

Legislative Assembly of Alberta

Title: **Tuesday, May 6, 2003**

1:30 p.m.

Date: 2003/05/06

[The Speaker in the chair]

head: **Prayers**

The Speaker: Good afternoon.

Let us pray. As Canadians and as Albertans we give thanks for the precious gifts of freedom and peace which we enjoy. As Members of this Legislative Assembly we rededicate ourselves to the valued traditions of parliamentary democracy as a means of serving our province and our country. Amen.

Please be seated.

head: **Introduction of Guests**

The Speaker: The hon. Minister of Community Development.

Mr. Zwozdesky: Thank you, Mr. Speaker. It's indeed a pleasure and an honour to rise before the Assembly today to introduce to all members present some very special guests. I know that earlier this morning you hosted a very special tea in the Legislature Library, and we were honoured indeed that librarians and chairs of various library boards from various parts of Alberta attended. On your behalf I would like to introduce three of your constituents who have remained with us after that important session this morning to view question period this afternoon. They are Elaine Dickie, librarian with the Barrhead Public Library; Ms Megan Dickie, Elaine's daughter; Ms Hilda Thompson, the librarian from Barrhead composite high school; and Pauline Despina, librarian at Vimy school. They are seated in your gallery, and I would ask all of them to please rise and receive the very warm traditional welcome of this Assembly. Thank you for being here.

The Speaker: The hon. Member for Spruce Grove-Sturgeon-St. Albert.

Mr. Horner: Thank you, Mr. Speaker. It's my pleasure to rise and introduce to you and through you to all members of the House 45 visitors from the Parkland county area. These students are with the Parkland Home Educators and represent grades from preschool right through to grade 12. They're a great group of kids. The parents are to be commended for the great job they do. The students are accompanied by great group leaders Mrs. Ruth McCuaig and Mrs. Sheila Court, parents with the Scope school program in the county of Parkland, as well as a number of parents and grandparents. They're seated in the public gallery, and I would ask that they rise and receive the traditional warm welcome of this Assembly.

The Speaker: The hon. Member for Edmonton-Calder.

Mr. Rathgeber: Thank you, Mr. Speaker. It is indeed an honour and a pleasure for me to rise and introduce two guests from my constituency office. First of all, my summer STEP student, Mr. Michael Colborne, who just completed his third year of political science at the University of Alberta. He will be eventually applying to go to law school. He is well known to the PC Youth of Alberta. Accompanying Michael is my constituency assistant, Mrs. Linda Brown, who has been with me for about a year and a half now and works very hard to look after all the constituent issues and complaints in Edmonton-Calder. I'd ask Michael and Linda to rise and receive the warm welcome of this Assembly.

The Speaker: The hon. Member for Edmonton-Beverly-Clareview.

Mr. Yankowsky: Thank you, Mr. Speaker. I rise to introduce to you and through you 27 students from one of my favourite schools, Anne Fitzgerald, which is located in the constituency that I represent, the constituency of Edmonton-Beverly-Clareview. The students are here to see the beautiful Legislature Building but, more importantly, to learn about the legislative process. They are accompanied by their teacher, Miss Linda Giampa, and parent helpers Mrs. Anita Bron and Mrs. Sheila Edmonds. They are seated in the public gallery, and I would like to ask them to rise at this time and receive the very warm welcome of this Legislature.

The Speaker: The hon. Member for Wetaskiwin-Camrose.

Mr. Johnson: Thank you, Mr. Speaker. It's my pleasure to introduce to you and through you two of my constituents from Camrose who are visiting the Legislature today: Wynn McLean and Larry Werner. Wynn McLean is the general manager of the Camrose Regional Exhibition, which is a thriving, event-filled exhibition association in Camrose. Larry Werner is the producer of Big Valley Jamboree and Stage 13, events that will attract probably about 250,000 people to Camrose in a two-week period this summer. Later on the Order Paper I will be talking about the Big Valley Jamboree. Larry and Wynn are seated in the public gallery, and I'd like to ask them to rise and receive the warm welcome of the Assembly.

head: **Oral Question Period**

The Speaker: First Official Opposition main question. The hon. Member for Edmonton-Gold Bar.

Electricity Transmission System

Mr. MacDonald: Thank you, Mr. Speaker. Electricity deregulation has meant one broken promise after another from this government. Yesterday the Minister of Energy announced in Banff, far away from this Legislative Assembly, that a portion of the 2 billion plus dollars that consumers received in electricity rebates will be clawed back to construct transmission lines. Once again consumers have to dip into their pockets to pay for this government's electricity deregulation boondoggle. My first question is to the Premier. Given that the hon. Premier stated in *Hansard* on April 10, 2002, that "those who generate and sell the electricity would be responsible for the transmission of that electricity and the construction of the lines," why do consumers have to pick up 100 percent of the tab to pay for the construction of power lines now?

Mr. Klein: Mr. Speaker, I don't know where the hon. member has been for all his years, and I don't know how old he is, but consumers in this province have always paid the cost of transmission. Always paid the cost of transmission. That is the cost of providing power. There are generation costs, there are transmission costs, and consumers have always paid those costs.

What I was talking about – and the hon. member knows full well what I was talking about – was the export of electricity. Our policy on the export of electricity is clear. No power will be exported without Alberta's needs being met first, and number two, all costs for exported power must be paid for by the companies and by the consumers in other jurisdictions.

Mr. MacDonald: Mr. Speaker, the Premier knows that I was talking about within Alberta, not exports of electricity.

Again to the Premier: why do consumers have to pick up 100

percent of the tab for the construction of power lines when not six months ago the EUB ruled that new transmission line costs would be "shared equally between electricity generators and consumers"?

Mr. Klein: Mr. Speaker, on this point the hon. member is absolutely correct. The EUB did issue a decision last fall recommending that the cost for new transmission lines be shared between consumers and the companies, but new information shows that such arrangements would not result in enough investment in new lines. That is the broad generic explanation. For the detailed explanation I'll have the hon. minister respond.

Mr. Smith: Well, Mr. Speaker, this member was in the House last Thursday, not far away from this Assembly, to hear me respond to a question from the Member for Calgary-Fort which talked about the impending transmission policy announcement. So we will try to add truth to the distorted preamble by putting that on the record.

Secondly, when you look at a 50-50 policy of the line cost, the portion that goes to the generator is then recouped by the generator generating electricity, adding his costs in, and putting the power into the Power Pool. That is then purchased by consumers. The former policy would contribute to higher electricity prices in Alberta, and it would bring on the most expensive type of power necessary to our province. We didn't want to do that. We wanted to ensure that there was an equal access for our coal deposits, clean-burning coal power at a low price, for our cogeneration that comes on in the tar sands, this great energy reservoir, and in fact have a rate that was simple, transparent, and easy for everybody but the Liberal Energy critic to understand.

The Speaker: The hon. member.

1:40

Mr. MacDonald: Thank you, Mr. Speaker. Again to the Premier: how will the Premier restore public confidence in the independence of the EUB now that the Minister of Energy has overruled their decision in regard to the transmission lines?

Mr. Klein: Mr. Speaker, this alludes to a policy decision. The EUB has done an outstanding job relative to regulation in the past when it was the ERCB and more recently the Alberta Energy and Utilities Board. Albertans have the assurances that they will receive fair and equitable treatment from the AEUB. As I said, this was a policy decision. There was an examination of the economics involved in this particular situation, and I'll have the hon. minister explain once again why the policy decision was made.

Mr. Smith: Thank you. Mr. Speaker, we will be brief to a complex answer. Formerly there was a transmission administrator that was hired in the change to the new competitive market model to deliver transmission services to Albertans. At that time the policy created by the transmission administrator was one of congestion management, which said that there are some areas in Alberta that have too little generation or too much transmission. So they then tried to devise a method in order to find charges that would end up with some Albertans paying more for transmission, some Albertans paying less for transmission. It got very confusing. The transmission administrator's contract was discharged under Bill 3, which was just passed and received royal assent in March.

The new Alberta electrical system operator came on and said that this regulation change is necessary for new transmission. We responded to that. In fact, we did not overturn an EUB decision. The EUB made a good decision with the facts that it had for a previous policy at that time.

The Speaker: Second Official Opposition main question. The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you, Mr. Speaker. The lack of long-term planning for generation and transmission of electricity in Alberta by this government continues to needlessly cost consumers billions and billions of extra dollars. To the Premier: what will be the additional costs to electricity consumers for the government's latest flip-flop regarding the construction of these new power lines? Will it be \$500 million, \$600 million, \$700 million? What will the total cost be?

Mr. Klein: Mr. Speaker, the cost of leveling the playing field and treating all Albertans fairly will be about a billion dollars over 20 years. It amounts to less than a 1 percent increase in what consumers pay. In return – and this speaks to the issue of planning and looking ahead and having a vision, unlike the Liberal opposition member – there will be increased transmission capacity, vastly improved transmission capacity. Generally, there will be lower prices. Even with the 1 percent increase on the base, the base will be lower over the long term. There will be greater electricity supply. The hon. minister alluded to cogeneration at the tar sands; the Alberta-Pacific pulp mill project cogeneration with excess power being fed into the grid; the development of new power at Wabamun, coal power; the very substantial development of wind power in the Pincher Creek area, huge. This is the vision, the long-term plan: to bring on more power, as much power as we possibly can. If we can get over the Kyoto uncertainty, which was foisted on us by the federal Liberals, then we can develop even more, using the vast resources of our clean-burning, low-sulphur coal to generate even more power. Basically, the vision in the plan is a long-term, secure supply of electricity for Albertans.

Mr. MacDonald: Again to the Premier: why under this government's electricity deregulation policy do generators get all the profit and consumers bear all the risk?

Mr. Klein: Mr. Speaker, consumers do not bear all of the risk. I'll tell you what risk consumers bear under a totally regulated, socialistic enterprise that the Liberals would support. What they would get is a massive amount of debt, the kind of debt that has been accrued in Ontario, the kind of debt that has been accrued in British Columbia. That's the kind of debt they like, and that's the kind of debt they want to foist on Albertans.

Mr. MacDonald: Again, Mr. Speaker, to the Premier: why is it government policy to tell Albertans that they would have to pay the entire cost of new transmission when the EUB's cost-sharing decision meant that consumers would only pay half? Why the change in policy?

Mr. Klein: Mr. Speaker, the hon. minister – and I'll have him explain again – explained that this was a policy decision.

An Hon. Member: Flip-flop.

Mr. Klein: Well, Mr. Speaker, it was not a flip-flop.

Ms Carlson: Point of order, Mr. Speaker.

Mr. Klein: It was a change in a policy decision that was made by a former administrator who is no longer with the AEUB. The new administrator has provided better and more sound advice, resulting in a policy change. To explain that policy change, again I'll have the hon. minister respond.

The Speaker: Very briefly.

Mr. Smith: Well, thank you, Mr. Speaker. You know, unfortunately, for political purposes – and I guess it's legitimate – the member distorts everything that's appropriate to this. First of all, the real question should be: how much in cost savings will be generated to Albertans as a result of this regulation change? That's an important piece. When he refers to cost sharing, he knows full well that a generator who vends his or her power into the marketplace must recoup their costs, their costs of operation and their capital cost, plus a rate of return which the market will bear. There is no way, prior to the new competitive market model, after the introduction of the competitive market model, or today, that the consumer would not be responsible.

What we are doing, Mr. Speaker, is a couple of very important things. One is providing a long-range framework for ample supply of generation. The more electricity we have, the cheaper it will be provided to Albertans. Secondly, a market policy that is transparent. It is regulated by the EUB; it includes all the players in the EUB. Thirdly, a transmission policy that can be easily and clearly understood by everyone but the Liberal Energy critic.

The Speaker: The hon. Member for Edmonton-Mill Woods.

Education Funding

Dr. Massey: Thank you, Mr. Speaker. For the Calgary board of education inadequate government funding will result in programs being cut, school fees being hiked, and teaching positions lost. Calgary parents are frustrated with the worsening conditions in their schools. My first question is to the Minister of Learning. How many programs will be cut before the government heeds the warning that school quality in Calgary is being seriously compromised?

The Speaker: The hon. minister.

Dr. Oberg: Thank you very much, Mr. Speaker. In this last budget there was roughly a 3.4 percent increase that went directly to Calgary public. That amounts to about \$17 million. That's given the fact that they're looking at a decrease of 500 students, so 500 fewer students, \$17 million more. They are anticipating a fairly significant shortfall in their funding. As a matter of fact, they will be announcing that later on this afternoon. I have not seen the exact details of it, but they are talking that some teachers would not be rehired through attrition. That is what they are attempting to do. I look forward to seeing their budget today, and I look forward to working with them to ensure that it is a budget that can be handled. That's what I'll be doing as soon as they table the budget later on this afternoon.

1:50

Dr. Massey: Again to the same minister, Mr. Speaker: how high must school fees rise before the government listens to those Calgary parents, who are really concerned about accessibility?

Dr. Oberg: Mr. Speaker, it's actually my understanding that in this budget they have not increased school fees. Again, that's very preliminary, and I have not seen the whole budget, but it is my understanding that they have chosen not to increase school fees.

Dr. Massey: My third question is to the Premier. Given that the minister has talked to Calgary public and the classroom situation worsens anyway, has the government simply decided that a decline in school services in Calgary is just fine?

Mr. Klein: Mr. Speaker, you know, the hon. minister pointed out that CBE received a \$17 million increase – that's a lot of money – bringing their budget to nearly \$700 million. They are, as the minister pointed out, forecasting a reduction in the number of students by about 1 percent, or 500 to 700 students, and some of their proposed adjustments may be in response to this decline in students. The board currently has about 5,400 teachers and 91,000 students.

Mr. Speaker, what we're trying to say here is that funding has gone up significantly; enrollment has gone down. What is the problem here? But I know how the Liberals like to solve problems, and that is to throw money at it. It doesn't matter whether we have the money or not, whether we go into a deficit, whether we borrow the money. The Liberals have a simple solution to everything, and that's to spend more money: spend more on schools, spend more on health care, spend more on rebates, spend more on infrastructure, and spend more on social services.

Mr. Speaker, just for the information of the members, here's a partial list of Liberal spending demands.

The Speaker: Well, I think, hon. the Premier, we might get back to it at another time.

The hon. Member for Edmonton-Highlands, followed by the hon. Member for Whitecourt-Ste. Anne.

