonton-Manning.

Ms Calahasen: Pearl Calahasen, Lesser Slave Lake.

Mr. Elniski: Doug Elniski, Edmonton-Calder.

Mr. Xiao: David Xiao, Edmonton-McClung.

Ms Rempel: Jody Rempel, committee clerk, Legislative Assembly Office.

The Chair: Hugh MacDonald, Edmonton-Gold Bar.

The agenda that was circulated: may I have approval of that agenda or changes? Moved by Mr. Cal Dallas that the agenda for the March 10, 2010, meeting be approved as distributed. All in favour? Thank you very much.

The next item, the minutes from the February 24, 2010, meeting. Can I have approval of those minutes as distributed? Moved by Mr. Sandhu that the minutes for the February 24, 2010, Standing Committee on Public Accounts meeting be approved as distributed. All in favour? None opposed. Thank you.

Of course, this comes to the next item on the agenda, our meeting with the officials from Alberta Energy this morning. We're dealing this year specifically with the information provided by the department in the annual report from 2008-09, the annual report of the government of Alberta, the consolidated financial statements, and, of course, the reports of the Auditor General from April and October 2009. I would at this time remind everyone of the briefing material prepared for the committee by the LAO research staff.

Before we get to questions by the members, we will hear from Mr. Watson, the deputy minister, for a few moments and also, perhaps, someone from the Auditor General's office as well.

We'll proceed, please, Mr. Watson. Thank you.

Mr. Watson: Thank you, Mr. Chairman. Just before I make my introductory remarks, I do have a few other folks that are in the gallery here that I should identify as well. With us is also Mr. Steve MacDonald from our oil sands division; Ms Anne Denman, executive director of oil sands operations; Mr. Jeff Kucharski, from our regulatory project and energy future group; Trevor Dark, who's the chief operating officer of the Energy Resources Conservation Board; and Jim Law, the director of external relations with the Alberta Utilities Commission. I wanted the members to be aware of those folks in the audience today.

I'm pleased to share some of our highlights and our accomplishments in the 2008-09 fiscal year and give you a bit of a snapshot of that year. It was a very interesting year, and issues that we faced that year ranged from environmental responsibility issues relative to energy development to the economic recession that challenged us throughout the year. We went into the year enjoying all-time high oil and gas prices and continued robust growth here in Alberta, but by the end of the year Alberta was entering a recession. Markets were falling and energy prices were declining, and Alberta wasn't immune to those issues and challenges.

As we worked throughout that year, one of the things that we did to paint our picture and our story for how Alberta intends to move ahead was the authorship and the release of our provincial energy strategy in December of 2008. This strategy is a blueprint for our energy future that provides the balance for a long-term plan for success with a series of nearer term steps and levers that we're pursuing. The strategy aligns with the government's priorities and was built around three goals: clean energy development, wise energy use, sustained economic prosperity.

Also, throughout 2008 we were making our preparations to implement Alberta's royalty framework, and a significant amount of work was under way to implement that framework. However, as I mentioned, at the same time we were entering a significant recess-

sion, and also, as members will know, throughout that year government took steps in November of 2008 and again in March of 2009 to support drilling activity throughout the province and, thus, royalties and economic benefits for Albertans through our transitional royalty curve and our incentive programs.

Royalties are a complex topic, and we know the royalty regime is not easily understood by Albertans that are not directly involved in the energy business and the energy industry, so we've been working hard to bring more transparency to the royalty regime and to help Albertans better understand it. We took steps in 2008-09 to improve public access to royalty information on our website and a broader understanding of royalty information. This was some of our efforts in response to the Auditor General's recommendations as well as the recommendations arising from the review undertaken by former Auditor General Peter Valentine.

On our website we have produced an energy economics report that will be updated on an annual basis along with information in our annual report which we hope will help Albertans understand our royalty system and the complexity of it as well as some of the corresponding information that they need to know regarding activity levels associated with the industry in the province.

Economic prosperity also means getting more value from Alberta's resources and producing higher value products from our raw resources, so in 2008-09 we undertook some significant work in collaboration with our Finance and Enterprise department to design our programming to implement bitumen royalty in kind, or BRIK, to help us move forward with those objectives. We developed a bitumen processing request for proposal that was released publicly last October, and submissions were received this past January. BRIK will allow Alberta to use our oil sands raw material for upgrading and refining and help lay the foundation for more value-added processing in the province in the future.

In 2008-09 we also collaborated with Finance and Enterprise to undertake background work and develop proposals and analysis supporting an integrated chemical cluster operation in the future in the Industrial Heartland area.

Again, our provincial energy strategy that we published in 2008 is helping us set the course for long-term success. It builds on our strengths, our resource base, our people, and our entrepreneurial spirit.

Another long-term plan that the Department of Energy helped set in motion during the 2008-09 fiscal year was Alberta's land-use framework, and this framework also links with our energy strategy by outlining a long-term approach to addressing the pressures on our landscapes across the province and helping us manage the cumulative footprint of development and integrate our economic, social, and environmental factors as we go forward. The Department of Energy provided a significant amount of support in developing that strategy, which was also released in 2008.

As the members know, we have moved forward with some of the regional planning work under that strategy. Again, it's referenced as one of the levers in our provincial energy strategy around managing our environmental footprint of energy development in this province, and the land-use framework will be one of the policy exercises that will help us to do that.

In 2008-09 we continued to work to reduce the growth in emissions related to energy development and use. In December 2008 we announced a renewable fuel standard. The standard will require an average of 5 per cent ethanol content in gasoline and 2 per cent renewable content in diesel. Once implemented, this standard has the potential to reduce emissions by about 1 million tonnes annually, equivalent to taking more than 250,000 vehicles off the road each year. Again, this speaks to one of the priority goals in the

provincial energy strategy around clean energy development. Of note regarding that standard and our bioenergy program, we are the first province to require that biofuels that are supported by our bioenergy program and supporting our renewable fuel standard show a 25 per cent or higher reduction in greenhouse gas emissions to be eligible.

8:40

In the spring of 2008 we launched the Carbon Capture and Storage Development Council to help us put a plan together for how we can best implement CCS in Alberta. This was a follow-up from our commitment to establish the council as part of Alberta's climate change strategy.

In July of 2008 we announced that the government would invest \$2 billion for large-scale steel-in-the-ground CCS projects to help Alberta develop and commercialize the technology and apply it and share it with other jurisdictions in the world. As members know, this is a large commitment and positions Alberta in a leading way with jurisdictions around the world that are working on this initiative. Carbon capture and storage is important to our climate change strategy and to our provincial energy strategy. Given the nature of our emissions profile in the province and our resources that we have available to us, we believe it's very important to advance this effort.

In summary, 2008-09 was a unique year. We were challenged to respond to economic concerns and also to plan for our ongoing success in the years and the decades ahead. Much of the work that we started in that year will form a foundation that we'll continue to build upon as we go forward.

Thank you very much, Mr. Chairman. I'm happy to answer your questions.

The Chair: Thank you very much.

Now if we could hear, please, from Mr. Saher, the Auditor General's office.

Mr. Saher: Thank you, Mr. Chairman. Mr. Wiley will read our comments into the record.

Mr. Wylie: Thank you. Mr. Chairman, the results of our current year's audit work at the Ministry of Energy are included on pages 195 to 205 of our October 2009 report. We completed our audits of our financial statements of the ministry, the department, the Alberta Utilities Commission, the Energy Resources Conservation Board, and the Alberta Petroleum Marketing Commission. We also completed a review of selected performance measures in the ministry's annual report. We issue unqualified audit opinions on these financial statements and an unqualified review engagement report on the selected performance measures. I'll briefly highlight our recent recommendations.

In the current year we made four recommendations to improve departmental processes. Our first recommendation, which is located on page 195 of our October 2009 report, related to the department's monitoring of the implementation of the bitumen valuation methodology, which became effective January 1, 2009. In our second recommendation, on page 197, we recommended that the department improve their processes to prepare financial information. Our third recommendation appears on page 199. We recommended that the department improve the controls and documentation supporting the revenue forecasting model. Our last recommendation to the department was on page 200. We recommended that the department monitor the impact of the change in the provincial average corporate effective royalty rate on the department's accounts receivable and incentive programs.

On page 202 we made one IT-related recommendation to ERCB, that it assess the adequacy of its SAP business application access and security controls to ensure its information is protected.

Prior year outstanding recommendations are noted on page 338. In accordance with our practice all recommendations will be followed up and reported on in future public reports.

Mr. Chairman, that concludes our opening comments. Thank you.

The Chair: Thank you very much. We appreciate that.

The chair would like to recognize members who have joined us: Mr. Benito, Mr. Anderson, and Mr. Mason.

We'll now proceed quickly to questions. Mr. Chase, please, followed by Mr. Xiao.

Mr. Chase: Thank you. As we've just heard, the Auditor General's department has made recommendations with regard to bitumen evaluation. It's a complex issue, and please indulge me as I try to get clarification.