Electricity Deregulation

Mr. Mason: Thank you very much, Mr. Speaker. The Minister of Energy has just said that the EUB decision to split the cost between consumers and power companies 50-50 for new transmission had to be reversed because it failed to ensure that needed transmission capacity would be built. Put another way, unless the government helps shake down power customers even more, the economics of deregulation just won't work, and the minister is still understating the real costs of the new transmission. To the Minister of Energy: how high do electricity prices have to go in this province before the government can make the economics of deregulation work?

Mr. Smith: Mr. Speaker, I'd like to thank the member for the preposterous preamble because it allows me to correct even more fallacies held over there.

Mr. Speaker, the transmission market has never been deregulated. He knows that. We are in fact fine-tuning that marketplace. I never said that the EUB decision was reversed by me. I said that the policy of the new Alberta electrical system operator was one that asked the government to provide clarity on transmission. We've done that. It's a postage-stamp model. If he mails a letter to me, it's charged the same price as if the Member for Grande Prairie-Wapiti mails a letter to me. Everybody in Alberta benefits. It's a small marketplace. What we're trying to do is deliver the best benefits to the most people. We're delivering a framework of transmission that brings on low-cost generation. We're doing this for Albertans.

The Speaker: The hon. member.

Mr. Mason: Thank you, Mr. Speaker. I appreciate the minister's response, but I would ask him: if you are doing this for Albertans, why have electricity prices in this province doubled, and what are you going to do about it?

Mr. Smith: Well, Mr. Speaker, again I want to thank the member for the question because, as he has been studious in his attendance here, he knows that we have done three things this year. One is the export

policy that says that all generators must pay for their own transmission costs out of Alberta. That allows to stimulate generation. The second piece is the market policy. That asks for a level playing field across Alberta. It puts Enmax, EPCOR, Direct Energy all into the same basket, all under the supervision of the EUB. Thirdly and lastly, a small regulation change that delivers transmission on an overall pan-Alberta basis where the north and the south are exactly the same and treated equally.

The Speaker: The hon. member.

Mr. Mason: Thank you very much, Mr. Speaker. Why is the minister lowballing the cost of new transmission lines as only being \$1 billion when Alberta's independent transmission administrator said in August of 2001 in a report that the costs could be as high as \$3.5 billion over seven years and . . .

The Speaker: Hon. member, you heard it yesterday: you can't have three questions in one. That's just sort of like being a little frivolous with the opportunities we have.

The hon. minister.

Mr. Smith: Well, thank you very much, Mr. Speaker. In fact, the transmission administrator whom the member quotes is no longer involved in the electricity process in Alberta.

Electricity Supply

Mr. VanderBurg: Earlier questions raised this afternoon talked about the benefits of the expansion of transmission lines, but my constituents in Whitecourt-Ste. Anne have felt taken hostage by not having choice for their electrical supply. The REAs want to know: through this transmission expansion will they have choice? That's to the Minister of Energy.

Mr. Smith: Mr. Speaker, new transmission lines, new generation create jobs for Albertans and in fact create a fundamentally low-priced industrial environment in which we can continue to prosper, so I think that the long-range vision will be very strong for that. From the perspective of the REAs, they will be able to have choice inside the REA. We would look for commercial solutions to be entertained by the membership of that REA, and in fact they will be able to buy either a contract or a hedged power rate or take advantage of the default supply rate that will be available in January of 2004.

Mr. VanderBurg: Well, given that explanation, then, can I go back home to Whitecourt-Ste. Anne and expect that consumers in the future will get a reduced rate because of this expansion?

Mr. Smith: Mr. Speaker, one, the member's constituents can expect increased choice in his riding with the announced entry of Direct Energy into the marketplace. I don't want to comment too much on it because that application is before the EUB right now.

Second, Mr. Speaker, the transmission side is the regulated side. It will be no different today than it was yesterday. There won't be, as could have occurred, multiple wasteful transmission lines built all across Alberta that would only have resulted in excess costs to the consumer.

Mr. VanderBurg: Again to the same minister: given that all this new generation has been trapped because of lack of expansion, how many more megawatts are we going to see come onstream because of the expansion to the transmission lines?

Mr. Smith: Well, Mr. Speaker, it's always good to have the best questions saved for the last. There are generation opportunities. As we know, there are over 700 years of thermal coal. That's low-priced, thermal-efficient, low-sulphur, low-ash coal. It's the best coal in the world for electrical generation. That is located at Wabamun. We want to ensure that Albertans have access to that. We also want to ensure that they have access to clean burning coal-fired technology, and that's why we're seeing strong standards from the Ministry of Environment, who may wish to comment, as well as a supercritical technology being employed by the generator.

Secondly, Mr. Speaker – and this is an important time – the oil sands, although hit by the uncertainty of Kyoto caused by the federal Liberals, have also an opportunity to bring natural gas generation to the marketplace. Right now that natural gas is being burnt up there. It only is used for steam generation. If we put a turbine beside that steam, it passes through, it generates electricity, and it doesn't create any more pollution. It delivers cheaper electricity; the Canadian Energy Research Institute has estimated as much as 25 percent less for Albertans. We're on the right track, we've got a good long-range plan, and we've got market participants.

The Speaker: The hon. Member for Edmonton-Centre, followed by the hon. Member for Cardston-Taber-Warner.

2:00

Municipal Policing Grants

Ms Blakeman: Thanks, Mr. Speaker. Last fall the city of Edmonton released a report identifying and addressing inequities in the city of Edmonton's relationship with the provincial government which cites that Edmonton is owed \$13 million for identified legislative and service links between the Edmonton Police Service and the provincial government. At the same time, rural communities continue to voice their concerns with unfair funding formulas for policing from the province. My questions are all to the Solicitor General. When can the city of Edmonton expect to be reimbursed for the \$13 million they are owed?

The Speaker: The hon. minister.

Mrs. Forsyth: Thank you, Mr. Speaker. I'm not aware of what the member is referring to, but I can tell you one thing. This government, I believe, does not owe the city of Edmonton any money.

The Speaker: The hon. member.

Ms Blakeman: Thank you. To the same minister: instead of relying on undesignated municipal grants, will the minister reinstate specific policing grants to the cities of Edmonton and Calgary?

Mrs. Forsyth: That's a good question, Mr. Speaker, and I appreciate the member asking it. Actually, we did have conditional grants prior to 1993, and it was the municipalities that asked for the unconditional grants at that particular time. So that's the way we've been going.

The Minister of Municipal Affairs may want to comment on the grants.

The Speaker: The hon. minister.

Mr. Boutilier: Yes. Thank you, Mr. Speaker. Certainly, in speaking with the elected officials, their comment was that they know far better what to do with the unconditional grant money that we give them rather than the province telling them where it would

go. Ultimately, what's been happening is that the councils of both the big cities, Edmonton and Calgary, determine how much of that is allocated to police grants. I could give you an example. The city of Calgary receives over \$8.5 million of unconditional grant money. Almost \$6 million of that is dedicated directly to policing in the city of Calgary.

Ms Blakeman: This government cut policing grants in 1995.

My final question to the Solicitor General: given that the communities of Gibbons, Lac La Biche, High Prairie, and Three Hills, just to name a few, continue to suffer disproportionate funding for police services, when can this House expect to see funding formula changes which are fairer to these medium-sized centres?

The Speaker: The hon. minister.

Mrs. Forsyth: Thank you. Mr. Speaker, the member raises another good question, and we are looking at how to bring fair and equitable funding to all of the communities. I had a meeting with the AUMA and the AAMD and C. Policing is a very, very complicated, complex issue. No one seems to agree on how policing should be funded. I have asked the AAMD and C and the AUMA to sit down and discuss how they think policing can be fair and equitable in regard to some of the towns and communities that the member has mentioned. They are going to report back to me on the 15th of June.

The Speaker: The hon. Member for Cardston-Taber-Warner, followed by the hon. Member for Edmonton-Ellerslie.

Restricted Feeder Cattle Entry Program

Mr. Jacobs: Thank you, Mr. Speaker. Recently some of my colleagues in the Legislature attended a meeting in southern Alberta with a number of ranchers and cattle feeders. They raised a number of issues. Particularly, they were concerned with the restricted cattle feeder entry program, which allows Alberta producers to import cattle from the northwestern United States into Alberta for finishing, and the proposed pilot project that would allow producers to import cattle year-round. My question is to the Minister of Agriculture, Food and Rural Development. What is the status of this pilot project as we speak?

Mrs. McClellan: Mr. Speaker, first let me clarify that the restricted feeder program does allow cattle to be imported into Alberta from the northwestern U.S. states that are free of bovine tuberculosis and bovine brucellosis in the period from October to March 31. They are not allowed to come in at other times because of concern on insect vectors. With a lot of negotiation with the cattle industry and the Canadian Food Inspection Agency and our departments, we have examined the possibility of a pilot project. What the pilot project would do would limit importation year-round to one or two feedlots – I think currently they're looking at one – where they could have very close control, very close monitoring to ensure that, indeed, it is safe to bring cattle in during that time period. We've given some conditional support to this pilot project from Alberta Agriculture. The CFIA is currently reviewing the rules and the mandate of this program, and we expect to have an answer very soon.

Mr. Jacobs: To the same minister: what other concerns might we have about transfers of feeder cattle into Alberta?

Mrs. McClellan: Well, Mr. Speaker, currently Canada's health status for animals is higher than that of the United States. The

diseases that concern us certainly are bluetongue and anaplasmosis, both of which could be spread into Alberta's cattle and sheep herds as well as our wildlife population. That is at least one of the reasons why our restricted feeder cattle program restricts animals to be brought in during the nonvector season, and indeed that's why the Canadian Food Inspection Agency is being very cautious about the new program and making sure that mitigations are in place that would as much as possible prevent those diseases coming into our province.

Mr. Jacobs: My final question to the same minister: what can the minister or the department do to resolve this issue to allow a freer importation of feeder cattle into Alberta?

Mrs. McClellan: Well, Mr. Speaker, one, we can continue to work through the CFIA, Canadian Food Inspection Agency, and our cattle industry to ensure that all of the right processes are in place to mitigate the possibility of disease. The other thing that our industry is working very hard on and that we're assisting in any way we can is the whole issue of country of origin labeling, because frankly there is a big issue around the restricted feeder program. Currently an animal comes in from the U.S., is fed in Canada, goes back and will be on the shelf as U.S. beef. Under the new U.S. farm bill and the country of origin labeling if a U.S. animal comes into Canada and is fed, it can no longer go back on the shelf as U.S. beef and Canada would be considered its country of origin. So we need to work very closely with our counterparts and our industry in both countries to ensure that we continue to have access to this great market.

The Speaker: The hon. Member for Edmonton-Ellerslie, followed by the hon. Member for Clover Bar-Fort Saskatchewan.

Fluoride Levels in Waterways

Ms Carlson: Thank you, Mr. Speaker. Most people don't know that the fluoride in our toothpaste and drinking water is a highly toxic substance. In fact, just two grams of fluoride can kill an adult human. My concern today is that we dump millions of cubic metres of fluoridated water into the environment every year from our cities and towns usually without thinking about the consequences. My questions today are all to the Minister of Environment. Does this minister monitor the levels of fluoride in Alberta's rivers, lakes, and streams?

Dr. Taylor: Well, Mr. Speaker, we monitor a number of substances in the lakes and streams. I'm not sure if we monitor fluoride or not, but that's a question I can find out, and I can guarantee you I will let the member know if we monitor fluoride.

She does raise a very valuable issue around the quality of the water going back into our rivers and streams from the various communities. A city like Calgary actually puts more water back into the Bow River than it takes out. It puts more back in than it takes out.

An Hon. Member: They drink more beer.

Dr. Taylor: No. It has nothing to do with beer drinking, hon. member.

It does point out that we have to be very aware of the quality of the water that goes back into the river.

Ms Carlson: Mr. Speaker, given that cities in Alberta are fluoridating their water at three times the acceptable level for aquatic life – so

it's really toxic to aquatic life – will the minister, after he looks into this event, undertake to reduce the amount of contamination entering into the waterways?

Dr. Taylor: Certainly. We are working with the cities right now to do that. We have a number of projects in both Calgary and Edmonton where they are upgrading their wastewater treatment plants so that the quality of water will be higher, and once again I make the commitment to the member opposite that we will see if we collect that information and get her that information.

The Speaker: The hon. member.

Ms. Carlson: Thank you, Mr. Speaker. In his meetings will he undertake to explore any other kinds of contaminants that are going into our waterways that come to his attention?

Dr. Taylor: Yes. Certainly. That's part of the monitoring. We already do look at the different levels of all kinds of chemicals and so on that are leaving the water treatment systems of all urban areas. As you know, Mr. Speaker, they have wastewater treatment systems, and the water that's leaving those wastewater treatment systems in the province needs to be upgraded. I agree with the member absolutely. We need to upgrade the quality of the water that's getting out of the wastewater treatment and into our rivers and thereby improve the aquatic environment of our rivers.

The Speaker: The hon. Member for Clover Bar-Fort Saskatchewan, followed by the hon. Member for Edmonton-Mill Woods.

2:10

Canadian Dollar

Mr. Lougheed: Thanks, Mr. Speaker. My question to the Minister of Finance: could she identify the effect of the rising Canadian dollar on the projected revenues in the budget?

The Speaker: The hon. minister.

Mrs. Nelson: Well, thank you. Mr. Speaker, every year in the budget we publish our exchange rate assumptions and the sensitivities that are related to picking the exchange rate on our Canadian dollar. In this year's budget we forecast that the exchange rate would be just under 66 cents for the current fiscal year. Currently the dollar is trading at nearly 71 cents, so there is quite a difference of spread. When you average it over the full year, a penny change in the dollar, an increase in value, actually ends up having a negative effect on the government of about a hundred million dollars. That comes mainly from a decline of about \$125 million in our natural resource revenues made up by a gain on the U.S. exchange on our debt. So it's basically every cent that the dollar improves in comparison to the U.S., we have a negative impact of about a hundred million dollars. Conversely, when the dollar goes down, we gain back a hundred million dollars the other way.

The Speaker: The hon. member.

Mr. Lougheed: Thanks, Mr. Speaker. I'm wondering if the minister could clarify if there are ways in which the rising Canadian dollar is mitigated to mitigate these reductions in resource revenues and other revenues.

Mrs. Nelson: Well, Mr. Speaker, one thing is important this year with our new fiscal structure that we've put in place. To get away

from the volatility and swings within the marketplace, we've set up a sustainability fund and said that out of our resource revenues we will spend \$3.5 billion no matter what that resource revenue number will be. In this case, if it's \$4.2 billion, we will spend \$3.5 billion. So we take the volatility out of the equation when we're delivering core programs such as our health programs and our education programs and our commitments to municipalities, et cetera.