Recommendation 20 on page 195 of the AG's October 2009 report states that the Department of Energy should "improve its monitoring of the implementation of the bitumen valuation methodology." The Department of Energy accepted the recommendation. However, the problem underlying the recommendation was that two oil sands operators were using bitumen values much lower than the values being used by other operators. They were doing this because they were basing their valuations on royalty-amending regulations, agreements the companies had with the government that were made in 2008, and not on the bitumen valuation methodology ministerial regulation, which was passed January 2009 and applies to all companies. As of the time of the AG's report this issue had not been resolved. Therefore my question: has the conflict between the royalty-amending regulation and the bitumen valuation methodology ministerial regulation been resolved?

Mr. Watson: The discussions between the operators under Crown agreements and the department are continuing at this time regarding the provisions that are in their Crown agreements. We're conducting some analysis ourselves as well as working on some joint analysis with both companies with respect to bitumen quality and transportation adjustments. We're working towards resolution of those issues, and we will be providing further clarity on that as we move to our year-end financial statements.

Mr. Chase: Thank you. With my follow-up, the Auditor General's department, please feel free to add any comments if you feel they're necessary. According to the Auditor General October 2009 report, page 196, \$100 million was potentially at stake. Has the ministry been able to collect this full amount of bitumen royalties from the two companies involved?

Mr. Watson: I'm just referring to that page.

Mr. Chase: Page 196 of the October 2009 AG report, the discrepancy of potentially \$100 million.

Mr. Watson: The department identified the issue. Actually, I believe, we brought it to the attention of the Auditor General when they were conducting their review, so we're aware of the issue and the discrepancy. Again, as I said, we're working to resolve that issue, and as we move forward to our year-end financial statements, we'll be providing clarity on that.

Mr. Chase: Thank you.

Mr. Saher: Perhaps I could just supplement. The deputy minister has talked about further clarity at the time the financial statements are prepared. From the Auditor General's point of view we will have to express an opinion on the department's financial statements, so we will be obviously at that point and we are engaged in discussions with the ministry at this time. The audit doesn't just start at the year-end. It's an ongoing process. We will have to take a view when we issue our opinion on the financial statements as to whether or not the department's estimates with respect to this issue are well supported and whether we can in effect agree with them and give a clean audit report.

Mr. Chase: Thank you.

The Chair: Thank you very much.

Mr. Xiao, please, followed by Mr. Kang.

Mr. Xiao: So soon today?

The Chair: Isn't that great?

Mr. Xiao: Yeah, that's very good.

You know, I just wanted to ask some questions about deregulation because even before the election I knocked on so many doors; I got so many questions about deregulation. It seems the perception is, you know, that ever since deregulation the cost of electricity has gone up dramatically. I wonder if the deputy minister can make some comments about that, on whether deregulation was a good thing and why.

Mr. Watson: I think one of the key things we're trying to assure all Albertans is that we have a reliable electricity system that ensures that power is there when people need it. One of the factors of our deregulated market ensures that we do have competition in the marketplace for electrical generation and competition that results in the lowest possible cost for the cost of electricity.

8:50

One of the things that we do on a monthly basis is survey prices across the country both for natural gas and for electricity. We continue to find that when we compare ourselves to other jurisdictions that have similar fuel sources to Alberta, we're very competitive on electricity prices.

As the members know, people have some options in terms of whether they elect to pay electricity on a regulated rate option or pursue another plan operated by a retailer. We have about 25 per cent of Albertans that have signed contracts. The remainder have remained on the regulated rate option.

Again, we believe that our deregulated market for electricity generation is working. We continue to have competitive rates with other jurisdictions with similar fuel sources, and that's without any Crown-supported debt that's associated with that generation.

Mr. Xiao: From what I've learned in the past, as a government we basically were subsidizing the electricity industry. I'm not sure whether that's true or not. It seems that we are no longer in this business – right? – in terms of building the generators, the power plants, the transmissions lines, and so on. Can you make some comments about this and whether we are still as a government subsidizing the electricity industry or not? What are the potential benefits, especially in the long run, for Albertans?

Mr. Watson: Well, again, with a deregulated market for generation it is the private sector that takes the risk associated with the invest-

ment for generation. As I said, we do survey our place relative to other places and find that our rates are competitive with other jurisdictions that have similar fuels. Again, I underline that we don't have any Crown-supported debt or anything associated with that generation. Other jurisdictions do, depending on the model that they've chosen in their generation. So you're very right that the private sector does take the full risk associated with the development of electrical generation.

I don't know, Tim, if there's anything you could supplement to that.

Mr. Grant: The only thing I would add is that since deregulation there's been about \$9 billion of private investment in generation in this province. None of that has government debt attached to it. From the standpoint of having a robust, competitive market that provides competitively priced electricity, deregulation has worked, but it is contingent upon the fact that there is a strong transmission system that will allow that generation to get to market, hence the work that was done over the last two years by the Alberta Electric System Operator to ensure that there is, in fact, a strong transmission system that will allow that privately generated electricity to get to market and keep the price of electricity low in this province.

Mr. Xiao: If I understand it correctly . . .

The Chair: We're moving on. You asked two questions, sir. In Public Accounts we have two. It's unlike question period, where we have three.

Mr. Xiao: No problem. Thank you.

The Chair: You're very welcome.

Now Mr. Kang, I believe, followed by Mr. Dallas.

Mr. Kang: Thank you, Mr. Chair. In the 2008-09 annual report the Minister of Energy toasts the success of his department, in particular the Alberta royalty framework. He goes on to say:

The implementation of Alberta Royalty Framework in January 2009, for example, supports sustainable prosperity by ensuring Albertans receive an increased share of resource revenues while bringing stability and predictability to the oil and gas sector.

Yet the framework has been tinkered with five or six times since its inception, and more changes are likely coming after we get the competitiveness review. My question is: does this minister agree with his predecessor that the Alberta royalty framework was a resounding success?

Mr. Watson: I think there are some things that are worth mentioning around the context, and it does relate to why we undertook a review of our competitive situation. I think the framework works well, and the framework is indeed working well relative to oil sands. We're seeing that with strong commodity prices, particularly on the oil side, that we're seeing as we come out of the recession, investment is returning in the oil sands sector.

In other areas of the oil and gas industry we find ourselves in a different situation in 2010 than we did two or three years earlier and that this particularly affects our natural gas sector and to some degree our conventional oil sector. That is one of the reasons that we commenced our review of our competitive situation.

Natural gas markets over the last three years in North America have changed, where we've moved from a period of relative scarcity of gas and everybody trying to offset declines in gas production and get that gas to market to a period of abundance associated with gas

supply in North America. That's changed our situation dramatically. It's one of the reasons why we felt we needed to commence the competitiveness review to help us understand how we can continue to compete for investment associated with natural gas and conventional oil.

Mr. Kang: Thank you, sir. My supplementary question. You said that investment is coming back. I think it's being a little speculative here. The industry, you know, is thinking that we're going to have the lowest royalty structure in the jurisdiction, and I think that's why that investment is starting to come back. But considering the fallout that happened last year in the oil and gas sector and that we saw the lowest drilling counts in decades, how exactly are you measuring this Alberta royalty framework's success? You know, they've been tinkering, tinkering with it. That's why the investment is coming back. Was it worth the review in the first place? You know, was it very well thought out? Why are we going back?

Mr. Watson: Again, as the member knows, Alberta wasn't immune from the economic recession and the effects on markets globally. The changes that we made to the royalty framework in 2008-09 were in response to the significant economic decline that we were facing and were intended to continue to help facilitate some additional drilling and, thus, royalty and benefits for Albertans. It was with that economic recession and collapse that was occurring that those changes were made.

As we come out of the recession, as I mentioned, we find ourselves in a different situation relative to natural gas and conventional oil and why we are looking at our competitive situation, where, as I said, we're facing a situation in North America where we have an abundance of natural gas and people are now competing for investments. We're mindful of that as we undertake our competitiveness review.

The Chair: Thank you.

We're going to move on now, please, to Mr. Dallas, followed by Mr. Mason.

Mr. Dallas: Thanks, Mr. Chairman. Twelve months ago the department announced implementation of incentive programs to stimulate drilling activity and also to provide for support for reclamation of older wells. These included a new well incentive program, a drilling royalty credit, and a one-time government investment in the orphan well fund to accelerate cleanup of abandoned well sites. I wonder if the deputy minister can tell us what impact this program had on the drilling industry. Let's start there.

Mr. Watson: Okay. Thank you. The incentive programs and the transitional royalty curve, again, were introduced in response to the significant change in economics that we found ourselves faced with. Those programs were put forward because companies simply didn't have and couldn't get access to credit or investment funds to continue to finance exploration and carry on with drilling activity that provides economic benefits for Albertans and provides royalties for Albertans. As we move forward with those incentive programs and the transition curve that was a one-time alternative to our royalty framework, the intent was to help continue to see as much activity as we can get during this difficult economic time, again because it provides economic benefits and royalties to Albertans.

9:00

There are a number of forecasts out there, but we believe that some of the increase in activities that we've received as a result of the incentive programs is approaching the order of several thousand

wells that have been drilled that wouldn't have been drilled. We also know with respect to the orphan well program that not only are we helping facilitate the cleanup and reclamation of a number of significant sites across the province that have to be dealt with, but we're also providing activity, particularly for smaller service companies and operators in local communities that benefit from this type of work that occurs in the industry. It has those types of benefits as well.

Mr. Dallas: Well, thanks. My constituents had two questions around this. One I think you've just answered, and that was with respect to what level of activity and job creation resulted from the implementation of those incentives – and I appreciate that the year-end is still three weeks away – but the other question they had is: at what cost? I wonder if you can suggest any numbers relative to the costs associated with those incentives.

Mr. Watson: If you can bear with me, I'll try and find the table. In 2009-10 we estimated a revenue reduction in the order of \$840 million associated with the drilling credit program and the royalty reduction program, and that's forecast to be a reduction of \$665 million in 2010-11, when those programs expire at the end of that fiscal year.

Mr. Dallas: Thank you.

The Chair: Thank you very much, Mr. Dallas.
Mr. Mason, please, followed by Mr. Benito.

Mr. Mason: Thanks very much, Mr. Chairman. Mr. Watson, I want to refer to the previous question from Mr. Xiao and your responses to that because I'm afraid that perhaps the wrong impression could have been left both by the questions and the responses. Mr. Xiao suggested that there had previously been a public subsidization of the electricity industry under the regulated regime, and I think you missed an opportunity to correct that misperception.

You also said on a couple of occasions that there is no Crown-supported debt, and I think that that might leave the impression that there was before rather than ratepayer-supported debt. We've never had Crown involvement, other than the two big cities, in the electricity industry.

Finally, you suggested that the private sector takes all of the risk, which implies that previously the government may have been involved in taking some of the risk. I want to give you an opportunity to set the record straight on those points.

Mr. Watson: Well, I think my comments were in the context of comparing ourselves to other jurisdictions, where we do see that there is Crown-supported debt on those books. I do certainly agree with the point that the financing of electrical generation would have been built into the rate base. When private-sector generators bid into the market in a competitive market, there is additional risk that they are now carrying that would be different in a deregulated market than we would have seen before. I think there is certainly some risk mitigation to the consumers in Alberta as private-sector entrepreneurs are bidding into a competitive market and competing with other players that are trying to lower their costs of generation and compete successfully in the marketplace as well.

Mr. Mason: With respect to the characterization, I'm assuming you mean places like Manitoba Hydro and so on when you talk about Crown-supported debt. But wouldn't it be more accurate to refer to that as ratepayer-supported debt, whether it's a publicly owned

company or a privately owned company operating in a deregulated environment?

Mr. Watson: I'm going to ask Mr. Grant if he can help me with that.

Mr. Grant: I think the distinction is that in other provinces – Manitoba, Ontario, and the like – there is public debt that is held by government that is paid for by taxpayers.

Mr. Mason: As opposed to ratepayers?

Mr. Grant: As opposed to ratepayers. In fact, in Ontario you can make the case that there are subsidies – and feed-in tariffs are a good example of that – where the Ontario government is actually paying companies more than the going rate for electricity to provide certain types of electricity. In this province you're correct that certain costs, particularly on transmission, are covered by the rate base. Those folks who use electricity pay for it in the amount, the percentages that they use. So there is a difference between the taxpayer covering off debt and the rate base covering off debt.

Mr. Mason: So we never had taxpayer-supported debt in this province before deregulation, did we?

Mr. Grant: No, and I don't think that the deputy minister said that.

Mr. Mason: Okay. Thank you.

The Chair: Thank you very much. That was interesting.
Mr. Benito, please, followed by Mr. Anderson.

Mr. Benito: Thank you very much, Mr. Chair. Good morning. The question that I would like to ask this morning is about your ministry's forecasting model. As you're aware, the forecasting model, or the possible revenue from the Energy department, is one of the main reasons why we cannot forecast the budget for any given year. Now, the Auditor General's report for October 2009 on pages 199 and 200 specifically made the recommendation to "improve the controls and documentation supporting the revenue forecast." I am quite concerned that in the recommendation the audits revealed that

- a documented process for making changes to the forecast models does not exist . . . [and]
- strong controls to prevent the input of inaccurate data does not exist.

Since a forecasting model is very, very important for our budget preparation so that we will know exactly how much this Alberta government can do with revenue, can you make a comment on that based on this recommendation by the Auditor General?

Mr. Watson: Yes. Thank you. We, of course, have accepted that recommendation and have taken steps not only to improve our documentation associated with the forecasting model but also our controls and the changed processes associated with our revenue forecasting model. We've accepted that recommendation and moved forward and completed our work to respond to the Auditor General's recommendation. We also have a very small team that supports and undertakes the work associated with revenue forecasting. We are also taking steps to improve our succession practices relative to that team as well to ensure that we've got continuity of knowledge transfer throughout the team.

9:10

Mr. Benito: A follow-up question on that. Based on this report on page 199, I'm not questioning why the department of finance is

involved in the forecasts of your ministry. Of course, we know for sure that they know what they're doing, but how extensive is our input when you do forecasting for Alberta Energy?

Mr. Watson: I'm not sure if I understood the question. How extensive is our relationship with Alberta Finance?

Mr. Benito: How extensive is your participation in doing this forecasting model? There is participation from the department of finance?

Mr. Watson: Yes.

Mr. Benito: Of course, your key people are involved in developing this forecasting model. Are we really there in making this model for the forecasting of what we are doing?

Mr. Watson: There is significant interaction between Energy staff and Finance and Enterprise staff as revenue forecasts are developed and as revenue forecasts are utilized. In particular, energy revenue forecasts are utilized and incorporated into the broader revenue forecasts of the government of Alberta, so we have significant interaction between our groups. Where we have expertise is in the forecasting and the assessment and review of other forecasts associated to the energy price environment.

Then we also work with the Energy Resources Conservation Board to get a good understanding of forecasts of energy-related activity as we go forward, and we pull that information together in an integrated way and then work with Alberta Finance and Enterprise to ensure that they have the information they need to support government.

Mr. Benito: Thank you, Deputy Minister Peter Watson.

The Chair: Thank you, Mr. Benito.

Mr. Anderson, please, followed by Mr. Elniski.

Mr. Anderson: Thanks, gentlemen. On your point earlier about the royalty regime and coming out of recession, we now know of these shale plays and the effect that they have on the natural gas market and such. That information, I know, was very readily available in 2008, before the implementation of the new royalty framework. Did you receive documents, submissions, PowerPoints, et cetera, on the changing landscape of the natural gas industry prior to January 1, 2009, and if so, what did they say?

Mr. Watson: As we always do, we try to track and monitor the landscape and the environment that we're operating in. That's something that the department does on an ongoing basis. I think that early in the development of the shale resources in the United States, if you track how those resources have been developed, there were a lot of questions at the front end of that development regarding how sustainable that resource would be and how significant the decline rates of those wells would be. So there certainly was an understanding that there are resources. There were a lot of questions about the sustainability and the durability of those resources, and I think those questions have continued to be proven up in some of those plays in the United States, and we now find ourselves in a different situation today than where we were.

Mr. Anderson: Just as a supplemental. Just so that we can understand better exactly what was known by the department prior to the implementation of the new royalty framework, would you undertake

to provide the committee with all the documentation, the PowerPoints, the submissions that you received from industry in 2008-2009?

Mr. Watson: I think the information and the analysis that we used relative to the development of the Alberta royalty framework and our background information has all been – we have information publicly available on our website. We have information that is there to help Albertans understand the situation and the complexity of our royalty regime. We've got a significant amount of information that is available on our website.

Mr. Anderson: Mr. Chair, what I was asking is: we know that industry and several companies went and made presentations and submissions and PowerPoints to the Department of Energy.

The Chair: In the year 2008-09?

Mr. Anderson: In 2008-09. What I would like to see is those documents produced. I mean, I don't care about what the report says on the website. I'd like to see what industry actually gave them. I believe it's within my rights as a member to have that information provided. That would be a request that I would make from these individuals.

The Chair: Yes. Mr. Watson, Mr. Anderson made a request for the information concerning the year 2008-09. Will you provide that?

Mr. Watson: I'll certainly provide the information that the committee requests. I'm not actually aware of the information that Mr. Anderson is referring to.

Mr. Anderson: Just any PowerPoints, submissions, anything from industry in 2008-2009 that was given to the department in regard to the royalty framework, the effects it was going to have, the new plays on shale gas. I mean, we know that dozens of companies, industry stakeholders, et cetera, came and made these presentations to the Department of Energy. That's without any doubt. They must have left you with something, so that's what I'd like to get a hold of if I could.

Mr. Watson: As I mentioned, I'm not personally aware of those presentations, and I'm not aware if some of that information was provided confidentially to the department. I'm just not aware of the substance of that. But I certainly will endeavour to provide the committee the knowledge and awareness that we had regarding the development of those resources. As I said, I think there were significant questions remaining regarding the longevity of those resources and the sustainability of those resources. At the time when government and the previous royalty panel were doing their work, there was significant uncertainty that existed back in 2007. That uncertainty has changed, and we find ourselves in a much more certain and abundant gas environment today.

The Chair: We're going to move on, but Mr. Rodney has a comment.