What we've done with this new structure is alleviate the worrisome situation of the volatility of the marketplace and put in place a predictability that can be then counted on by those that deliver services on the front line. So we've tried to mitigate the risk element with the market by putting in place a sustainability fund that says that we'll capture the fluctuation within that market environment. In other words, the core programs will not be disturbed by changes within the swing of the Canadian dollar in comparison to the U.S. dollar.

Mr. Lougheed: Mr. Speaker, could the minister also elaborate on any other hedging strategies that would protect Alberta's interests as the dollar rises or falls in conjunction with changing resource revenues and export prices and, also, the reduced Alberta debt?

Mrs. Nelson: Well, it is a very good question. In fact, Mr. Speaker, we almost have a natural built-in hedge program with this in the fact that we have set up the sustainability fund, but our debt servicing costs as the dollar does firm up go down, so we see a natural hedge occur, and therefore our spending on our debt servicing or interest expense, which we often call dead costs, becomes lowered. So there is a natural hedge built into our system already.

On the other side, we do again have the new sustainability fund, which is, I think, the safeguard for Albertans so that we have the long-term strategic ability to plan what our spending requirements are because of the sustainability fund, and it takes, again, the volatility out of the marketplace. We are not subjected, as we have been in the past, to the swings within the market. So we've got predictability back in, Mr. Speaker.

The Speaker: The hon. Member for Edmonton-Mill Woods, followed by the hon. Member for Edmonton-Strathcona.

Education Funding

(continued)

Dr. Massey: Thank you, Mr. Speaker. In a very critical comment on government funding the Calgary school board has just now announced 400 – 400 – staff layoffs, 300 of them teachers. Fifty-seven staff cuts alone are a result of government changes to the grade 10 credit funding. My questions are to the Minister of Learning. Given that talking to the Calgary board failed, what action does the minister now propose to prevent September service cuts in Calgary?

The Speaker: The hon. minister.

Dr. Oberg: Thank you very much, Mr. Speaker. When we started talking to the Calgary public board, it was last October, and what we dealt with was the particular problems that they had in the '02-03 school year. As a matter of fact, they aren't coming forward with a balanced budget this year. Some of those savings that they had were onetime costs, so they aren't carried through till next year.

The hon. member's number is a little inflated in what he has stated for the number of teachers. It's my information that it's more around 197, but again I have not received the complete story from Calgary public at this time, and I hope to see that later on this afternoon, Mr.

Speaker. The bottom line, though, with Calgary public is that we will continue to work with them, and we will continue to do what we can. We will continue to ensure that there's an excellent system. I think the key component here, again, is that there was a \$17 million increase to Calgary public for, the estimates are, between 500 and 700 fewer students in the upcoming year.

The Speaker: The hon. member.

Dr. Massey: Thank you. Again to the minister: how can the minister continue to claim that funding is adequate when the Calgary board alone is cutting 400 positions?

Dr. Oberg: Well, Mr. Speaker, as I travel around the province, we see a lot of different situations with school boards. In Edmonton Catholic, for example, we see a school board that is completely balanced. They absorbed not directly an arbitration award but the same amount of increase as what the boards that underwent arbitration absorbed. So we are seeing a lot of differences around the province. We're dealing with that.

What has happened in Calgary, as well, is that they have just gone to a different type of allocating the dollars out to the individual schools, and that should work very well. I'm very impressed with how they've started to do that. I think the key component with Calgary public is that they are a very open board, and indeed we will continue to work with them to ensure that what they do is in the best interests of kids.

Dr. Massey: Again to the same minister, Mr. Speaker: when will the government actually start linking funding to school costs? When can we see that linkage?

Dr. Oberg: Well, Mr. Speaker, it's very interesting when you have school boards around the province that are running balanced budgets, that are running balanced ships. I think what you see is a difference in school boards. As a matter of fact, in our new funding formula that was put out, we actually recognize that there is an economy of scale that is lost when the school boards reach a certain size. Indeed, we've put into this a component for large administrations.

So, again, the bottom line is that we will continue to work with Calgary public. We feel that there are a lot of things that we can do. It's a preliminary budget that was put out today. I have not seen all the details. My people have not gone through the total budget yet, but we hope to do that within the next day or two.

The Speaker: The hon. Member for Edmonton-Strathcona, followed by the hon. Member for Grande Prairie-Wapiti.

Dr. Pannu: Thank you, Mr. Speaker. Later today the Calgary board of education will be the first major school board to make public next year's budget. This budget will be balanced on the backs of close to 95,000 students of the CBE. It will feature the loss of hundreds of teaching and support staff positions, ballooning class sizes, and school user fee hikes. My questions are to the Minister of Learning. Why has the minister put a gun to the heads of members of the school board and told them to impose \$32 million worth of cuts and user fee hikes in next year's budget regardless of the consequences?

Dr. Oberg: Mr. Speaker, his terminology is quite interesting: putting "a gun to the heads" simply because he sees a budget. The school board received a budget that had an increase of \$17 million this year, and that's a significant amount of dollars regardless. So, again, we

certainly will work with them. My understanding is that the teacher layoffs that they're talking about would all be through attrition. They are looking at several other things in order to streamline what they do. Again, 500 to 700 fewer students than last year is what they're anticipating, so there definitely has to be some streamlining in what they do. We'll work with them over the next few days, over the next couple of weeks. The hon. member is absolutely right: this is the first budget that I have received. All budgets are due to me by June 30 of this year.

2:20

The Speaker: The hon. member.

Dr. Pannu: Thank you, Mr. Speaker. To the same minister: instead of throwing out bland assurances and misleading statistics, will the minister provide a guarantee to Calgary parents that class sizes will not grow and teachers will not be laid off due to cuts being imposed in next year's CBE budget?

Dr. Oberg: Mr. Speaker, there was a huge increase that was granted to teachers, to the tune of around 14 percent. A first-year teacher will receive about a 25 percent increase this upcoming year. So they have to accommodate those increases. We have given them a significant amount of dollars. They have a significantly smaller number of students that they are budgeting for. So we'll see. I have not seen the details of their budget yet, and I hope to examine it very carefully over the next couple of days. My people will be examining it, and we'll see what we can do to help them.

Dr. Pannu: Mr. Speaker, my question to the same minister: will the minister give a clear and firm undertaking to the Assembly that programs serving vulnerable children such as early literacy, ESL, and programs for special-needs children will not be cut back or discontinued as a result of draconian cuts being implemented in next year's CBE budget? If not, why not?

Dr. Oberg: Well, Mr. Speaker, included in this budget is an 8 percent – 8 percent – increase in special-needs funding. There are 2 percent increases in all of the others, English as a Second Language, all of the other services that the hon. member has mentioned. The interesting point, though, about the funding formula – and this is what the school boards have asked us to do. They have asked us to give them flexibility because they feel that they're the best people to look at exactly where the dollars are spent within their own school jurisdictions. So upcoming in the funding formula there is a flexibility.

There have been huge increases, Mr. Speaker, in special needs. In the last three years alone I've increased special-needs funding by 28 percent. That's a very significant amount of dollars. In the last four years it has increased by very close to 50 percent. So there's a lot of money going into it, and it's now up to the school boards how they deliver those programs. We're looking at the outcome of those programs as opposed to the actual input, the amount of dollars that are put in. There are individual program plans that have to be put forward for each special-needs student.

The Speaker: The hon. Member for Grande Prairie-Wapiti, followed by the hon. Member for Edmonton-Riverview.

Seismic Activity on Road Allowances

Mr. Graydon: Thank you, Mr. Speaker. Some rural municipalities are concerned about seismic companies doing their work on the

municipal road allowance, and to discourage this, the municipality is charging the seismic company a fee. My question to the Minister of Sustainable Resource Development: is this an allowable practice?

The Speaker: The hon. minister.

Mr. Cardinal: Thank you very much, Mr. Speaker. That is a good question. This issue, of course, is being dealt with through a stakeholders' group which includes certain municipalities, industry, and also provincial representatives from Energy, Sustainable Resource Development, and also Municipal Affairs and Transportation. This group recommended against charging such fees. Instead, this group supported a balanced approach that would include changes to improve the process for notification and inspection of seismic activities along roadways. Of course, these recommendations were made to the stakeholders' group, and we followed through with the changes recommended in 2001.

Some of the members represented in the stakeholders' group include people from AAMD and C, including Strathcona county, Yellowhead county, Saddle Hills county, municipal district of Rocky View, municipal district of Foothills, and Mountain View county also. Of course, there are also the industry associations: the Canadian Association of Geophysical Contractors, the Canadian Association of Oilwell Drilling Contractors, the Canadian Energy Pipeline Association, and only one more, Mr. Speaker, the Small Explorers and Producers Association of Canada.

The Speaker: The hon. member.

Mr. Graydon: Well, thank you. To the same minister. Some of these municipalities, despite what you've said, are still looking at the need for a bylaw to allow them to charge this fee. I'm wondering if the minister can address whether there is a need for that kind of a bylaw and whether the municipalities can do that.

Mr. Cardinal: Mr. Speaker, currently there are ample opportunities through the existing process to be able to deal with the issue outside municipal bylaws. There is a good framework for dealing with seismic issues on a provincial basis. We are confident that we can work together – my department, Municipal Affairs, Transportation, and Energy – to deal with that issue.

Mr. Graydon: Finally, briefly to the same minister. There are also concerns that this seismic activity on road allowances could be a safety issue and cause some safety problems. Are we doing anything about those safety concerns?

Mr. Cardinal: Again, Mr. Speaker, that is a very good question. We take safety along these roadways very seriously, and we are working very closely with the Minister of Transportation, who works very closely with the counties and other municipalities. In the last 10 years I believe we've only received one complaint in relation to safety or lack of safety on these roads.

head: **Members' Statements**

Centre 2000

The Speaker: The hon. Member for Grande Prairie-Smoky.

Mr. Knight: Thank you, Mr. Speaker. It's my pleasure today to rise and make a statement with respect to a phase 1 centennial project that is in service in the city of Grande Prairie and certainly has been a tremendous asset already to the region. We were fortunate enough

to have the Minister of Seniors tour briefly, and the museum that is part and parcel of Centre 2000 in Grande Prairie is a project that has been extremely well received.

To point out the regional concept and the regional vision of the museum operators, Mr. Speaker, I would like to allude a bit to a program that they are going to embark on this summer where the museum is going to allow transportation for students to be partially provided by the museum. They're expecting in the neighbourhood of 8,000 visitors to the museum this summer. The program will be started in May and June of 2003. The program is going to be offered on a trial run to students from schools in the northwestern Alberta region. We'll then see an expansion of this program to the grade 5 to grade 11 students, commencing in September of 2003. By the school year beginning in 2004, the program will be offered to all students in the Grande Prairie region from grade 5 to grade 11.

The Speaker: The hon. Member for Lac La Biche-St. Paul.

Danielle Schnurer

Mr. Danyluk: Thank you very much, Mr. Speaker. The highest honour bestowed by Alberta's 4-H program has been presented to Danielle Schnurer of Elk Point. Danielle was chosen as the Premier's award recipient from 133 of the province's top 4-H members during the annual 4-H selections program at Olds College, May 2 to 5.

Danielle Schnurer is a 17-year-old honours student who exemplifies the leadership, communication, and personal development skills that the 4-H program holds in high regard. Danielle has been an active member of the Elk Point Saddle Slickers and the Elk Point 4-H Multi Club. Her leadership through executive responsibilities and instructing young members has been beneficial to her club. She participated in the leadership-through-counseling seminar and has been a counselor at 4-H camps. Danielle is an articulate and confident young woman. She competed in the 4-H provincial public speaking competition as a northeast regional champion in 2002 and in January of 2003 as a member of the Alberta Hippology Team in the Western 4-H Horse Classic in Denver, Colorado.

Her enthusiasm and energy have not been limited to 4-H. Danielle was a member of the Elk Point Ukrainian Dance Club for 10 years. She has held positions on student council and played on school sports teams, basketball being her forte. She has served on the national Students against Impaired Driving Committee and is a vocal advocate of responsible behaviour. Danielle plans to pursue a career in physiotherapy and has been accepted into the science program at Augustana University College for the fall semester.

2:30

It gives me great pleasure to learn that the prestigious Premier's award was given to a close neighbour and a member of my local community. It is all the more meaningful as I've had the privilege to know Danielle and observe her in competition. Her friendly nature and positive attitude were great assets in her role as a 4-H ambassador.

I would like to extend my congratulations to Danielle Schnurer, a very deserving recipient.

The Speaker: The hon. Member for Edmonton-Ellerslie.

Removal of Domestic Livestock from Public Lands

Ms Carlson: Thank you, Mr. Speaker. On April 8, 2003, a resolution was passed by the Sundre Fish and Game Club to take the necessary steps to have domestic livestock removed from public

lands. Their intent is to pursue this matter with great intensity, and there are several reasons why they have taken this position.

The first is the decrease of large ungulates in the 400 zones; secondly, a lack of winter forage in some of these zones due to overgrazing by domestic stock driving wildlife further eastward in search of winter pasture. Their third point: the position that most leaseholders have taken with public access is they do not want to share these areas with the general public and are not good stewards of the resource. They believe they are pasturing too many animals too long in most of these areas. Livestock have been allowed to overgraze to the point where there is no feed left for wildlife. They believe that they are abusing the generosity of the general public that allows them access to the grass. Their fourth point is that there has been a decrease in outdoor opportunities for hunting, fishing, viewing, camping due to very limited access on leased lands.

These leaseholders are not very generous when it comes to public access and seem to have taken the position that it belongs to them. They say that they see more and more no trespassing signs being erected on public lands. They no longer seem to be satisfied with cheap access to grass for their livestock but want full control. Elk and moose are increasing at an alarming rate in the private lands due to the availability of winter food and very low predators and the lack of hunting opportunities, which is the main tool for wildlife management control.

This club believes that this will lead to more conflict between wildlife and the farming community and wildlife and vehicle incidents. They believe that lands must be managed for all wildlife and all people. They believe it is the government's job as appointed stewards of the resource by the people of Alberta to manage it properly and for all. They say that we need to make every effort to raise wildlife on public lands by maintaining the existing habitat, better predator control, and increased burns.

Thank you, Mr. Speaker.

The Speaker: The hon. Member for Wetaskiwin-Camrose.