Mr. Rodney: Just a notification for the committee. Let's face it: these folks have a lot of work to do. They do a lot of work. I understand Mr. Anderson's request completely. I guess a question is: do we trust these folks to bring forward a report that accurately portrays what it was that was presented to them? That being said, there are different acts of legislation respecting privacy and so on,

and I just don't know how far we need to go beyond a report that is already there. Everything else is on the website. I just don't know how far we go on something like this. Let's face it: there are reports coming right around the corner, and I expect that there will be much more need for attention and focus on that and where we're going than where we've been. But I saw at least one other hand on this topic, Mr. Chair. I saw Mr. Griffith's hand on the topic. I don't know if he wanted to speak as well.

The Chair: The chair is going to intervene here. I gave the vice-chair an opportunity to speak, and it is my view that Mr. Anderson's request is certainly not unreasonable or out of order. I would point out to all members and to Mr. Watson and his staff that section 17 of the Government Accountability Act deals with the contents of public accounts. "The public accounts for a fiscal year shall include the following." We're talking about the consolidated annual report, the ministry annual reports prepared under various sections, also reports or statements prepared pursuant to the Financial Administration Act, and "any supplementary schedules, statements, explanations and financial statements that the Minister of Finance may require." So the definition of the public accounts in the Government Accountability Act certainly would support the reasonable request by Mr. Anderson for that information.

Thank you.

All hon. members, you can have a look at this if you would wish.

We're going to move on now, please, to Mr. Elniski, followed by Mr. Chase.

9:20

Mr. Elniski: Thank you very much, Mr. Chair. I have two questions on two distinct topics. The first one has to do with page 33 of your report, where you talk about the secure energy supply for the benefit of Albertans, and the second bullet point under highlights and accomplishments, where you talk about the four experts for the Nuclear Power Expert Panel that released their report in March of 2009. Can you tell me, please, what activities are currently in place to deal with the implementation, consultation, study, or review of that particular report? Where are we at with it?

Mr. Watson: With respect to the nuclear power issue, early in the 2008-2009 fiscal year, I believe it was, we appointed the Nuclear Power Expert Panel, whose mandate was to gather information and try to report on the facts and the technical issues associated with nuclear energy and the incorporation of nuclear energy, potentially, into Alberta's electrical system. That report was released later in the fiscal year and then led to a consultation process with Albertans on the issue of nuclear power potential in Alberta. As a result of that consultation process the government indicated that they would continue to review proposals on a case-by-case basis, as we do for all electrical generation in this province.

Mr. Elniski: Good. Thank you very much. Now I'd like to leap forward here to page 37 to talk about performance measures. I'm sure this will come up again, but I'd like to talk briefly about ethane. I'd like to comment and just have you clarify for me the last sentence, second paragraph under discussion of results. "About 56 per cent of total ethane in the gas stream was extracted, while the remainder was left in the gas stream and sold for its heating value." Given the quantities of natural gas that are in the express wets pipes and in particular in the Alliance pipe, how much can you get? Are you, in fact, talking here about getting a hundred per cent of the available wets, or are you talking here about getting a hundred per cent of all of the wets that are in the distribution system? I don't know how you're going to do that with Alliance.

Mr. Watson: I may need to seek a little clarity from one of my staff here. We're in a position as we move forward with ethane that, number one, the drop in gas production that we're seeing in Alberta is actually an issue, and we need to arrest some of those declines in Alberta to ensure that we continue to have sufficient liquid supply to support value-added processing. So it does link to the broader issue and concern of improving the trajectory for natural gas production in this province. Then within that we need to optimize how we manage the liquids across the entire system. As you pointed out, there are parts of the system that strip liquids off and other parts where we don't currently have as much capability, so we are actively looking at how we optimize the management of liquids through the system. But we're currently in a position today where a bigger concern is just our total production today, and we need to grow that production.

I'm going to ask – I'm not sure – Rhonda or Mike if you can supplement that for me.

Mr. Ekelund: Yes. Specifically in terms of the 56 per cent, I will check and confirm that, but I believe that's 56 per cent of the total ethane in the gas stream. So that will have a limit on it less than a hundred per cent because you've got to cool it down and put the horsepower in the straddle plants to be able to take that out, and there are limitations both in cost and in terms of physical capability on that.

Mr. Elniski: That would be the ethane in the gas stream other than the gas that's in the Alliance pipe, then.

Mr. Ekelund: I'll have to check that, but I believe that's the total for the province. That would be all ethane in the gas streams.

Mr. Elniski: Okay. Because you don't strip on Alliance. That's why I'm asking.

Mr. Ekelund: That is correct. Alliance did file, if I remember correctly, with the NEB a letter stating that they would allow an extraction plant to be built on the Alliance Pipeline system, certainly, if there is one that makes economic sense. The 40,000 barrels a day, I believe, of potentially extractable ethane on Alliance would be available for that commercial entity.

Mr. Elniski: Okay. Thank you.

The Chair: Thanks.

Mr. Chase, please, followed by Mr. Olson.

Mr. Chase: Thank you. Page 29 of the annual report, performance measure 1(a), sharing the revenue from resource development. This performance measure is inadequate and inaccurate because it's a three-year rolling average of the government's take and is not indicative of the government's take for the particular year. The take is 19 per cent of the oil and gas industry's net operating revenue while historically the target was to collect between 20 to 25 per cent. Despite problems with this measure why has the government decided to scrap it altogether?

Mr. Watson: I think one of the reasons that we've decided to move forward with a different measure is because of the changing reality that we find ourselves in, particularly on natural gas and conventional oil, as I mentioned, a dramatically different environment, so we're faced with a situation where we're mindful of our ability to compete for investment within that sector. We're wanting to ensure

that the range of activities we undertake to ensure that our private-sector players are investing in production and exploration in Alberta are continuing to occur. That's why we've adjusted that measure to compare with our competitors across North America where significant flows of capital are at play. We want to ensure that Alberta is in a place and in an environment where we're continuing to track that investment and continuing to see the level of activity that we need to see to support our production here.

Mr. Chase: Being competitive with our neighbours, Saskatchewan and B.C., is extremely important, but the bottom line is that Albertans are the owners of the resource and need to be collecting a reasonable amount. Did you simply opt to pull the performance measure because it wasn't improving, or was it because the new royalty framework made it so that the province was collecting an embarrassing amount less of the oil and gas industry's net operating revenue?

Mr. Watson: No. I think we decided to change the performance measure because we believe that relative to natural gas and conventional oil it's a much more appropriate way to measure our performance and our situation with the environment we find ourselves in today and what we believe will be the environment in the near future.

The Chair: Thank you.

Mr. Olson, please, followed by Mr. Kang.

Mr. Olson: Thank you. I have two unrelated questions. I'm trying to squeeze a bunch of stuff into two questions, I guess. One relates to microgeneration. I see in your annual report, pages 40 and 47 – maybe it's referred to in other places as well – work that you've been doing developing regulations, finalizing rules, business processes, and so on. I'm just wondering if you can talk a little bit about, you know, what impact that's having. Have you seen growth in the use of microgeneration? I'm hearing a little bit of complaining about the paperwork and the regulatory stuff being so heavy that people are discouraged from being involved. Could you just talk about that a little bit?

Mr. Watson: Okay. I do have some numbers on microgeneration. That regulation did take effect in January of 2009, and we've seen some growth continuing in the number of installations. Back in January of 2009 we had 41 microgeneration installations across the province in place. As of February 2010 that's grown more than threefold to close to 130 installations across the province, so we're seeing some growth in the number of installations. I do agree with you that there has been some concern about the process to get approval to connect into the system, so we're continuing to bring those concerns forward to the appropriate folks and advocate for efficient processes.

9:30

Mr. Olson: Thank you. The other question relates to the orphan well fund. You had answered a question from Mr. Dallas about what the cost of the government incentives were in relation to the orphan well fund. I've had this explanation given to me numerous times, and maybe I'm just thick, but I have trouble understanding the industry component of the orphan well fund. My understanding was that initially the deal was that industry was going to provide funding for dealing with orphan wells. I've heard over the years that there was a sense out there that that funding was insufficient to deal with all of the orphan wells, and now we have an incentive program

where we're providing some assistance. Can you give me some sense of the relative contribution by industry as opposed to government in dealing with these orphan wells?

Mr. Watson: Okay. I'll give you kind of a broad overview and, I think, if I could, ask Dan to supplement that as the Energy Resources Conservation Board administers that program on behalf of the ministry. You're indeed correct that industry companies provide a levy that funds the orphan well program and funds the work that's needed to deal with the orphan sites that have been identified across the province. Just a quick statistic: I think there's been close to 550 sites that have been dealt with under the program.

When government announced the third part of the incentive program during the recession, the intent of that was to provide some additional funding to the Orphan Well Association to help them accelerate their work associated with the abandonment and reclamation of these sites. As I mentioned earlier, it was a grant specifically provided by the government to the Orphan Well Association to help stimulate some activity on reclamation and cleanup, accelerate the timelines that the Orphan Well Association was working on, and provide opportunity for certain types of activities in the service sector to proceed at that time.

Maybe, Dan, I could ask you to just add a bit more information from your perspective.

Mr. McFadyen: Yes. Thank you, Peter. Just as a bit of background, generally speaking the liability, responsibility, accrues to the licensee of that well. The orphan well fund is designed to deal with those situations where, in fact, we're not able to transact back to the original licensee or the licensee is defunct. The orphan well fund is designed to pick up those situations where we can't hold the original licensee liable.

The fund is administered by the Orphan Well Association. The ERCB uses its levy system to collect about \$12 million to \$13 million a year. That's based on what the fund needs to deal with the priority orphan wells, and they look after the administration of that. The ERCB does have a member on the Orphan Well Association, and the Department of Environment has a representative on the Orphan Well Association, and they look after and are responsible for dealing with those situations where there's no longer a licensee that can be held directly liable.

The Chair: Thank you.

Mr. Wylie, did you have anything to add?

Mr. Wylie: Just for the benefit of members, Mr. Chair, that information that Mr. McFadyen is referring to is actually disclosed in the notes to the financial statements of ERCB. The amount collected through levies as well as security deposits is disclosed in the financial statement notes.

The Chair: Thank you. I appreciate that.

Mr. Kang: On page 12 of the report it states that the province has three times the national average of wind power generation, yet for the past three years the generation capacity of renewables has barely changed. Given the full support that this government has given to biofuels, why is this government not as financially supportive of renewables?

Mr. Watson: One of the things that we are doing and that we think will make a significant benefit, particularly with the penetration of wind energy: as a result of our discussions on the provincial energy

strategy, government did agree that we would adopt a policy to build transmission into zones of renewable energy in the province. We think that lack of transmission or transmission constraints were significant impediments to certain forms of renewable energy coming onto our system. As a result of that policy, the AESO has moved forward with transmission planning, particularly in southern Alberta, and there is a significant reinforcement of transmission in southern Alberta that is intended to help unlock additional wind generation in southern Alberta.

Mr. Kang: Thank you. My supplemental is: given that biofuels have received \$239 million over the past few years, how much money has been directed to increasing capacity in markets in the production of wind and solar generation?

Mr. Watson: The government does not have programs for wind and solar energy. As Mr. Grant identified, there are some other governments that do provide feed-in tariffs for those forms of energy. We felt on the basis of some of our review that one of the most significant impediments was transmission capacity, and we've begun to move on transmission capacity into areas of renewable energy. We think that will be a significant enabler and will allow penetration of different renewable forms of energy, particularly wind, and also to support biomass in certain parts of the province as well.

The Chair: Thank you.

Mr. Vandermeer, please, followed by Mr. Mason.

Mr. Vandermeer: Thank you. When oil and natural gas prices are down, we put incentives in place to encourage more drilling and production. Would it not make more sense to slow down and wait until prices recover using the basic principle of supply and demand?

Mr. Watson: I think the issue is relative to activity levels. There are a number of things that lead to a sustainable, healthy environment for our industry and, I think, for Albertans and our economy generally. Again, what we do see a bit, particularly in the natural gas industry, is that as more investment and more activity is going elsewhere, there are some approaches and some technologies that are not being fully applied in Alberta and that we're not getting the benefits of, some of the advances in different drilling techniques and multistage hydraulic fracturing techniques. So there is a certain amount of activity that we would like to see sustained because that breeds innovation and keeps us at the front of the knowledge curve and also maintains sustainable economic conditions throughout the province. So there is a balance there, I think, that we need in terms of healthy, sustainable levels of activity.

Certainly, the gas market situation is very challenging, and the production declines that we're forecasting will be challenging and will create additional issues as production falls off and as tolls on our pipeline systems increase and so on. There is, we believe, a sustainable level of activity that we should be trying to maintain.

Mr. Vandermeer: Thank you. The Alberta government introduced transitional royalty rates for companies that drill conventional oil and gas wells after January 1, 2009, to a depth of 1,350 metres. Can the deputy minister tell us the reason why this initiative was launched, and does this affect all drilling in Alberta?

9:40

Mr. Watson: This was a one-time election for new wells that are being drilled on a go-forward basis. This was brought in as we were entering the recession. The intent of the government was to help producers deal with what was occurring in the economic downturn and lack of access to capital and to provide some short-term

incentive to ensure that more capital could be applied to drilling of new wells. The industry was allowed a one-time election for new wells going forward within that depth range, and that allowed them to recover a bit of capital and reinvest that and to continue drilling.

The Chair: Thank you.

Mr. Mason, please, followed by the patient and forgiving Ms Calahasen.

Mr. Mason: Thank you very much, Mr. Chairman. I'm looking at some information about reporting on royalties. The Auditor General back in his 2006-07 report said that the ministry should avoid, you know, general statements about maintaining competitiveness and securing Albertans' share and clearly describe and publicly state the objectives and targets of Alberta's royalty regime. But as we've gone forward, it's apparent that this has not been done to the satisfaction at least of the Auditor General. Specific statements about the target percentage of economic rent that should be collected tend not to have appeared in public documents.

I'll give you an example. Alberta Energy 2008-09 annual review indicated that the target respecting sharing revenue from resource development is "under review" and that changes to the performance measure "will reflect Alberta's New Royalty Framework." Now, my question is: has that been done? If not, why not, and when will it be done?

Mr. Watson: Well, as I mentioned earlier, our situation relative to natural gas and conventional oil we believe has changed. So what we have moved forward with is what we believe is a more appropriate performance measure to assess our situation on an ongoing basis given the change in the markets. We still are trying to appropriately measure that goal in our business plan of having a competitive and effective royalty system that incents development and maximizes benefits to Albertans. But relative to our situation on natural gas and conventional oil we need to continue to assess our competitive situation to ensure that we're getting investment, in the first instance, to facilitate the development of our resources.

In addition to the reporting of that performance measure on a go-forward basis, we are also going to report on a suite of other indicators that will help us assess whether we're achieving sustainable and healthy levels of activity within the industry. So we also need to understand and track the levels of investment, the numbers of rigs that are active in the province, and we have seen declines in both of those. We want to ensure that we're tracking those and are reporting on those on an ongoing basis amongst a broader suite of indicators in addition to the reporting of our effective royalty and tax rates compared to our competitors in North America.

Mr. Mason: Thanks very much, Mr. Watson.

Mr. Chairman, my supplemental. I appreciate that things are changing. They change all the time. But the question really is about clearly stating goals and making sure that the public and the MLAs have access to that information. So I'd like to go to a representative from the Auditor General and ask what steps the department still should take in order to accomplish the objectives that were set out in your 2006-07 report.

Mr. Saher: Thank you. Yes, the member, I think, has hit the nail on the head. The work of the Auditor General and the work we did in October 2007 simply said, "Clearly describe and publicly state objectives and targets of Alberta royalty regimes" and then "Improve . . . performance measures that indicate royalty regime results." It's our plan to do a follow-up audit with respect to those recommendations in this calendar year with a view to reporting back

publicly in April of 2011. Until we do that work, we're not in a position to comment on changes that the department may or may not have made.

I think the deputy minister this morning has been talking about the particular measure that essentially has been suspended. There is a proposed new measure that can be identified in the department's latest business plan. I'm simply conveying some information. I'm not able to take a view on whether or not the replacement measure in fact would be an improvement to the measure that has been suspended, but clearly the audit office was saying: set out in advance what it is you plan to do, and report back to Albertans on the results you've achieved.

Mr. Mason: Have they done that?

Mr. Saher: At this stage, well, as I say, we haven't done a follow-up audit. But from the evidence that is available publicly, no; it's a work-in-progress.

Mr. Mason: Thank you very much.

The Chair: Thank you.

We're going to move on now to Ms Calahasen, please, followed by Mr. Anderson.

Ms Calahasen: Thank you, Mr. Chair. Just in the same vein as the previous questioner. I look at pages 28 and 29, and we're talking about securing benefits for Albertans. We have the performance measures. The targets will change; the performance measure appears to be okay. When I look at the previous measure results on page 29, the actual in 2006 was 19 per cent. The last actual was 19 per cent. There's been no increase or no information, I think, that could be done. Maybe it's the three-year moving average that we're looking at. I'm not exactly sure. Can you explain that to me?

Especially when it comes to sharing a resource, sharing the revenue, the people in my constituency are always asking me: why is that Alberta gets all this oil and gas, yet when we go to the pumps, we have to pay a tremendous amount of dollars for that gas? How do we measure the sharing of a revenue within the province of Alberta with Albertans regarding what we're doing relative to getting the resource and how it ties to the royalty revenue sharing?

Mr. Watson: One of the things that we undertook, that does get at the last comment that you had regarding some comments that were made to you – as part of the systems audit that the Auditor General undertook, in response to that we undertook a communications audit relative to helping ourselves understand the nature and the level of understanding of royalty information among Albertans and stakeholders and what information they were looking for.

One of the findings of that review was that one of the things that people that weren't directly involved in the industry were looking for was to understand the nature of the benefits in terms of government programs and services that royalty revenues contribute to. Of course, I don't have the exact figure in front of me, but I think nonrenewable resource revenues have roughly been in the order of a third of the provincial revenue to support a third of the provincial budget. So people are definitely looking to understand what is the impact in their community through programs in areas of health care and education and others and so on.

9:50

Sharing the revenue. I mean, we really believe that, as the Auditor General knows, we were having some difficulty and

concerns with that measure in previous years. To go back to some of my earlier comments, I do believe that the situation under the royalty framework relative to the oil sands is healthy and appropriate. We're seeing investment come back in oil sands. We're wanting to ensure that we're collecting all of the revenue we're entitled to as Albertans on behalf of that oil sands resource, and that is indeed occurring.