Big Valley Jamboree

Mr. Johnson: Thank you, Mr. Speaker. I speak today about a very special event that will take place in my constituency in the first few days of August, the Big Valley Jamboree. Since the arrival of the festival nine years ago the Big Valley Jamboree has become one of North America's hottest country music events. Many tens of thousands of people gather at the Camrose Regional Exhibition Grounds, which has recently undergone a million-dollar expansion to accommodate 22,000 people per day to partake in four days of country music, bull riding, trade shows, and other enjoyable activities. The Big Valley Jamboree is a major tourist attraction for my constituency and indeed for all of Alberta. The lineup for this year's festival includes many talented country artists including Albertan Carolyn Dawn Johnson, Tracy Lawrence, Deana Carter, Lonestar, Alan Jackson, Sawyer Brown, the classic country group the Oak Ridge Boys, and many others.

What makes the Big Valley Jamboree one of the best outdoor music festivals is that it is a family experience. The festival atmosphere is perfect for the events that are planned for every age group, including a family stage and a separate family campground available for those with young children. There is the main stage and several festival events which cater to the more adult crowd.

The event is very important to my constituents as there are approximately 1,500 volunteers from the Camrose region who come out to help with this very popular event. With the support of volunteers and sponsors and the participation of outstanding artists

the Big Valley Jamboree continues to be popular, wildly entertaining, and a lot of fun for all of those who attend. So from my constituents I would like to say to all of you: we will see you at the Big Valley jamboree.

Thank you.

head: Presenting Petitions

The Speaker: The hon. Member for Edmonton-Strathcona.

Dr. Pannu: Thank you, Mr. Speaker. I rise to table a petition signed by 82 Albertans from all over the province, from Coaldale to Calgary to Edson to Red Deer to Edmonton to Fort McMurray, Peace River, and other places. They are urging this government to end the funding crisis in education and increase funding so that there are adequate funds for our children.

Thank you, Mr. Speaker.

head: Tabling Returns and Reports

The Speaker: The hon. Member for Edmonton-Strathcona.

Dr. Pannu: Thank you, Mr. Speaker. I'm tabling the appropriate number of copies of a letter, a copy of which I received. The letter is addressed to the Premier, dated May 1, 2003, and it's from Ms Sally Ferrero of Edmonton. She's expressing concern about education underfunding and questions the priorities of the government's budget when it comes to spending \$105 million for upgrading VLTs while the school system is "starved of funds for basics like textbooks."

The Speaker: The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you, Mr. Speaker. I'm tabling the executive summary of an ESBI Alberta Ltd. document entitled Facilitating Major New Generation in Alberta: an Overview of the Transmission Infrastructure Requirements. This document is from August 17, 2001, and states that transmission developments which would be required within Alberta and for export to support predicted growth in generation by 2010 would cost in the region of \$3.5 billion, and \$1.5 billion of this would be for internal Alberta distribution.

Thank you.

The Speaker: The hon. Member for Edmonton-Ellerslie.

Ms Carlson: Thank you, Mr. Speaker. I have two sets of tablings today. The first is entitled Proper Management of the Resource & Access of Public Lands, which I talked about in Members' Statements. It's from the Sundre Fish and Game Club.

The second is a letter from Frank, Shane, and Jean Raymond from Sundre, Alberta, who are very concerned as hunters, outfitters, and outdoors people about the lack of management by government on the issues that were talked about in a private member's statement.

The Speaker: The hon. Member for Edmonton-Riverview.

Dr. Taft: Thank you, Mr. Speaker. I table copies, with permission, today of a letter from a Laureen Purkis, a woman who returned to university at age 38 to become a schoolteacher. She just this year became a full-time schoolteacher and is now being laid off because of financial cuts. It's very timely given the announcement in Calgary today.

Thank you.

The Speaker: The hon. Member for Edmonton–Gold Bar.

Mr. MacDonald: Thank you very much, Mr. Speaker. I rise this afternoon to table for the benefit of all members of this Assembly the program from the 17th annual graduation convocation for the King's University College, which occurred this past Saturday at the Ellerslie Road Baptist Church. This graduation ceremony was well attended, and the class keeps getting larger and larger each year.

Thank you.

The Speaker: The chair would like to table five copies of a memorandum from the hon. Member for Calgary–Buffalo requesting that Bill 206, the Traffic Safety (Seizure of Vehicles in Prostitution Related Offences) Amendment Act, 2003, be given early consideration in Committee of the Whole.

The hon. Member for Edmonton–Ellerslie on a purported point of order.

Point of Order

Allegations against Members

Ms Carlson: Yes, Mr. Speaker. Earlier this afternoon in an exchange between the Premier and the Member for Edmonton–Gold Bar – so this is the second set of questions, the second question in the second set – the Premier answered with regard to making a statement where he said: the kind of debt they would – and then I didn't quite hear what he said – like or would approve of. So in terms of how that question was set up and how the Premier answered it, he was making an allegation that people sitting on this side of the House, and particularly the Member for Edmonton–Gold Bar, would approve of any kind of debt, and that is an allegation. He can't make those kinds of statements. They are not parliamentary within this Legislature, and we would like them withdrawn.

Mr. Hancock: Clearly, Mr. Speaker, no point of order at all on this. During the course of campaigns and during the course of questions in the House and during the course of the ongoing to-and-fro, members opposite request that you spend more money on this, you spend more money on that, put more money into education. They have the good fortune, such as it is, of being in opposition so that they can encourage spending on any one of a number of different priorities that they might have without having to allocate the scarce resources of government. One can only assume that if one is to spend in all the priorities that they put forward, there will be some form of debt associated with it because clearly the revenue isn't there.

2:40

But, in any event, that's not an allegation but merely in the nature of the regular to-and-fro of discussion in the House. It impugns no motive. It does not suggest anything about character. It's not making an allegation in the sense that allegation is used in 23(h).

The Speaker: Hon. Member for Innisfail–Sylvan Lake, do you want to participate?

Mr. Ouellette: No.

The Speaker: Okay. Others?

The response from the Premier with respect to the question from the hon. Member for Edmonton–Gold Bar:

Mr. Speaker, consumers do not bear all of the risk. I'll tell you what risk consumers bear under a totally regulated, socialistic enterprise that the Liberals would support. What they would get is a massive

amount of debt, the kind of debt that has been accrued in Ontario, the kind of debt that has been accrued in British Columbia. That's the kind of debt they like, and that's the kind of debt they want to foist on Albertans.

Of course, 23(h) and (i), imputing motives, refers to individuals, not groups, parties, caucuses, entities and is part of the give-and-take of the Legislative Assembly. I suspect we would have a point of order on every question raised with respect to this particular kind of clarification and probably in many, many of the responses given as well. So, no. I guess we've had it raised and dealt with.

head: **Orders of the Day**

head: **Committee of Supply**

[Mr. Shariff in the chair]

The Deputy Chair: Hon. members, we'll call the committee to order.

head: **Main Estimates 2003-04**

Energy

The Deputy Chair: The hon. Minister of Energy.

Mr. Smith: Well, thank you very much, Mr. Chairman. It's a pleasure to be here today. It's a pleasure to talk about the Department of Energy and its estimates and its business plan. Of course, we all know that energy has a long and bright history in the province of Alberta, one that we wish to continue, and of course it continues to be a driving part of the support in the economy.

Mr. Chairman, resource revenues are forecast to make up almost 30 percent of government revenues in 2002-2003. With Alberta's new fiscal framework when oil and gas prices fluctuate, government revenues will continue to fluctuate but the amount of money available for government spending will be more stable. This does not diminish the importance of the energy sector.

Securing Albertans' share of resource revenues and ensuring that our energy resources are competitive and continue to attract investment and create employment are the Ministry of Energy's most important responsibilities. To sustain future revenues from energy resources, Alberta will need to ensure that it has the right regulatory process and rules to ensure continued exploration and development of conventional resources, increased production from conventional wells, and allow for responsible development of nonconventional energy sources. That means continued oil sands development.

Under our generic oil sands royalty regime – and this is an important question because members asked it before – before an oil sands project has recovered all of its costs, Mr. Chairman, royalty is 1 percent of gross revenue. After costs are recovered, the royalty is the greater of 1 percent of gross or 25 percent of net revenue. Although a barrel of bitumen generates less royalty than a comparable barrel of light sweet crude, oil sands do offer greater potential by volume.

While it is not certain that oil sands royalties in the near term will approach conventional oil royalties, given current oil price and production forecasts, we expect oil sands royalties to significantly increase by the year 2007-2008 and will subsequently show up in the business plans for those years. In the meantime, Mr. Chairman, continued oil sands investment will create employment and help secure Albertans' energy future.

Two key changes, Mr. Chairman, have been made to our overall ministry business plan. We have highlighted the significant contribution the ministry makes to the overall government goals of

people, prosperity, and preservation, and we've identified the key strategic priorities for both the department and the Alberta Energy and Utilities Board. Our business strategies and targets may have to be revised if the bad federal government continues on its path of implementing Kyoto targets and time lines without a plan. Kyoto has impacted and will continue to impact industry investment and commodity prices. Nevertheless, we remain outcome oriented.

But Albertans' share of resource development is more than just royalties. It includes investment, it includes jobs, and it includes the business opportunities that all Albertans enjoy as direct and indirect results of the oil and gas industry. This industry, Mr. Chairman, attracted over \$20.6 billion worth of investment in 2001. That is approximately 67 percent of all private investment in Alberta. Now, while we haven't seen the investment numbers for 2002 yet, we expect that they will be slightly lower than the record set in 2001. This investment creates business opportunities and supports some 66,000 direct upstream or in front of the gas pump sector jobs for all Albertans and in fact in front of the refinery operation.

Now, Mr. Chairman, the Department of Energy's nonrenewable resource revenue stream for 2003-04 is expected to be \$4.776 billion, reflecting a return to more historical oil and gas prices. The oil price forecast for 2003-2004 in United States dollars is \$23.30 per barrel for west Texas intermediate. Budget 2003 assumes that natural gas prices will average Canadian \$4.05 per thousand cubic feet or, if multiplied by 1.512, Canadian \$3.84 per gigajoule in this fiscal year. The oil price forecast assumes that the Organization of Petroleum Exporting Countries, OPEC, does moderately well at managing the oil market but recognizes internal tension over production quotas causing some oversupply, putting downward pressure on prices.

In terms of natural gas the recent price increase reflects declining North American production, low storage levels, and colder than normal – and may I say colder than normal given today's temperatures – unsettled weather in key consuming regions of eastern North America. The price forecast reflects increasing drilling activity in Canada and the United States that arrests the supply decline, a return to normal weather, and a return to the historical relationship between oil and gas prices. It is expected, Mr. Chairman, that gas prices will drop to levels more in line with the budget once storage begins to recover to historical levels.

2:50

This budget will enable the Department of Energy and the Alberta Energy and Utilities Board to meet the following opportunities and challenges. One, over the next year we will continue to participate in Alberta's climate change action plan and protect Alberta's interests on the national scene. Two, resolution of First Nations issues. It is very important to provide assurance and certainty for future access and development of energy resources. The department continues to strengthen consultation and promote training, employment, and business opportunities for those First Nations.

To offset long-term declines in conventional reserves, Mr. Chairman, we must intensify the search for remaining oil and gas resources, further enhance the oil recovery, proceed carefully with the responsible development of coal bed methane, and encourage the industry to develop new technology and processes. We may be able to increase recovery and reduce emissions intensity. The department will complete a review of its royalty systems to ensure that Albertans continue to receive a fair share of the value of these commodities.

We are presently working with Environment, the Energy and Utilities Board, and Sustainable Resource Development to develop and improve regulatory processes and reduce the cost of regulatory requirements over time while still maintaining Alberta's high

environmental standards. The Ministry of Energy will continue working to eliminate barriers to retail growth and stability of competitive electricity and natural gas markets. In this next three-year period, Mr. Chairman, the key area of focus is further development of the retail market. We intend to advance customer confidence and information and knowledge in the restructured marketplace through our comprehensive Customer Choice awareness education campaign.

Now, Mr. Chairman, I am responsible for the Alberta Energy and Utilities Board, and the Alberta Energy and Utilities Board will continue to act on the recommendations of the Provincial Advisory Committee on Public Safety and Sour Gas. This three-year initiative is the EUB's first priority. Significant progress has already been made on the 87 recommendations: 18 recommendations have been completed, work has begun on 52, and 17 will start by April 2004. The board is also challenged with fulfilling additional regulatory responsibilities regarding municipally owned utilities and the market surveillance administrator function.

The Department of Energy's business plan, Mr. Chairman, contains no major changes, but it is a further refinement of the substantive changes that began in early April 2001. Although the department does not directly control outcomes, it does attempt to achieve desired results through actions and programs and respond to changing business and economic circumstances affecting energy and mineral resource development in this fine province.

Mr. Chairman, while the department's mission, vision, and core businesses aren't changed from last year, our strategies have been refined and our performance measures polished, crowned with the addition of industry investment as a clear indicator of the fairness and competitiveness of our royalty and regulatory regimes.

As with the Department of Energy the Alberta Energy and Utilities Board's mission and vision remain unchanged. However, Mr. Chairman, the EUB's core businesses have changed from four to two. Adjudication and regulation is one; information and knowledge is two. The board, the EUB, has also consolidated strategic priorities and performance measures to focus more on outcomes, less on process.

I am presenting a ministry budget that will enable the department to collect some 5.071 billion dollars in royalties and freehold mineral tax for all Albertans while enabling the Alberta Energy and Utilities Board to fulfill its regulatory mandate. Mr. Chairman, the administrative cost of collecting this revenue is less than 2.3 percent. The Department of Energy's business plan targets between 20 and 25 percent of industry's annual net operations' revenue through the royalty system. This is the second largest revenue source for the province in '02-03, just behind the \$7.3 billion in expected personal and corporate taxes.

The EUB has identified some pressure and is proposing an increase in funding over the next three years. To this extent, Mr. Chairman, funding has been increased by some 10 million dollars in 2003-2004.

The number of full-time equivalent positions in the Department of Energy will increase to 562 with the addition of six positions for consultation with First Nations while the EUB complement will increase to 800, for a total of 1,362 positions. The Alberta Energy and Utilities Board's additional staffing, Mr. Chairman, will provide for additional expertise on public safety, sour gas emissions, the expanded regulatory role in utility regulation and strengthens the board's expertise for oil sands applications and hearings.

Now, Mr. Chairman, our budget estimates do not reflect the transfer of the rural utilities program to Alberta Agriculture, Food and Rural Development. This is a management move that has been made over the past year through a lengthy consultation with

stakeholders, with the members of rural gas co-ops, with members of rural electrification associations, and with members of our department. In dealing with this, we dealt with the department of agriculture, particularly the rural development component, and it was ascertained through analysis that the granting aspects of the natural gas co-op program, which has attained a 97 percent gas penetration in Alberta, and the rural electrification associations, which deliver some 54 megawatts of power in some 67 organizations, would be best placed there for the purposes of rural development and coincident with the targets and goals of the Department of Agriculture, Food and Rural Development's business plan. Therefore, based on that analysis, a lengthy process was undertaken over the past year, and we now will finalize the movement to the Department of Agriculture, Food and Rural Development.

This does leave the policy side firmly in the hands of the Department of Energy. They will continue to work hard with natural gas co-ops. Natural gas co-ops under Bill 19, Mr. Chairman, had only one minor change, and that is that if the membership vote by a majority – and I believe it's a two-thirds majority – then that gas co-op is obligated to offer choice. But up until the members themselves make that decision in a democratic environment, the Ministry of Energy remains silent on how the gas co-op wishes to conduct its business.

With respect to the REAs, Mr. Chairman, at this juncture I must thank the Member for Edmonton-Castle Downs and the Member for Grande Prairie-Smoky for the hard work that they undertook over a two-year period to resolve the issues that the REAs had indicated existed between the Ministry of Energy and themselves. These involved certain issues such as how to go about amalgamation of an REA. How would an REA compete with another wire provider? How would REAs amalgamate in areas where they are served by different providers? What are the safety issues surrounding wire repair for REAs that are served by a wire provider? How is membership determined, by negotiation or by arbitration? So these issues were worked on quite diligently by the members of the committee, and a good outcome occurred after some two years of discussion and consultation.

3:00

Now, it is important to note, too, Mr. Chairman, that with the passage of Bill 3 REAs will be able to provide customer choice. They will be obligated to provide the default supply option, which is known as the flow-through rate, but of course there will be commercial solutions or what I'll call membership solutions inside the REA where they can take and make a majority decision governing the not-for-profit society and buy hedged power or buy contract power that would be available for all their members. So, in fact, having the default supply option available simply serves as a competitive check and balance on the usually good performance of the REAs in purchasing electricity for their members. I would be more than pleased to comment further on that should there be questions that arise.

Let me say in conclusion – and thank you for your attention, Mr. Chairman and others in the House – that this ministry has a proud past. One of the fundamental components that makes this department the success that it is is the land tenure system that has been so ably and capably administered and has been done without scandal, without corruption, without fault. As I touch the wood of my desk, I can only hope that that will continue as it has continued over the past 50 years.

There's no question as to the significance of the undertaking and the knowledge of the staff members of the Department of Energy and the responsibility that they hold, whether they're continually revising

and reviewing the royalty agreements to see if we're extracting the appropriate amount of economic rent from the companies that invest in this province to getting the generic oil sands royalty right and correct to stimulate in the last year I think some \$20 billion worth of new construction to building a data warehouse of petroleum information that is second to none in the world.

This program, formally called VIPIR, or volumetric and infrastructure petroleum information registry, is now up and running. It's running for a significantly reduced cost than what was originally contemplated when the first royalty simplification program was initiated. We've found that the private sector is using this Internet-based site multiple times. We have recorded millions of hits in the first quarter of operation. In fact, we are moving the best petroleum data around, managing it correctly, collecting the appropriate amount of royalties, and delivering financial moneys to the Treasurer on a timely, efficient, and appropriate basis.

So with that short introduction, Mr. Chairman, I do look forward to answering any questions that members may bring on the estimates of the Ministry of Energy.

The Deputy Chair: The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you very much, Mr. Chairman. It's a pleasure to get an opportunity to participate this afternoon in the Department of Energy's annual estimates. Certainly, in the minister's conclusion one cannot underestimate the importance to this government and to all Albertans of the nonrenewable resource revenue of close to 22 percent that is provided by that department to the budget of the province. When one considers how large an amount that is and how important the energy sector is to this province, it is one of the more important portfolios within the government.

I see that as we debate the estimates this afternoon, the minister is attired in a wonderful purple tie, very similar to the Purdy's chocolate boxes. The hon. Member for Edmonton-Centre is apt to be asking for one just like it because of course that is her favourite colour.

With that, Mr. Chairman, there are many questions. Certainly, there have been many problems in the Department of Energy, and the problems have to be resolved. There are issues and problems around electricity deregulation, and it should be a very interesting and informative debate in regard to this department.

Whether it's natural gas or electricity, how we're going to enhance the development of the coal bed methane industry for the future of this province, how we're going to develop wind power – certainly that was mentioned in question period earlier this afternoon, and I think that's very, very important, particularly in southern Alberta and west of Calgary. We have to ensure that the Minister of Energy not only manages the development of the oil and natural gas and mineral resources in a responsible manner within a framework of sustainable development that maximizes investment in resource development and benefits for Albertans but also that there is a development of wind power and there is a responsible development of the entire coal bed methane industry.

Now, if we look at the mission of the Department of Energy, it is to "optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans." In other words, to maximize the royalties the government collects from our natural resources, and that is very important. I believe it was the Premier who said that we have to get our pound of flesh. Certainly we have to ensure that all royalties that are due and payable are put into the public treasury, and I'm sure they are. It was with interest that the minister discussed earlier VIPIR, the electronic compliance system

to calculate royalty rates, and that's now up and running. I hope it's very, very successful. I hope it is very successful.

The Department of Energy has, as we look here, four core businesses, including securing benefits for Albertans, resource development, informing Albertans about energy and mineral resource development, and ensuring Alberta consumers have a choice of reliable and competitively priced energy. Certainly, when one considers that and you go around and talk to citizens, particularly after a couple of years of electricity deregulation or energy deregulation, consumers are not after choice. They're after affordable electricity and natural gas prices. They have expressed no interest in pursuing two-, three-, or five-year contracts for electricity or natural gas. What they want is reliable, affordable energy to heat and light their homes. They don't want to gamble on a three- or five-year contract for those utilities. They see natural gas and electricity as essential services, not as expensive commodities.

The Minister of Energy has also developed six strategic priorities for the upcoming year including continuing to implement an action plan on climate change. To the minister: specifically, what is the government's action plan on climate change? What is the timetable for the government's implementation of its action plan? What are the Department of Energy's responsibilities in the implementation of this government's action plan, Mr. Chairman?

Now, another of the six strategic priorities for the upcoming year is a focus on developing consultation guidelines and on fostering capacity building in First Nations communities. In regard to that, I have a number of questions. Given that this strategic priority states that "the department continues to focus," what steps did the government take last year?

3:10

An additional question, Mr. Chairman: what extra steps is the government going to take in this upcoming year given the developments in the northern Alberta oil patch? What new initiatives have begun as a result of recent developments again in the northern Alberta oil patch? Will the government table in the Legislative Assembly its action plan for developing these strategic priorities? Also, which stakeholders is the government working with in order to achieve these goals?

Another strategic point is to "complete a review of opportunities for new exploration and development" and a resource development regulatory review. Now, as part of this review, is the government going to review its policy around the use of regulations, and will the public be kept up to date on the results of the department's regulatory review?

I see also that we're going to look at reviewing the "royalty systems to ensure Albertans continue to receive a fair share of the maximized value of commodities over the next two decades." Is the royalty tax credit included as part of this review? I'm going to have more to say on this royalty tax credit later on, but will the department also make this review public? Will the minister take into consideration in this review the recommendations the Auditor General has made about this department's royalty programs?

Again, another strategic initiative is to pursue "structural changes to enhance electricity market operations and to ensure that there's a level-playing field" for all customers. Well, I don't know about that. What provisions is the minister taking to ensure that the rights of consumers are not sacrificed for a level playing field? Does the government believe that a level playing field will result in lower utility bills for Albertans? If not, why is the minister pursuing this?

Now, getting to the business plan, on page 123 of the Department of Energy's business plan 2003 through 2006 it states that the ministry will "directly develop, manage and support, in-house, those

department information management systems that are critical to ensuring that Albertans continue to receive their share of resource revenues." How did the department determine that "20% to 25% of industry's annual net operating revenue" was Albertans' share of resource revenue? Does the minister foresee Albertans' share of royalties changing over time? Is the royalty rate going to go up? Is it going to go down? Is it going to stay the same? Which department information management systems are being discussed here? Are there new ones being created?

Mr. Chairman, again to the minister: how does the department collect information from energy firms in order to ensure that Albertans are getting their fair share of the revenues? Is the honour system still used?

On page 123 of the Department of Energy's business plan 2003-2006 it states that it has set a target of making audit adjustments less than 2 percent of department revenues. Why didn't the government set its target lower than 2 percent given that the audit adjustments only made up 1.6 percent of department resource revenues last year? How many firms does the department audit in a given year, Mr. Chairman?

Now, moving on to page 124 of this ministry's business plan, it states that the department will "implement Oil and Gas Consultation Guidelines for resource development on Crown land in areas of traditional use" by First Nations people. When does the government plan to have these initiatives implemented? Has the department consulted stakeholders in constructing these guidelines, including both the resource companies, oil and gas companies, and representatives of the First Nations bands? How will these initiatives be enforced, and are they binding?

Again on page 124 of this ministry's business plans it states that the department will "complete a consultation process with stakeholders to identify issues and appropriate strategies for future development of Alberta's coal bed methane resource." Is this consultation process going to be open to the public? Will the results of this consultation process be made public, and will legislation be coming forth to guarantee royalty rights to those looking to develop these new technologies?

At this time I was surprised to note at a meeting that I attended last week in Camrose on electricity rates and natural gas rates – but the meeting also discussed coal bed methane because it was of a great deal of interest to some of the rural landowners that were present. I asked the assembled crowd if they had received from the Department of Energy the study that was released recently by them in regard to coal bed methane. There had been a meeting in the same hotel, I understand, previous to our meeting where coal bed methane had been discussed. To my surprise, these landowners said: no, we were not aware of that study. So I'm making an effort to provide that information to those who expressed an interest in it, but I would urge the minister to make sure the landowners have all the information that the Department of Energy is putting out.

Now, I was astonished that there were some people that thought that there were going to be large, large volumes of water produced in the production of coal bed methane, and I don't know if that's true in this province. The minister can probably correct that. Certainly, I don't think we're going to produce the volumes of water that come from the Powder River basin. We've talked about this many times in the Assembly, but I think that if the landowners have the information, the conclusions that will be reached will be beneficial to all because there is a perception out there that there are vast amounts of water to be produced as a result of the production of this form of natural gas.

If the minister has any knowledge or any information regarding how much water is being produced, where it's going – because the

citizens there were concerned that there didn't seem to be any disposal well, there didn't seem to be a great deal of increase in tank truck traffic coming from the leases. The production rates may be confidential business information, but certainly if the minister could share with the good citizens of Camrose and the surrounding areas just how much water is being drawn off in some of those test wells, I think it would benefit the entire province and that industry, which is in its infancy, and I hope it grows to become a very beneficial partner in the energy sector in this province, because we all know that the western Canadian sedimentary basin is maturing for both oil and gas production.

Mr. Chairman, on page 126, moving along two pages in this ministry's business plan, we see the outline here of the Department of Energy's targets for the diversification of energy production. Were environmental concerns taken into consideration when establishing these targets, and what kinds of royalty reduction programs does this government have in mind to help industry meet these targets? Were the interests and needs of Alberta's energy consumers taken into account when establishing these targets?

Further on, on page 127 of the Department of Energy's business plan 2003-06 it indicates that for the next two years the ministry would like to see Albertans' overall knowledge of the role of energy and mineral resources in Alberta's economy "increasing over time." The same phrase is used to describe the ministry's target for doing a good job or a very good job providing Albertans with energy information. Can the minister please describe what "increasing over time" means? How can the Minister of Energy be assured that he is going to make his long-term targets for these performance measures if he does not set targets in the interim? Can the minister please provide us with a ballpark figure for these targets for the upcoming year?

3:20

On page 128 of the ministry business plans for 2003-06 it states that the department is going to "provide consumers, industry and other government agencies with clear and timely communication of changes in the natural gas and electric industries." Now, what methods – Internet, phone, fax, mail-outs – is the department planning on using to reach consumers? When is the consumer education program going to start that was advocated in the Navigant report, this \$2 million to \$3 million education campaign to alert consumers and inform them of the beefs and the bouquets, shall I say, of energy deregulation? Consumers certainly need to have that information. It was suggested in the Navigant report that this go ahead and the cost would be anywhere between 50 cents and a dollar per person in this province. I would like to know how that consumer information campaign is coming along.

Now the ministry's web site. They've got links to all over on this. In some ways it's fascinating. It's a good place to spend a Saturday evening. I can assure all hon. members of the Assembly that the Department of Energy web site is very interesting, but it is also very confusing and technical. Has the minister thought about changing the web site to make it easier for consumers to navigate and find the information that they need; for instance, if an outfit has a licence to sell three- or five-year natural gas contracts or three- or five-year electricity contracts; what to do in case a door-to-door salesperson comes to your neighbourhood. What are the questions to ask?

Also, can the minister please define "timely" in regard to information that may be sought from the department? Does "timely" involve waiting for hours in a phone queue to a call centre located, I suppose, anywhere in North America? I don't know where the Department of Energy would have a call centre.

If at this time, Mr. Chairman, the hon. minister would like to

respond in writing, I would certainly be pleased to wait for his letter. Thank you.

Mr. Smith: We'll take the member's questions under advisement and respond in writing, Mr. Chairman.

The Deputy Chair: The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you very much, Mr. Chairman. I'm pleased to rise to speak to the estimates of the Department of Energy. Of course, this department is responsible for one of the fundamental industries for Alberta's economic health, something that has in many respects defined this province for many, many years.

I want to ask about estimates with respect to the royalties, perhaps deal with that first, Mr. Chairman. The government is projecting that royalties are going to fall dramatically, so I'd like to know why the government has done that. Many forecasters in the industry are expecting natural gas prices, in particular, to stay high due to excess storage capacity in the U.S. and in Canada. For example, the *Globe and Mail* reports: Mr. Peter Linder, a Calgary-based senior adviser to the Delta One Energy Fund, said he doesn't see gas prices nosediving this year as they have in the past after sharp gains because the continental market for gas has fundamentally changed; the industry's production is falling, and overall demand is up.

So some analysts are expecting benchmark prices to average \$6 per thousand cubic feet for the rest of 2003, but the government estimates an average Alberta reference price of \$4.05. The question to the minister is: why is the government using a reference price of only 67 percent of other analysts?