In the case of conventional oil and natural gas we have an issue where we need to ensure that we're continuing to have exploration and development occurring in this province. That's why we are proposing this new measure going forward to track our ability to continue to attract the investment that we need to ensure that the exploration and development are occurring because of some of the structural changes that are occurring out there in those markets. That's why we're making this transition.

Ms Calahasen: Thank you. The second component of my question has to do with the carbon capture and storage council. The announcement was made of the \$2 billion commitment to that CCS. I know that it's a lot of money and people have been asking: so what's happening? What is happening within the ministry that would ensure that all the regulations and policies for this technology are in place? Could you identify that for me, please?

Mr. Watson: Okay. The first thing I would say is that we need to understand that that \$2 billion is not paid out immediately. I think that's an issue that we have to continue to help people understand, that that funding will flow over a period of time; we anticipate over about 15 years. It'll be tied to specific milestones associated with the execution of the four projects we're working with, milestones associated with construction as well as operation. Now that we're moving forward and proceeding to the final terms with those companies, we are indeed turning our mind to the regulatory frameworks that are needed to help support those.

There are actually many existing frameworks in place and processes through the Energy Resources Conservation Board today that have dealt with injection of certain fluids that provide a framework that we can build from as we go forward. We're in a pretty good situation today given our knowledge and experience with oil and gas development. What we need to do is take a look at that and see what enhancements we can make to that because over time we will be storing much more CO₂ with greater volumes, and we need to just ensure that we have made the enhancements to our frameworks to deal with what we see as the total possibility many years in the future.

That will be part of our effort this coming year. Over the next year or 18 months we're undertaking a review in conjunction with the ERCB and some other stakeholders to just assure ourselves that we're fine-tuning and building off the good foundation we've got and that we've got the right frameworks in place for the future.

Ms Calahasen: So there'll be more projects that will be coming out as a result of this? If you have regulations and policies, I think that would drive for more projects, I would suspect, so that we can begin to see more activity, right?

Mr. Watson: Yes. We know that there continue to be other players that are interested in it. We will see more projects come forward in the future, and a strong regulatory framework will help to facilitate that.

Ms Calahasen: Thank you.

The Chair: Thank you.

Unfortunately, we've run out of time, and there is a long list of members who are interested in further information from the department.

We'll start with Mr. Anderson. If you could read into the record your questions that you indicated you wish to ask, and the ministry will respond to us in writing through the clerk to all members.

Mr. Anderson: Okay. I'd like to know the process by which you are tendering or not tendering contracts for the new transmission build and what you did in 2008-09 in preparing for that. I would like to know why those contracts are not being tendered openly across the market.

The Chair: Thank you.

Mr. Sandhu, please, followed by Mr. Chase.

Mr. Sandhu: Thank you, Chair. According to the annual report 2008-2009 the recently implemented royalty regime framework was a commitment to enter into negotiations with Suncor and Syncrude to align their old oil sands Crown agreement with the new framework. Now, we are aware of the successful negotiations within Suncor, but what can their team tell us about the negotiations with Syncrude?

A second one. Do you think other companies will have the opportunity to enter into an agreement like this in the future?

The Chair: Thank you.

Mr. Chase, please, followed by Mr. Benito.

Mr. Chase: Thank you. This has to do with renewables. In 2007-08 the nine-point bioenergy plan established \$239 million in funding, and the program has been extended until March 2011. The performance measure 4(c) on page 39 of the annual report is the amount of biodiesel that was produced in Alberta. So far only 19 million litres of biodiesel have been produced in Alberta, all in 2008. If we do the math, it cost Albertans over \$12.50 to produce each litre of biodiesel. That figure is obtained by dividing \$239 million by the 19 million litres. The process is both energy intensive and water consumptive.

Moreover, the AG's report October 2008, page 256, questions the environmental benefits of these projects, stating that "environmental costs of some projects may exceed their benefits." I think the exceedance is 1.5. What value are Albertans getting for their considerable investment in bioenergy, which is really a questionable agricultural subsidy? What are the projected royalties the government is planning on collecting from the biodiesel industry to justify the enormous subsidy it's receiving?

The Chair: Thank you.

Mr. Benito, followed by Mr. Kang.

Mr. Benito: Thank you, Mr. Chair. I have two questions. My first question is with reference to page 93 of the Energy annual report 2008-2009, note 3, orphan abandonment. I'd like to understand more about the orphan well fund, reclamation, cleanup, licensee liability. Your ministry through the ERCB levied the oil and gas industry more than \$12 million. There's a note here: collected \$640,000. Can you make a little bit more explanation on that? Is the \$12 million enough to do the reclamation cleanup? Where will the \$640,000 go? Is this with reference to the orphan well fund as well?

My second question is that if we believe in the oil and gas

industry, why wouldn't our government or your ministry be the developer instead to have more control and stability in terms of investment to oil and gas resources?

Thank you very much, Mr. Chair.

Mr. Kang: Performance measure 5(a) on page 41 of the annual report refers to power generation. After all the debate surrounding Bill 50 and the rhetoric, it turns out that the margin between the supply and demand seems to be growing – 23 per cent in 2008, up from 19 per cent in 2006 – and this performance measure does not even include wind generation. Given that the margin is increasing, not decreasing, why does your department still contend that massive power lines are a necessity for future demand?

My supplementary question is about the energy efficiency policy framework. It was expected to be completed in 2009. Is this framework complete? Has this policy been made public? If not, why not?

The Chair: Thank you.

Mr. Xiao, please.

Mr. Xiao: Yes. Just a follow-up to the two questions I asked, specifically if your department can provide us some information about, you know, how much we subsidized the electricity industry through our taxes before the deregulation compared with the system that we have after deregulation.

Another question is about nuclear. There's a strong view on both sides, and people are very passionate, you know, against or for it. What other measures have you taken to make sure that all Albertans will be heard?

Those are basically my two questions.

10:00

The Chair: Thank you very much.

That concludes this portion of our meeting. I would like to thank you, Mr. Watson, for your attention and your detailed answers this morning. We look forward to your written responses in the next couple of weeks, through the clerk to all members.

Before we conclude this portion of the agenda, Mr. Griffiths, do you have any comments at this time, please?

Mr. Griffiths: Thank you. I just thought it was important to put on the record Mr. Anderson's questions about information. I know that the first challenge you may have is whether or not you have the information he requested, whether or not you have a copy of a PowerPoint presentation that may or may not have existed that was presented at some point. This committee has extensive and justified powers for research.

The Chair: It certainly does.

Mr. Griffiths: I would suggest that this committee's powers can't necessarily automatically trump FOIP or people's personal protection and privacy. Before we make illicit demands that we need to have that information, before you present it, I would suggest that you make sure you don't compromise FOIP or any other legal requirements either.

Perhaps this committee needs to have a little professional development to find out where our powers of requesting information mesh with people's protection of privacy, private company's information that may have been presented, and the like so that we don't put ourselves or departments in a compromising position by requesting information. I think that would be a good professional development class for us.

The Chair: Yes. I certainly would agree. I would urge all members of this committee to access a book on this very subject, on the powers of parliamentary committees to request papers and information and send for persons and documents and so on. It's written by Derek Lee, a parliamentarian in the federal House of Commons. It's a book that's probably less than 10 years old. I'm certain it's in the Legislature Library. I think hon. members should have a look at that, and they will realize that Mr. Anderson's request, you know, with respect to FOIP and to protection of personal information is not unusual or unreasonable in a standing committee of any respective legislature.

Mr. Griffiths: I agree. I just want it on the record that they still have to maintain FOIP.

The Chair: Okay. Thank you for that. I appreciate that.

Mr. Watson, we have other items on our agenda, so you and your staff are free to go. Again, thank you, and good luck in this fiscal year in all your endeavours, sir.

Mr. Watson: Thank you, Mr. Chairman.

The Chair: Now, other business that was on the agenda: the availability of written follow-up responses. As members are aware, as a result of our mandate on questions raised during committee meetings, we often receive written information from various government departments, the office of the Auditor General, and other entities. In the past this information has become part of the public record once attached as an appendix to the meeting minutes. However, using technology, we can make this information much more accessible to the public through our website. I am pleased to advise that as of today written responses received from meetings during the fall of 2008 and all of 2009 will be available on our website.

In order to make this process as smooth as possible in the future, I would look for someone on the committee to make the following motion, please: that the Standing Committee on Public Accounts make the written responses to questions asked by the committee available to the public upon receipt.

Yes. Mr. Olson.

Mr. Olson: I'll make that motion.

The Chair: Okay. I appreciate that. Moved by Mr. Olson that the Standing Committee on Public Accounts make the written responses to questions asked by the committee available to the public upon receipt.

All those in favour?

Mr. Rodney: Is there any discussion?

The Chair: We can have a discussion if you'd like.

Mr. Rodney: Sure. I just wasn't aware of this beforehand. I don't know if other members were. I only have one concern, Mr. Chair, and it's honestly in the name of no nonsense and simple common sense. What I would be very much disappointed to see is if a member came in with a list of a hundred questions and so did another and so did another and so did another. I would hope that in the spirit and in the process and in the action as it has been in the recent past where a few people have a few questions that they didn't quite have the chance to ask that they would do it then. But we also have question period. We have other avenues as well, so I would

hope that implicit to your motion is no nonsense and common sense. Any comment from you on that?