Now, the oil royalties from the third-quarter update are projected to be 40 percent lower than in 2000-2001 despite the fact that oil prices have only been about 5 percent lower this year compared to two years ago. This represents a difference, Mr. Chairman, of about \$700 million. Natural gas royalties are projected to be 40 percent lower than in 2000-01, though gas prices are only about 20 percent lower compared to two years ago. This represents a difference of \$1 billion. Since 1993 the government has underestimated revenues and surpluses to the tune of \$23 billion and \$20 billion respectively. They seem to be continuing this tradition. So we would like to know what the justification for this will be.

I want to ask some questions about the decision to transmit the costs of building the new transmission in electricity onto the backs of power consumers. I'd like to ask the minister what the basis of that decision is, perhaps in a little more detail than he was able to offer in question period, and particularly would like to know, if the decision of a 50-50 split between consumers and power companies, as the EUB had recommended a year or so ago, had been followed, what the outcome would have been and why the minister has chosen to change that decision and place the full cost on the backs of power consumers.

I'm curious why the target for the percentage of electricity production from renewable sources climbs to 11.4 percent in 2003 and 2004 and then falls off again to 9.8 percent in 2005. That's something I find interesting. I'd like to know, as well, what the minister's view is of the effectiveness of the energy market in Alberta for electricity at this point. Much has been made about the impending entry of Direct Energy. Has the minister got estimates on how this will actually affect the retail price of electricity for small users: homeowners, small business, farms, and so on?

What about the potential of Aquila leaving the Alberta market? There was a piece in the paper the other day which said that Aquila is leaving or may be considering leaving Alberta. How many players does it take to make an effective market? Has the government

analyzed that? Have they got a sense of how many retailers of electricity are necessary in order to have a fully functioning effective market in which consumers can benefit? If, in fact, you get a number of retailers active in the province, how far can that reduce prices? This is a question I have for the minister.

So, Mr. Chairman, that concludes my questions for now, and I will wait with great anticipation for the minister's response. Thank you.

3:30

Dr. Taft: It's obvious that the minister isn't able to respond right now, so I'll jump up and get some issues on the record. The state of the energy industry in Alberta right now is of really great concern. I am nervous about the long-term future of the industry not just on the petroleum side but on the electricity side as well. It's clear that conventional oil reserves are tailing off, and conventional oil production is tailing off to the point where within a few years it will be barely significant in Alberta. Gas production is in decline although prices are very firm and I think will remain firm, but reserves and production are beginning to show signs of fading out, and we've pegged a tremendous amount of hope on the oil sands, which is fair enough. I mean, we should; they're enormous reserves. But it does beg the question of how well we are going to manage the oil sands.

I have occasionally had the opportunity to ask the minister before now about the structure of royalties from the oil sands, and he did make some comments about them in his opening remarks, saying that the current regime is structured on a 1 percent royalty on gross until the capital costs of the plants are recovered, and then I believe he said that it's a 25 percent royalty on net. He did say, in response to a question that I have raised at other times in this Assembly, that he expects that the oil sands royalties will begin this jump from 1 percent to 25 percent in 2007-08.

So my questions on this particular issue are as follows. Can the minister show us some long-term projections extending to 2007-08 and beyond on what the royalties will be from the oil sands production? It is a concern of mine that royalties from the oil sands dropped from something like \$700 million a year two years ago to not much more than \$100 million this year despite an increase in production. I want to see the royalties coming from the plants back up at a much higher level as soon as possible. So I'm looking for long-term projections as far out as the government has on expected royalty flow to the provincial coffers from the oil sands production.

I'm also interested in some of the assumptions underlying those projections. How are those projections affected by changes in the price of oil? The price of oil in the last year has been very high, and surely that means that the oil sands companies recover their capital costs at a much higher rate than if the price was low. If the price of oil stays high, how much more quickly will we see the royalty rise to the 25 percent level? I want to have some background explanation of the impact of oil prices on the scheduling of the oil sands royalty payouts.

I would also like to have some analysis – I hope the government has done this – on the impact of oil sands production on the reserves in the oil sands. The essential issue is this. I'm wondering how much of our oil sands reserves will be consumed before we hit the 25 percent royalty rate. In other words, will we have gone through 25 percent of the oil sands reserve before we begin getting the 25 percent royalty rate? Will we go through 10 percent, 50 percent? How much? Of course, I understand that that depends on the price of oil, but surely this department has done that sort of sensitivity analysis so that we can see the impact of prices on the drawdown on our reserves.

The next question on this particular issue has to do with the

calculation of the net basis for the 25 percent royalty. I understand from the minister that when we hit the 25 percent royalty rate, it's 25 percent of net. I need to know: net exactly of what? And I want to know who's going to be calculating that net. What is the audit system in place to ensure that the net payout is accurate and fair for the citizens of Alberta? All kinds of licensing and royalty arrangements will tell you that a net basis for calculation is plagued with problems and opportunities for abuse. We need to ensure that those do not arise. I want to know what precautions the government is taking to ensure that. So I have many questions around oil sands royalties.

I'm also wanting to be clear on the minister's position in terms of the construction cost of electricity power plants being built in conjunction with the oil sands. I have at earlier times put this question to the minister, but I would like him just to be clear on the record on his response. The question is essentially this: are the oil sands companies able to write off the cost of electricity power plants against the royalty regime? If they are, it means that in effect the citizens of Alberta are subsidizing the construction of those plants. I hope that's not the case, because it wouldn't be fair to the other electricity producers. I don't believe it is the case. I'd like the minister, though, to confirm that.

We have heard much in recent months about problems with cost overruns at the heavy oil plants coming from a variety of factors: labour shortages, problems with engineering and design, problems with rushed construction schedules. I know from firsthand conversations with project managers at these plants that there have been serious management and design problems from the contractors and from the engineering firms so that in some cases portions of plants have been built and then the engineers have come in and said, "No, you've got to take that down, and we'll rebuild it differently" at a cost of hundreds of millions of dollars. So cost overruns from that are a concern. Cost overruns from labour shortages are a concern. Cost overruns due to environmental consideration are a concern. In fact, all cost overruns are a concern, and they are a concern because they jeopardize the long-term financial security and stability of this province. So if there are plans in the minister's business plan or budget to work with industry to minimize cost overruns, I would be very interested to hear what those are.

Staying on the petroleum side but looking at a different kind of petroleum: coal bed methane. Has there been a discussion on coal bed methane?

Mr. Bonner: Slightly.

Dr. Taft: There's been a bit of discussion on coal bed methane, I understand.

The first question I have really is the scale of the potential reserves of coal bed methane, and I understand that they are potentially very significant. Some information on that would be helpful. I know that the minister and his department are very involved in planning, laying the groundwork, no pun intended, for this industry to flourish, so some details on that would be much valued. How much of the budget, how much of the business plan is committed to the development of that resource?

Along the same lines as my questions on heavy oil development any information on work being done on the royalty structure for coal bed methane would be very valuable for every Albertan to have, me included, so I hope the minister can provide that.

3:40

Now, I did notice in the estimates of the department that there is a line on communications. I'm always interested in that particular

topic. Well, I can't dig it up right now, but there was an increase, more than a doubling in the Department of Energy's communications budget. My hunch is that some of that's going to be committed to public education on electricity deregulation. A little bit more detail on that and on the working relationship between the department's communications staff and the Public Affairs Bureau communications staff. I imagine the Public Affairs Bureau has staff assigned to this department, so some information on that would be helpful, the number of staff involved. What are the details underlining the \$776,000 in the communications budget? Is there an advertising buy in there? Are there contracts let out to public relations firms? What's going on there? Some detail on that and, as I say, some explanation of how that budget fits with the budget that the Public Affairs Bureau has assigned to the department would be useful.

I have one particular question on the electricity industry. The regulatory challenges to the minister are enormous, fluid, complex, and unpredictable. One of the unpredictable things is the future or not of a large company like Aquila on the electricity industry in this province. Now, the business plan is driving towards increased competition and retail competition, in particular, in this province, yet when we see companies like Aquila pulling out, it sends off alarm bells for the stability and future of the industry. So what steps is the minister taking? What's laid out in the business plan and the budget to ensure the stability of the electricity industry? What impact does the minister see the potential pullout of Aquila having? Are there concerns if Aquila's assets are sold to, say, an existing player, like EPCOR or Enmax? Will that trigger a regulatory review, and will that raise concerns over the concentration of power in Alberta's electricity market?

So with those questions, I'll take my seat and give someone else the opportunity or the minister the opportunity to respond, and then we can carry on from there. Thank you, Mr. Chairman.

The Deputy Chair: The hon. minister.

Mr. Smith: Well, thank you, Mr. Chairman. I am going to talk specifically to some of the questions raised by the Member for Edmonton-Riverview, and then I will also attempt to answer the questions from the Member for Edmonton-Highlands. I know that the Member for Edmonton-Riverview has a good analytical sense with respect to the business plan, and I'm going to start at the end and then try to work my way back.

With respect to the stability of the electricity market, Mr. Chairman, we have now completed the third pillar, if you will, or the third leg, of the full transition to a competitive market model.

The first piece was the export policy principles. These principles are published and are open documentation available to everyone that emphasizes, importantly, that, one, export generation is allowed and, two, those who benefit from that generation must pay for that. On the unregulated piece or the competitive side it's very easy to do that. The generator just generates and sends it down the line and pays for that transmission. On the line if it's used for more than strictly merchant transmission, then cost allocation would have to be determined via a public, transcribed, open Alberta Energy and Utilities Board hearing, but the utilities board will interpret the government policy as it's established.

Secondly, with respect to the market policy the most salient feature of the market policy was to ensure the supervision of a level playing field by the Alberta Energy and Utilities Board, which included bringing EPCOR and Enmax and their city operations under the purview of the Alberta Energy and Utilities Board. That's an important piece. A second important piece was to establish a not-

for-profit AESO, Alberta electric system operator. That operator is responsible for the movement of all electricity through Alberta as well as the Balancing Pool. That system operator has also taken good steps to put through auction divided segments or strips of the Balancing Pool power into the marketplace, and for the first time since 2000 that power has been sold into the marketplace. It is being used to be vended into the pool.

The third leg is the transmission policy, which has been the topic of much discussion today as well as stemming from a question last Thursday in the House and a speech made in Banff. The transmission policy is one that is very clear; it's simple; it leaves no room for misinterpretation. If we go back, I know there is some alleged concern that we had reversed a decision by the Alberta Energy and Utilities Board. Well, in fact, the former transmission administrator at ESBI – there was a document that was tabled in the House today from a group of consultants out of Ireland. They had developed a congestion management issue and then had devised a policy for congestion management. The new AESO, electric system operator, asked that this policy be examined insofar as it didn't make any sense nor was it realistically workable. We examined it as well. We agreed with the Alberta electric system operator. Then we said that for all transmission that will be built, the cost will be borne by the consumers of Alberta. That's really no change from what was in place prior to the ESBI decision on congestion management.

So let me just read into the record, Mr. Chairman, what it is that we corrected. Now, in the policy before we said simply that all transmission would be paid for by the consumer. Here are excerpts that I'll read into the record from the EUB news release of November 5, 2002.

To encourage electricity generators to build plants in areas that will minimize the delivered cost of energy, zones will be created based on the need for power generation in those zones. Generators in zones with excess generation capacity will be subject to higher transmission charges than generators in zones with insufficient generation capacity.

The EUB also determined that the cost of any additional transmission facilities required for exports would be paid entirely by those parties wishing to export electricity.

Now, that one paragraph is so confusing that I don't know how anybody could ever deliver good, solid transmission policy based on that type of area in need versus area in less need versus generator with more cost versus generator with less cost. So what we have now is extreme clarity and a clarity that can be defined by generator, transmission builder, and consumer.

3:50

Mr. Chairman, in this former ESBI congestion management solution a generator would be asked to pay half the cost of the transmission. Now, where would the generator – and the Member for Edmonton-Riverview is a respected economist – recoup those revenues? From the sale of his product. Now, where would he sell his product? He would sell his product into the Alberta Power Pool. Who buys the power from the Power Pool? Consumers. So, in fact, consumers are already paying for 100 percent of the transmission costs. It's just that they're paying two different parties at a more complicated price, metric, and they're doing so in such a way that we were going to have price discrimination in Alberta. We were going to have areas in Alberta where there would be a higher price for electricity compared to other areas that had ample supply.

Alberta is characterized, Mr. Chairman, by a small electrical market, some 8,000 megawatts. Compared to the Bonneville Power Administration, that in fact generates over 17,000 megawatts, we're small potatoes, and that was I think one of the concerns about a new competitive market model going in. So now that we have a good

export policy, a strong market policy, new entrance into the retail marketing side, and a clear, visible, simple transmission policy, this marketplace is set right to create as much downward pressure as we can on electricity prices, fair and open pricing, and good, easy to interpret regulation.

Mr. Chairman, we continue to feel positive about this step. It's a beneficial step for all Albertans. It is one that will cover this marketplace well into the future. Now, there are a couple of reasons that underlie that. One of the most important reasons is that it sends a strong signal to low-cost generators, low-cost generators located in the Wabamun area who can deliver low-priced electricity manufactured from clean-burning, low-sulphur, low-ash coal. Secondly, it sends a tremendous price signal to the most unique energy reservoir in the world, known as the Alberta oil sands.

These oil sands and the latest thermal technology that's being used to exploit them means that they must generate steam in any event, and they've decided to use natural gas as that fuel of choice. Now, if you're generating steam and then you inject it into the formation to heat the bitumen such that the bitumen then drops into the second annulus on a SAGD project and then is pumped up to surface, why would you not pass that steam through a gas turbine, a right-sized turbine? With a SAGD project that would use about 25 megawatts of power, you can put an F-series generator in there from General Electric to generate 170 megawatts. Pass the steam through that, and you've got about a 145 megawatt surplus. That can be put on the transmission lines and shipped into the marketplace with no added pollution to the Alberta air shed, with no added CO₂ emissions. It's absolutely in the public interest, Mr. Chairman, for us to use that precious natural resource, natural gas, for more than just to generate steam from the oil sands.

Both of these initiatives will put pressure on electricity prices in Alberta. That is why we're doing the transmission policy, the market policy, and the export policy: for the public good.

Now, inside this marketplace there has been some uncertainty, uncertainty that's been caused by global events. I think that the change in the liquidity of the international marketplace and the inability for the continental marketplace to trade large amounts of natural gas has created some upward pressure on gas prices and certainly has contributed to the gas spikes that we saw last year, but inside that is created a tremendous amount of dollar losses to those companies that were involved in energy trading. Of course, the granddaddy of them all is Enron, but Reliant was around and is no more, Duke energy, which had a part of Engage, is gone, and Aquila. Now, Aquila is a large U.S. based multinational that has just declared a \$2.4 billion loss, sold its assets in Australia and in England, and after 15 years in the Canadian marketplace said: well, we don't know if our assets are up for sale, but we certainly wouldn't turn down any proposal that we would be required to take to the board for review. So that means that there could be – and I would not speculate on a commercial transaction – a potential change in ownership in the marketplace inside the regulated envelope of transmission. This has nothing to do with free, unregulated generation, only with transmission, and it's regulated.

Now, Mr. Chairman, there's often a feeling that when this asset is sold, the consumer pays for it twice. In fact, that's not the case. Any commercial transaction where the ownership of the company moves from owner A to owner B can take place in a regulated environment. What the regulated part is, what the EUB comments on, is, one, the depreciation, which is included in the asset; two, the operating and maintenance costs; and, three, the customer service cost and/or the change to the rate base. It will not allow goodwill to be added to the rate base in terms of the purchase and in fact only comments on the return on investment of that asset. So the asset can change hands at

many different prices, but the return is what is really measured by the EUB. On that point, we believe that Albertans are very well protected and that whatever does happen, as has happened in exchanges in the past, there will not be blackouts, there will not be missed deliveries, and there will not be power outages in Alberta.

If I can comment on the communications budget, I'm going to get some more detail on that.

Royalty review. There's an entire department, as the business plan points out, that gas review group that looks diligently at gas royalties at all times. There is also a group that looks at conventional oil royalties and one that looks at oil sands royalties, and of course we look at emerging and different changes. One example would be carbon dioxide. We have a program where for enhanced oil recovery we will provide some royalty relief, not a substantial amount and not for a great length of time but enough royalty relief, we believe, to stimulate examination of the use of CO₂ as a driver for enhanced oil recovery. In comparison, maybe this can replace potable water, which, although the oil and gas industry use such a minor, insignificant amount compared to the agriculture industry, is still something where we want to be conservation oriented. So, you know, we're conducting investigations into those royalty sides at all times.

We've ensured that we extract maximum economic rent for the resource, but we also are fettered by the fact that we want to continue to remain competitive in global markets. That means that when Russia has a finding/lifting cost of \$2 a barrel or a BOE, barrel or equivalent, that makes our \$8 to \$10 Canadian cost a little less competitive.

4:00

Now, can we trade off the risk of political certainty, stable government, honest land tenure, property title? Are those sufficient risks to extract the rent? So it's a continual balancing act that we attempt to perform, and it's not one that we'd go long without having a discussion on. It's an important part. You are, we are through this Assembly custodians of this resource for all Albertans, and it's a responsibility that I think we should all take very, very seriously. So I appreciate that question and will ensure that we do turn attention to it, and if there's anything in the business plan that the member thinks we could shore up, beef up, or support, we'd certainly welcome that suggestion.

I want to turn to coal bed methane just for a brief minute. Much is said about little that is done. There have probably been in this latest go-round of coal bed methane 400 to 600 wells drilled, I would say, at this time. This is not new. I'm sure you remember prior to being in this business that Canadian Hunter was down in the Fernie-Coleman area exploring for coal bed methane. It was found, and they found it was difficult to extract under the technology of the day. In Alberta comparisons, where we get anywhere from 7 million to 20 million a day in per thousand cubic feet of production, a hundred thousand cubic feet a day is not considered a substantial flow. So just as coal bed methane started actually in the Warrior basin in the Appalachians in Alabama and then moved to the Powder River basin, where the development was just a shabby mess – and the oil patch should be ashamed of that – it has made substantial gains from that.

One of the things that has been noticed and reported to me informally is that the tectonics of our coal geology is different than that of the Powder River basin. In other words, the cleats are such that the gas that is encased is dry gas and does not have the water secretion and the water flows that have been reported in other areas. So we're continuing to watch, and there is a consultation document out. It's a public document, and people are reporting in on that. We expect changes in the course of time on that.

Mr. Chairman, the member's comments about cost overruns and uncertainty and delays to the oil sands are well taken and ones that give rise to great concern. Particularly on the downstream side, when one looks at a delay in the Petro-Canada refinery conversion, this is the very backbone of what's driven refinery development in the province of Alberta this last 40 years. I was particularly disappointed to see that one put on delay for what I hope will be a short period of time.

Now, what are we doing about it? One, I think what we have done about Kyoto has been an important piece. Kyoto is an ill-thought-out, poor set of public policy that really has not helped anybody. It hasn't cleared up a molecule of smog in Toronto, and it's already, as CNRL has stated, contributed to something that the Prime Minister said would never happen, and that would be a delay in oil sands development. So that has pancaked on top of labour costs that have been increasing at a formidable rate, an inflation rate in Alberta that actually was surprising to Albertans, and everybody wanting to get in there me first.

I'll continue this as we go on to the next step.

The Deputy Chair: The hon. Member for Calgary-Currie.

Mr. Lord: Thank you, Mr. Chairman. I'm pleased to rise. I have a number of questions that I'd like to put to the minister in regard to his plans. Of course, he may not have all the answers right now, so he could get back to me if not.

Essentially, of course, as a former alderman serving on the city of Calgary's gas and power committee, one of three aldermen sitting there for five years, I was very involved in the creation and formation of Enmax over the years and have obviously had a pretty good chance to learn a lot about the industry and what it was like before deregulation and have been watching with a keen eye during deregulation and afterwards. I have a number of questions about what's been happening there.

For example, I remember that before deregulation we had what I thought was quite an unfair situation, at least in Calgary, a situation in which it seemed apparent that small- and medium-sized businesses were being forced to effectively subsidize large corporate competitors when it came to electricity prices. Apparently, big-volume electricity customers were being sold electricity at well below cost, reportedly about 85 cents on the dollar of cost, and in fact most residents in Calgary were effectively getting a free ride, getting their electricity for about a dollar for each dollar cost of electricity, so they were also being subsidized by small- and medium-sized businesses, but the small- and medium-sized businesses in Calgary were paying about \$1.55 per dollar cost of electricity, thereby subsidizing everyone else. I'm just wondering, you know, if the minister could talk about whether this situation has changed much since deregulation. Has it improved any or remained the same?

I realize that everyone now is still trying to get those large customers so that they can keep their volume purchases up, and that was the reason given back then. I'm wondering if large corporations have come closer to paying the true costs of their electrical use and whether consumers are now starting to pay the true costs of their electrical use as opposed to being subsidized so heavily in the past by the small businesses. Obviously, I'd like to see the hard-hit small businesses get a bit of a break over the previous situation. So if the minister could maybe talk to that for a few minutes.

The second issue that I'm wondering about. Yes, we have had, certainly, some higher costs of electricity in the last few years. I'm wondering if the department has done any studies or looked at the issue of whether or not these higher prices may have an inadvertent

benefit, in fact, in the area of electricity conservation in helping to create an environment where Albertans have maybe installed or upgraded technology in their houses, buildings, apartments, offices, et cetera, and thereby are not wasting electricity needlessly as much as they have been doing in the past, whether or not there's been a study that's looked at this area and maybe how much it's saved the Alberta economy overall.

The reality is that electricity costs have been volatile. They've been up and down, but perhaps if we studied and captured some of the savings to the environment in the future – for example, savings to society from less individual electricity use, per capita use, reductions in the rate of consumption of nonrenewable resources – what does that add up to in terms of benefits to Alberta? Of course, we've obviously seen economic development in the electrical conservation industry, job creation there, new technology, all of which may create future cash flows, future savings to Albertans in the long run if those cost avoidances and benefits were calculated in the overall equation.

So I guess the second question is: has the department done any studies of the impacts of deregulation in encouraging energy conservation? Is it a case of some short-term pain here for some big long-term gain perhaps, a little bit of higher prices now, but ultimately not only better prices, lower prices, but a better environment and a number of other benefits for society as well.

My third kind of question or area. I'm wondering if the minister could talk about what the situation in Alberta was before deregulation occurred. I was well aware that Alberta, in fact, had some of the lowest electrical prices on the entire planet. We were very blessed, I guess, in one sense to say that we had these incredibly low prices, which, in fact, appeared to be quite artificially low. As I recall, they were somewhere in the range of 3 and half cents, 3.8 cents, at a time when California was hitting 9 cents, and that was American to boot. So really we were about a quarter of the price of California at the time, but there seemed to be some other reasons for that. There were questions about depreciation schedules that were being allowed which were different than what depreciation schedules elsewhere were and so on.

So were our prices, in fact, artificially low and that created a problem of trying to attract new generation? Clearly, Alberta was growing very fast, but with prices that low, why would anybody come in and build generation? It just wouldn't make sense, obviously. You know, it appeared that with those low prices, if you were a large corporation in the electricity business in Alberta before deregulation, clearly you had a pretty good situation. You had a growing province, increasing demand, but no competitors on the horizon, an increasingly tight market for your product.

4:10

Clearly, on the other side, the consumers in Alberta were faced with some pretty stark choices in the early '90s before deregulation, likely to be faced with exorbitantly higher prices because we had an oligopolistic industry with little incentive to build new generation and no new competitors on the horizon at the same time as skyrocketing demands. All of that was the result of regulation, and that was all in the environment before deregulation. So I'm kind of wondering if it was the case, in the minister's view, that Albertans, in fact, were going to be faced with substantially higher prices in any scenario going forward and that deregulation, in fact, helped to bring the supply so that we didn't have brownouts and potential blackouts from a choked supply from no new generation coming onboard if we had stayed with regulation. We keep hearing how deregulation we hope would lead to lower prices, but from my analysis, under any scenario going forward, we were going to have much higher prices.

Under deregulation it would appear to me that at least there was some light at the end of the tunnel in terms of greatly increased supply and in the long run a more stable supply, but I don't think, in my view, that we could ever look at lower prices under any scenario.

So I'm wondering if what I'm hearing people saying is that maybe we should have been telling Albertans that the prices were going to go up under any scenario, but under deregulation at least we wouldn't have the brownouts. We would have adequate supply, if not surplus supply, from what we would be experiencing under regulation.

So those are my questions, Mr. Chairman.

The Deputy Chair: The hon. minister.

Mr. Smith: Well, thank you. I'm encouraged by the Member for Calgary-Currie and his understanding of the marketplace and the need for deregulation and, in fact, wish he had got elected maybe a little earlier and had been here to help us through 2000-2001, because it's exactly what the issues were, as he described in the final parts of his remarks.

Mr. Chairman, I'm going to return to the Member for Edmonton-Riverview, finish with him, and then go to the comments of the Member for Edmonton-Highlands, and then turn to the Member for Calgary-Currie's comments.

We will respond in writing to the Member for Edmonton-Riverview's detailed questions on oil sands royalties. I think that's important. I also think it's important that he also sees in writing how a cogen set, or a cogeneration natural gas fired electricity generator, is handled in that piece as well. I think that would be good information. We'll put that on paper for you.

The oil sands royalty is an R minus C equation. Somewhere in the business plans is a five-year record of investment in oil sands, and I think that that really shows the importance of the generic oil royalty. I am going to look for it so I can cite it.

Dr. Taft: Page 125.

Mr. Smith: Thank you. On 125, Mr. Chairman, we see the upstream industry investment including oil sands, and I'd just like to point out: 1996, \$9.6 billion; '97, \$13.5 billion; '98, \$11.8 billion; '99, \$10.9 billion – and that was the time of the generic royalty initiation – in 2000, \$17.07 billion; 2001, \$20.6 billion. So it's certainly had an upward pressure on all investment. Mr. Chairman, I may just point out, too, having been in another portfolio at the time, that from 1993 through '96 investment increased from 5.92 to 9.66, and it was the successful elimination of the machinery and equipment tax that assisted in putting upward pressure on that investment.

The R minus C curve continues to bear important examination, though, as the Member for Edmonton-Riverview has pointed out, and that examination is one that seems to be partly give and take from the industry players. They will ask about what can be included in the C, and we always have to investigate what should be included in the R. So it's a dynamic royalty regime. It's one that has detailed discussion with the players, and it's one which we're satisfied will lead to profit.

One particularly important piece is that you do not get an ever-green deficit. You must draw a fence around your project, determine your project, deliver that project detail to the department, and when the revenues associated with that project are paid out, whether it's a part of Suncor Millennium or some part of Voyageur, that part then gets 25 percent on net revenue royalty charge after payout. So we have drawn fences around each particular project, and we will respond in further detail.

Always a topic of interest, of course, is the communications budget. Everybody says: communicate, communicate, communicate, but please don't spend any money. Because we are spending money, it's spin; it's propaganda; it's whatever. But, of course, it's not when it comes to the Ministry of Energy. It's clear, unfettered, direct truth, and knowing the support that I would get from members opposite in the clarity, the ampleness of the information, the breadth of the web site, the attention to detail, certainly anything we can do to assist them, we intend to do.

Having said that – and inquiring minds need to know, Mr. Chairman – the budget is up on that, and it's a result of accumulating throughout the department a public information centre. Where we had electricity inquiries, we had royalty inquiries, we consolidated all of those into a clear, transparent, accounting unit called the public information centre. That was an identified cost of \$404,000 put forward in the plan. It includes salaries and related expenses, very marginal media buys at this stage. Of course, it does reflect some of the increased expense due to the increased activity.

Now, the unit provides communication services on behalf of the department. The budget supports 12 full-time equivalents and the operating cost for the office. In addition, the Public Affairs Bureau provides three FTEs for a total of 15. So I hope that covers the first pass of the Member for Edmonton-Riverview's questions. I thank him for those.

Now I want to turn briefly to the Member for Edmonton-Highlands. His questions were on budget forecast versus prices. I can tell you that when I first got into this business in March of 2001, I had an old friend who published the natural gas newsletter, and his name was Brent Friedenberg. So I phoned Brent, and I said: "No doubt I'll be asked to predict the price of gas. What would you offer as good advice for me to repeat?" to which he said: Minister, natural gas prices will fluctuate. And, indeed, he has been right; they have fluctuated.