The Chair: Yes. First off, 90 minutes with some departments is not really long enough to deal with the matters for the respective year under discussion. It is not unusual to see like, for instance, this morning where we had seven members that expressed an interest in getting questions into the record and a response provided. You're suggesting that it could be open for abuse, but certainly in the last number of years there has never, never been any member, whether it be a government member or an opposition member, that asked a long list of questions. It hasn't happened. I don't think it will happen. When you realize that our remarks at the moment are being streamed on the Internet, the responses by the various officials are recorded in *Hansard*, again, if we're going to have the public in Public Accounts, the questions that are read into the record and then the written responses, it's only natural that they should also be available to the public.

Mr. Rodney: Completely agreed. Your point is the same as mine, which is that it must not be open to abuse or else it will have to be re-evaluated. So in the spirit of doing what we've done officially, I'd be happy to support this, but if it were to be abused, it would need to be revisited. That's all.

Mr. Olson: Well, as the mover of the motion I would just like to say that that certainly was the context that I had in mind: a few questions at the end of a meeting that people weren't able to get in. I would be equally as prepared to move that we not have this process if people were going to start abusing it. So I'm prepared to, you know, trust the common sense of the members until proven otherwise.

Mr. Chase: I'm just extremely aware of the time and the other commitments we all have as members, and I would encourage getting on with the process here.

The Chair: Okay. Shall we call the vote? All those in favour of Mr. Olson's motion? Thank you. Seeing none opposed, appreciate that.

Now, item 5(b) on the agenda, committee research support. When this committee was struck in 2008, the decision was made to create a research subcommittee to provide direction to the committee support staff. The subcommittee has consisted of myself, the deputy chair, and three committee members. With the recent changes to our committee, the subcommittee has lost the valuable services of Mr. Quest and Mr. Bhardwaj, leaving only three members on the committee: Mr. Mason, Mr. Kang, and myself. What is the committee's direction with regard to the subcommittee?

Mr. Griffiths: If we have five members reflecting this . . .

The Chair: We could have more than five.

Mr. Griffiths: We could go to seven, then. I would recommend that Mr. Rodney as the deputy chair and yourself work to repopulate the committee appropriately.

I would also suggest that the research committee, I think, needs to work out a strategy that makes sure that departments are given more lead time on what sorts of research need to be done. I have a copy of a letter to Minister Ady dated March 3 requesting information by March 17. I know some departments have expressed concern that two weeks is not necessarily enough time to get appropriate information back to the committee. So they could work out a longer

term research plan to bring back to the committee so that we focus our research and our energies.

The Chair: Yes. The chair would say that we have worked with various members of this committee. We have asked members in the past if they would like any department to come to the committee. Some members have been more interested in making suggestions than others. We have set up the schedule. We have changed the schedule, particularly for Tourism, Parks and Recreation. We have changed it with children's services. I find this comment from them quite . . .

10:10

Mr. Griffiths: No, no. I never said that it was from Tourism, Parks and Recreation. But some ministers were concerned about the timeline. I said it before when I was on the committee two years ago, and I'm just back on the committee here the last couple of weeks: sometimes I don't believe we do enough preliminary work on this committee. We spend our entire hour and a half every week just dealing with the department. It would be beneficial to spend at least as much time working with our Auditor General going over material beforehand. That would give us adequate lead time to work with our research team to identify specific questions that may not come up in the Auditor's report that we need more information about, which would give us more lead time to actually get the information from ministers. I think it would enhance the quality of the questions and the activities of this committee, not that we're doing a poor job but just that we could do a better job.

I think the research committee once repopulated could work out quite an extensive strategy that would give more lead time to departments, allow us more time. Honestly, if we're going to spend an hour and a half with the department, I think that as a committee we should do at least an hour and a half worth of work beforehand preparing, going over the Auditor's report, and making sure our questions are appropriate, seeing if we have any gaps in research that we want filled. I'm not quite sure how we need to do that, but perhaps the research committee once repopulated could come back with some suggestions.

The Chair: Yeah. I would certainly agree with you. That being said, however, we are limited in getting these meetings organized, particularly in the period from Christmas through to the start of session. We have no idea. No one tells us anything. The House leaders tell us nothing in advance as to what's going to happen. We sort of hear about it. We have to ask ministries to come here on short notice, and in some cases the information that's requested for the research staff from the Legislative Assembly Office is also on short notice as a result of that schedule. So we have no choice, particularly at the start of the session, on having information requests for research on behalf of all of the committee. I don't know how we could change that unless we started setting up the schedules back in the fall, but we can't because we don't know what's going to happen.

Mr. Griffiths: Did we abandon meeting outside of session?

The Chair: I hope not.

Mr. Griffiths: So what does session have to do — we should be able to call ministries. We could decide to start meeting early in February, and if we for some reason don't begin session until the end of February, that's tough. We call the ministries anyway. That's, I think, why . . .

The Chair: You're welcome to make a motion any time.

Mr. Rodney: I have a comment whenever you're finished.

The Chair: Yes.

Mr. Rodney: Okay. I appreciate that certain members are still here. It's 10:14. We do need to make a decision about that. I respect that.

I've heard the call for repopulation of the committee. I'm all for that. I think we do need to decide how many members. It sounds like, quote, unquote, opposition members are there and are willing to continue to serve.

The Chair: Well, we would have to certainly ask them. You can ask them if you would like. In the past, I would remind you, I have asked government members to serve on this subcommittee, and the only two that came forward were Mr. Quest and Mr. Bhardwaj. No one else was interested.

Mr. Rodney: Right. What I'd suggest, then, is that I would be happy to sit on the committee, but I am very concerned about the composition of the committee. I think it is completely reasonable given the composition of this committee and the composition within the Legislature that there would be at least five spots available for government members. Is there any problem with that for those who are interested, if we can get that many?

The Chair: If you can get them interested.

Mr. Rodney: Good. So why don't I pledge to you that at the next meeting I will give you that list.

The Chair: Sure. And we'll make a motion.

Mr. Rodney: We will.

In the meantime, I do have a request, and I know that we are still on the record. I would request that we hold off on further letters to other ministers because we need to decide what it is that we want in those letters based on the fact that we want to do the best research possible, as Mr. Griffiths has mentioned. I'll throw in as well that we each have our own caucus researchers, so we'll have to re-examine that as well. Could I have your commitment, Mr. Chair, that we just hold off on the correspondence until we meet as a subcommittee?

The Chair: No, you can't have that commitment.

Mr. Rodney: Why would that be?

The Chair: We're going to hear Mr. Chase. You made a suggestion. He's a member of this committee.

Mr. Chase: I want to get it on the record that I very much appreciate the work of Dr. Philip Massolin, and the research is absolutely essential. In our opposition budgets we do not have the money to do all the research internally, so it's absolutely essential that we have this help. It's worked very well for all members.

In terms of holding off on calling ministries before this committee, if that has the effect of slowing down the number of ministries that we get to see, which Mr. Griffiths mentioned was a concern for him as well, then I would be opposed to that. It's extremely important that we be efficient, I agree, within our limited mandate. I'm all for meeting outside of session as well, but limiting research

is not going to work with the transparency and accountability that this government has put forward.

Mr. Rodney: Can I clarify because he's misunderstood my comment?

The Chair: You can go ahead, and then we'll hear from the man in charge.

Mr. Rodney: Thank you. Mr. Chase, with all due respect, I said nothing about stopping calling ministries. I'm afraid the chair will be out of order in writing further letters asking this committee's support team . . .

The Chair: It's almost a privilege, Mr. Rodney. I have duties, and I have to fulfill them as a chair of a standing committee.

Mr. Rodney: I'll read into the record a copy that I received from your office March 3, 2010. Dear minister – I don't have to mention the name, but I can if you want – “as Chair of the Standing Committee on Public Accounts, I am writing to advise you that the Committee has directed its research support staff to prepare a background research report related to . . .” and there are a number of items. But that's not the situation, Mr. Chair, with all due respect. The committee has not directed its research support staff because right now the subcommittee has not been repopulated. I'm happy to be involved and be of assistance and work in complete co-operation with you as an all-party committee member, but first allow us to repopulate this committee. It should have been done, perhaps, a few weeks ago when we had new members. I'm saying: let us repopulate the committee, let's meet, let's send out more letters, but let's agree on what the letters say. Right now there are no government members on this so-called subcommittee.

The Chair: Dr. Massolin, do you have any comments?

Dr. Massolin: Well, I just wanted to clear up a possible misconception in terms of these letters and in terms of the lead time that's provided to the ministries to provide responses. I mean, yes, the lead time might be perceived to be a little bit short, but the reality is that in many cases those letters are there just to give the heads-up to the ministries, to say this is the background research that's going to be done. There's oftentimes no follow-up that's done with the ministry because it's not needed because the information is provided in a multitude of other sources, including the annual report, including website resources. For instance, the report produced for this committee meeting, which I did myself: I did not have to contact the Ministry of Energy at all, so it wasn't a problem. I just wanted to clear that up right from the get-go, you know, not to invalidate some of the other comments about providing additional lead time in an organization.

The Chair: Thank you.

Mr. Griffiths: No worries, Philip. We almost missed a plane to get here. Remember that?

I just had heard ministers' concern before: what if they couldn't get the information in the short amount of time? This minister hadn't, but I just use it as an example. I don't know that that's really a concern.

I believe it's very likely that the names for repopulating the research committee could be given to you by the end of the week or early next week, I assume. Probably we won't skip a beat on these

letters. But it would be great if the research committee – I would assume the Auditor General's office should be involved with the research committee. It would be nice to have them at the first meeting when they meet again, and I think that could probably happen next week.

10:20

The Chair: Well, the chair has to clarify some things here. I have a role as chair of a standing committee, and this is the only standing committee of the five where there are controls and limitations put on the chair by government members such as has been suggested by Mr. Rodney. First off, the government members changed the membership of this committee, to my knowledge, twice since this session started. There was a list provided, and then suddenly it was changed. The chair had a lot of tolerance and a lot of patience with the government caucus in finally getting the roster settled.

Mr. Griffiths: Trust me. I wasn't on the first list. I'm on the second list.

The Chair: Okay. That being said, members have always been encouraged in the past to directly approach the legislative office researchers, that are paid through the tax system to provide information to all committee members regardless of whether they're opposition or government. Whether anyone has used that in the past, I don't know. Perhaps Dr. Massolin could comment on that. Every member has been encouraged, and suggestions have been made that if you have any issues from any department that's coming before us that you want researched, go see them. Now, whether government members have taken up that offer, I don't know. To suggest that this is some sort of plot by the opposition to control the research dollars is completely wrong.

Mr. Rodney: Mr. Chair, if we check *Hansard*, I mentioned nothing about an opposition plot. I did mention all-party co-operation. The truth of the matter is that the composition of the committee has changed; there are no government members on the subcommittee. We want to make sure that letters going out to ministers truly do have the support of the committee and the subcommittee. So it is with that spirit that we get the best research possible, and to be quoted otherwise I think would be very unfair.

I'd like to move past this. I would like to do what we said before, which is that I will submit to you the names of the government members. You have said that five-ish is a fair number.

The Chair: You can have as many as you want.

Mr. Rodney: I would like to move on if we may.

The Chair: Okay. Certainly, we will do that.

Mr. Rodney: But I just don't think that in the meantime, if you send letters out, you have the support of the committee because you don't have any government members on the subcommittee, which supposedly is giving you the direction to write these letters. So I want to work with you, Mr. Chair.

The Chair: For the record, before we conclude this, the five-person subcommittee worked to prepare the out-of-session meetings which were to occur last fall. The subcommittee was given direction by the hon. Member for Red Deer-South, Mr. Dallas, in a motion. It was passed unanimously by everyone who was in attendance at that meeting that that subcommittee set up the meetings last fall. The

government members unanimously voted, the first time they had the opportunity to meet, to override the subcommittee and put restrictions and limitations on what could be done in the fall meetings, outside session, particularly with Alberta Health Services.

So there are other issues that the subcommittee has to deal or struggle with that new members on this committee need to be aware of. The subcommittee did a lot of work, had a lot of meetings, used up a lot of support staff time from the Legislative Assembly, and all this was overridden by a motion the first time the committee met as a complete unit before we met with Alberta Health Services. So that also is an issue that has to be dealt with. Hopefully, it will be.

I look forward to your list.

Mr. Rodney: It's for reasons like that, Mr. Chair, that before the subcommittee goes further with any letters or anything else, we need to repopulate it so that we are, indeed, on the same page.

The Chair: Sure.

Mr. Benito: On that note, Mr. Chair, can I mention to the deputy chair that I'd like to be a member of the subcommittee?

The Chair: Good.

Mr. Rodney: I'll ask for other volunteers now, but I'll also ask later. We're looking for five government members. We have two. I'll get the other three to you on Wednesday, sir.

Mr. Kang: I've been patiently putting my hand up.

The Chair: I'm sorry. I apologize.

Mr. Kang: We had five members on that subcommittee before. How many members are going to be on the subcommittee now since we're getting five government members?

The Chair: That would be yet to be determined, but there would be an increase of at least three government members to five, so it's possible that there could be eight. There could be more.

Mr. Kang: If we have eight, then we have a tie, so we'd need nine.

The Chair: Yeah. That's a good point. I don't think they want to have a tie, Darshan.

Mr. Rodney: I believe I made the point earlier that the composition of the subcommittee should be reflective of the composition of the committee and the Legislature.

Mr. Griffiths: I believe it will also depend on how many members want to participate and how much extra work they want. You can have 11 if you want, but I doubt you're going to get that many people who want that much extra work. I think it could be left up to yourself and the deputy chair to work out the composition, and I believe it could probably be fairly arranged.

The Chair: If you have a look at any of the parliamentary procedure rules and books, of which there are many, subcommittees are usually quite small because they can get cumbersome, and obviously, you know, their meetings could turn out like the last 15 minutes of this standing committee meeting.

Mr. Griffiths: Could I add another point?

The Chair: Yes.

Mr. Griffiths: I also think whatever the subcommittee works out is a recommendation back to this committee for approval anyway. It's not like they're going to operate in isolation. They're going to bring the plan, the routine, the research strategy, everything, back to this committee, correct?

The Chair: Well, it depends. The motion that Mr. Dallas presented was quite clear, but it was later rejected and overruled. It depends on which interpretation of *Beauchesne* or *Marleau and Montpetit* you want to pick as to how the rules for a subcommittee in the parliamentary system work. You know, it just depends on who's interpreting the rules, right?

After Alberta Health Services and their budget deficit and, you know, the potential embarrassment for government members whenever they were here, there were restrictions and limitations put on that meeting. There's no doubt about that. If we want to do work and we want to have confidence in the subcommittee – and I really can appreciate where you're coming from because in other jurisdictions a subcommittee can be struck to look into any matter. That's how other jurisdictions do it.

How we're going to do it here is going to be, certainly, a work in progress. But the experience of this chair and the experience of many members and the conduct after the subcommittee was struck and the vote was passed unanimously and what happened leading up to our 90-minute meeting with Alberta Health Services and the department of health last fall – I don't know if you're going to get these guys interested any longer in serving on the committee.

Mr. Griffiths: Well, I would just think that, to me, the subcommittee is a group of people who can work together and do all of the work and come back and get a stamp from the committee of: yeah, great; thank you very much for all your hard work. I wouldn't think it would be rigorous.

I mean, I'm back on this committee. I hope everyone here remembers that this is the most nonpartisan committee that we're supposed to have. Every single person, whether they're a member of the opposition or a member of government, is responsible to Albertans to make sure the public dollars are spent appropriately, used appropriately. We're all on the same team when it comes to this committee because we're all defending the use of public dollars.

The Chair: We should listen to Mr. Griffiths.

Mr. Griffiths: So I would suggest we can populate the committee. We'll come up with some fantastic recommendations in this committee. We'll roll ahead with the fantastic co-operation we always receive from the Auditor General's office and our fantastic research, and we'll do some damn good work.

The Chair: Okay. Is there any other business? No.

The next meeting is scheduled for March 17 with Alberta Tourism, Parks and Recreation. For the record, I received a letter from them asking for a change with Children's Services. The letter, I believe, was dated February 11. I received it in my office on the 25th or the 26th of February. We made that change for them. So I find it unusual that I'm hearing complaints about government departments not being given enough time to get their arrangements or papers in order to appear before us and to work with the researchers because we have accommodated two departments, and we've accommodated other departments whenever they wanted to shift

their schedule, so the chair takes exception to that. We have worked closely with those people.

10:30

Mr. Griffiths: Well, it wasn't from Tourism, Parks and Recreation, just to clarify. They were just fine with it. I think there was maybe some general concern from some ministers: is two weeks enough time for us to get you the information? What happens if we don't get the information? That was all. They were just worried about whether or not they could get it.

I know Philip works well with the ministers, and I haven't had one of them complain after. There maybe concern before about whether they can meet the timeline and requirement, but I think none of them have any concerns after the fact. Everything goes smoothly. It's uncertainty that's probably the question.

The Chair: Yeah.

May I have a motion to adjourn?

Mr. Rodney: I would like to say one thing before, if I may.

The Chair: Yes.

Mr. Rodney: Mr. Chair, I hope that you'll reconsider taking exception to the comments. Like Mr. Griffiths I served on the committee for a couple of years a couple of years ago. I went to conferences. I care about this committee. I know Mr. Griffiths does and everybody else on the committee does as well. This is all done in the spirit of doing the best work possible for the taxpayers of Alberta, and it's about making sure that we have the research that we need to do that job extremely well. We look forward to working with you, sir, and I would hope there would be no offence in that.

The Chair: Okay. I appreciate that.

Mr. Sandhu, may I have a motion to adjourn?

Mr. Sandhu: Yes, sir.

The Chair: Thank you. Moved by Mr. Sandhu that the meeting be adjourned. All in favour? Seeing none opposed, thank you. We've still got quorum. Good.

[The committee adjourned at 10:32 a.m.]