4:20

In fact, I think that if you look at the \$15 a gigajoule that you saw in 2001, the low of \$1.84 a gigajoule that you saw in 2002, the spiking and movements in the last calendar quarter of '02, the first of '03, this is now a commodity that has volatility because of the reduced liquidity in the continental marketplace as well as reduced drilling activity in 2002, which is now being compensated for but also with records of low storage at this stage. Based on these, as well as on extensive forecasts from other sources, a group of skilled individuals inside the Department of Energy make their best forecast. Of course, with the sustainability fund the fact of the accuracy of estimate or the opposition's continual preference that we overestimate and then spend to that is not going to happen, nor will it be as appropriate. So the new regime attempts to remove some of this uncertainty associated with fluctuating commodity prices.

Now, of course, conventional oil is another interesting bird at this time. Much of what's been discussed about the conflict in Iraq centred around oil production. In fact, Iraq only added about 2 percent to the world's oil supply. As a member of OPEC and under the oil-for-food program it produced about 2 and a half million barrels a day. They have the potential to move to 5 million and then maybe upwards of 6s and 7s. But their infrastructure is so obsolete. There's really nothing been done to that infrastructure in 20 years. Iraq would not be able to ramp up its oil production until well into '06-07. Interestingly enough, there has been much discussion, suggestions in newspapers that the Alberta land tenure model, perhaps administered by the World Bank, would be one that would be fair, open and allow Iraq to reconstruct itself given this regime.

The forecast of oil. Of course, after the conflict Saudi Arabia,

under an OPEC agreement, is now pumping 8 million barrels a day. Generally, they've averaged around 4 million to 4 and a half million. So that has put downward pressure on price. But throughout the last year with the conflict, of course, there's been a major strike in Venezuela, and they ship into the United States about a million barrels a day, and most of that is heavy crude. So you'll notice that for the first time in the history of Alberta the spread between heavy and light has never been so narrow as what it's been in the last eight to 10 months, and that's because of the Venezuelan side.

Now, at the same time that this is happening, Nigeria is subject to some strikes. You saw in the paper that there was some hostage-taking on the offshore platform. Their production has dropped dramatically. So all this is combining in an effect where we're starting to see wide fluctuations in that commodity as well.

All of this helps governments and private investors stimulate the desire for energy conservation, one, and alternate fuel technologies as a secondary approach, which we've also seen. In fact, those who listened intently to the Innovation and Science estimates will realize that Alberta has a very good hydrogen strategy under way with the Alberta Energy Research Institute.

Also from the Member for Edmonton-Highlands came some discussion on what's going to happen in coal-fired generation. Of course, he knows full well that EPCOR is coming on, hopefully in 2005, with a supercritical coal-fired technology which meets exacting NO_x, SO_x standards for Alberta. That will add some 500 megawatts plus to the grid and will be able to be delivered with an appropriate transmission policy.

Secondly, there's a second phase that is a joint effort by the EPCOR/TransAlta plant for that area as well, as well as as much as an additional 1,500 to 2,000 megawatts of natural gas cogeneration from the oil sands, which would be very competitive to the price of coal-fired electricity simply because that steam must be generated to heat the bitumen up in that area.

The Member for Edmonton-Highlands also asked for more detail on the proposed transmission policy. I think I've explained by dictating to *Hansard* the EUB press release what was wrong with the EUB approach. It wasn't the EUB approach. It was their interpretation of the decisions made by the former transmission administrator and from the congestion management side that was changed. So that part has been dealt with, and we're moving on that side as well. I think that covers most of what the Member for Edmonton-Highlands said.

Now, let's turn to the Member for Calgary-Currie, that I thought had some excellent comments. I think that from his close scrutiny of city hall the former alderman and now Member for Calgary-Currie would be able to see price changes as a result of load and demand factor and how it can be priced and then how it's priced without being subject to public scrutiny or to the light of day. Now, as the distribution tariff and the regulated rate option from Enmax and from EPCOR for the cities of Calgary and Edmonton will be coming forward to the EUB, that will be able to be determined in a clear, transparent environment, and of course ratepayers and subsequently voters could make their own comments with respect to how much the rate reflects the true cost.

In a second question, about electricity conservation, there's absolutely no question that price delivers a conservation signal. In the first six months that deregulation was in play in Alberta, when the price was varying between 11 and 16 cents, there was actually a 6 to 7 percent conservation effort noted by some of the players in the industry. Secondly, it was also noted in the use of natural gas. ATCO has come up with a set of data that indicates that Albertans are using 10 percent less gas to heat their homes on an annual basis. So we are seeing conservation efforts. I think that certainly the

government of Alberta has gone forward in its conservation efforts. I don't know if it can change 670 light bulbs in the Assembly to the new twisted model, but I'm sure that it's one component of the policy. Certainly, the decision made to contract green power is another leading environmentally friendly decision. Of course, throughout all of this, this has also helped to increase jobs in secondary industries as well as help create a new industry.

I think that what the member said with respect to "why deregulation in the first place" is completely accurate, and although I wasn't the minister at the time, it was very clear that during the period of the dot-com growth and 15 to 20 percent returns and you were getting 3 to 4 percent return and 5 to 9 percent return on utility, you couldn't entice anybody to build new generation. It was not economically viable. Secondly, the regulators had declared that there was a large generation surplus, a power surplus in Alberta, so because of that they were not sending out any signals. But we did not know the power of a balanced budget. We didn't know the power of reduced deficits. We didn't know the power of good government, and when '93 occurred and Premier Ralph, Member for Calgary-Elbow, came along, things started to change. The economy started to recover, investments started to recur, taxes were reduced, and the economy took off.

4:30

Along with the economy came a growth and a new demand for electricity that sucked up the generation, which then put us in a short supply situation, and there's no such thing as just-in-time electricity or just-in-time natural gas. So with that came a cost squeeze that is reflected in higher prices. From there we move forward to bringing on some 3,000 megawatts of investor-owned generation without adding any debt to the rate base or adding any additional burden on the consumer.

Now, it is true that at the same time there's the uncertainty of Kyoto, the California gas crisis and electricity crisis, as well as the Enron situation. I think all those effects cumulated or pancake-stacked themselves into an impact of higher prices in Alberta in 2000. After 2000, 2001, and now as we move into 2003, deferral accounts for the Aquila/EPCOR network will be struck off the books. Deferral accounts I believe in Edmonton will be terminated, and it will be the last year of a small deferral account at Enmax in Calgary. So we will certainly see downward pressure on electricity prices.

I think that we had to deregulate in order to get more power in here to avoid blackouts. It was simply that simple. Now, 700 days from there, we've gone forward and put three policy legs in place, and we think that we can move forward into an appropriate developed market with good, realistic, real-time pricing of electricity in this province.

The Deputy Chair: The hon. Member for Airdrie-Rocky View.

Ms Haley: Thank you so much, Mr. Chairman, and I promise to be very quick.

Mr. Minister, I received an e-mail already from a gentleman in my constituency regarding the announcement yesterday on the transmission lines. His concern is that it will in fact lead to unnecessary transmission lines being built because they would be at a subsidized rate.

Now, I would be the first to admit to you that I am not knowledgeable enough on this. I've tried over the years to learn as much about electricity as I possibly can, but the transmission line system I'm a little bit more confused on. I'd really appreciate it if you could give me some indication as to what you actually see happening with the way that you've structured this now.

In light of the EUB coming up with a different conclusion, do you anticipate that there would in fact be unnecessary transmission lines being built because of this? Conversely, do you anticipate that there might be plants being built in places where they would be actually uneconomical because the transmission line access would be made more available because of consumers paying these additional costs?

The other question, going back to my own area, where Aquila/EPCOR is. I know that the rate rider is going to come off in December, and I am very thankful that that rate rider will in fact come off. We look at what happened in California and at the decisions that came down in California in the last maybe six months indicating that there was some collusion amongst the big generators to take plants off for maintenance at the same time, thereby pushing the price of power up a bit more. It impacted British Columbia. It impacted us because of our tie-back with British Columbia when we were short of power ourselves. Are you satisfied, Mr. Minister, that in fact there wasn't anything like that going on here then or now? Is there any way that you can assuage concerns that might be raised by constituents that we still don't have an ability to manage when they do their maintenance so that they are not going down in winter when gas prices might be higher? Then the two competing personas in this would allow prices to be a little bit higher than perhaps they need to be.

The last thing that I guess I wanted to ask is with regard to the original reasons for deregulation. I've always been under the impression that the big reason for deregulating was that there wasn't enough supply in this province, that in fact because of the huge growth over the last decade we would have been 20 to 30 percent short on our power. With an aging infrastructure and plants going offline, without cogeneration we would simply have not been able to handle the types of businesses that are evolving here or just the type of demand that consumers are using, perhaps not even realizing that their own consumption has gone up. Have you done or has your department done any studies on (a) the increase in personal consumption, (b) the increase in overall consumption in the province of Alberta, and (c) what would have happened had we not deregulated to allow cogeneration to come onstream?

Thank you, Minister.

Mr. Smith: Well, Mr. Chairman, I would say to the Member for Airdrie-Rocky View that she's far too humble in her self-description that she's not knowledgeable on the issues of electricity and would in fact deem by the framing and the asking of the questions that that is indeed not the case.

With respect to the e-mail inquiry from a constituent, that's exactly what the transmission policy is designed to do. It is designed to deliver through the Alberta electrical system operator an appropriately devised transmission system that maximizes generation and minimizes transmission cost. In fact, if we had gone the other way, I think that we would have left ourselves far more open for more lines than what we see under this change.

Again, I must emphasize that it was not a reversal of the EUB policy but a change in the policy of the transmission administrator to the electric system operator that determined the need for a change in government policy. As I said earlier, they've wanted to put different prices of electricity in different markets in Alberta, and Alberta is just too small to have those market segmentations. So this will help deliver the maximum amount of low-cost generation to the marketplace.

The comments with respect to the California crisis and what we've seen come out of there have been quite interesting. It's been the subject of much investigation. I guess that if I were to put it in the vernacular, the Californians were most mad at the producers out of

the San Juan basin, the ones who sent gas from the Texas area into California. These were the areas that they focused their examination on. Yes, there was some Enron hanky-panky. There was some Enron lawbreaking going on. So as we went through this in Alberta and watched the impact, we did a couple of things. First of all, we wrote a deficiency correction regulation that said that the import price of power in the year 2000-2001 could not be a determinant factor in the Power Pool price in Alberta. So we firewalled the California experience. That was an important piece.

The second piece we did was we had the market surveillance administrator work diligently and investigate gaming and investigate market manipulation to see if we were subject in Alberta to any of the antics that the private sector had played in California, and that answer to date has been no. In fact, there was some evidence of some gaming, and the market surveillance administrator indicated that it made no difference. They tried it, and it didn't work. So that actually said that the market was stronger. The market surveillance administrator under Bill 3 will go under the supervision of the EUB and will be in fact strengthened.

We believe that with the transmission policy and the fact that we can bring in these generators under this one backbone of transmission, it will actually help the shutdown and turnaround programs resident in the other generators. We're going to be able to organize and rationalize that, I think, a little better with this transmission policy. We watch that. We watch that very carefully because one thing I worry about is spontaneous, unplanned shutdown and turnaround all taking place at the same time. In fact, for them to solicit staff and the people that come in and do the boiler tube cleaning and the turnaround maintenance of the generators, it would make sense that companies would want to plan this. So they have to plan it, but they can't plan it and be in collusion with other generators. So we have to sometimes see market conditions take place on that.

4:40

You're absolutely right: without deregulation we'd have blacked out. I think there's no doubt in my mind. They blacked out in California when they froze it. They're blacking out in Ontario. There are two irrefutable examples that once you've moved to a competitive market model, you've burned the boats; you can't go back. In fact, what you see in the Harrisburg model, what you see in the Swedish model where the large power pools exist is that they are getting competitive price electricity.

I must point out that in Sweden and in Europe they're paying 18 cents to 22 cents Canadian per kilowatt. Ireland pays about 15 cents. New York pays anywhere from 9 to 15 cents commercial, U.S. So in real time, real dollars we're getting good pricing. We're getting fair pricing in Alberta. We think what we're doing is going to add more downward pressure on pricing.

If you look at it, everyone says: well, yeah, but what about B.C. and what about Saskatchewan? Well, what about their \$7 billion of debt? What about Manitoba's \$7 billion of debt? They generate 5,000 megawatts; they use 2,300; they ship 2,700. Something's wrong there. How long can that go on? I don't know. How long can Liberal and ND governments hide from the eyes of an auditor? Just as Premier Charest walked into Quebec and found a \$4 billion hole in his budget, I think you'd find the same thing if you examined the books of these administrations who use Crown corporations for dividends that come into government revenues.

One of the things is that in Alberta we have inexorably severed the government relationship with the electrical system, and we have the monitoring and the maintenance through the EUB and the market surveillance administrator to give security and assurances to

Albertans that they're not being jobbed or gamed or subject to some of the outrageous preamble that we hear in question period every day from members opposite.

I think that covers those questions, and I would look forward to entertaining others from members.

The Deputy Chair: The hon. Member for Edmonton-Glengarry.

Mr. Bonner: Thank you very much, Mr. Chairman. It's a privilege to get up and to participate in estimates this afternoon. I have a number of questions in regard to natural gas rebates. Certainly this winter the flaws that were in the Natural Gas Price Protection Act were exposed, and when the price of natural gas spiked this winter, energy rebates were not provided to Albertans even though they felt that this government had promised to protect Albertans from spikes in the price of natural gas.

The price spikes that we did have not only in natural gas but the increased costs of electricity certainly have impacted many, many businesses, many communities. I think of a twin arena that I'm associated with. Over the year from January 2002 to January 2003, compared to the year previous, we had an increase of \$65,000 in utility bills alone. Of course, we are the fortunate ones because we can certainly pass these costs on to the users of those facilities.

I'm looking at municipalities. Fifty percent of the energy they use goes towards water treatment. Another 20 percent goes to their buildings or rec facilities, whatever, and another 15 to street lights. Then certainly the only place that those costs are passed on to is the taxpayer. So these have made huge, huge impacts on communities, on groups.

I noticed yesterday – and it was unfortunate – that the people of Leduc chose not to build or expand on their recreation facilities in that particular town. Certainly, I think that part of the reason was what they'd experienced with the Leduc curling club. This was a club that the town, to my understanding, had mortgaged, and it got to the point last fall where they had a \$100,000 bill for energy. They also had \$100,000 mortgage payments that they had to meet. So their choice at that time was either to pay the mortgage or pay the utility or give it back to the city, because the city were the people that had the mortgage on this facility. It was a huge problem, and it's certainly not unique to Leduc. So given that the Minister of Energy has committed to undertake a review of the regulations surrounding the Natural Gas Price Protection Act, have any funds been allocated to make these changes?

As well, if the minister could please tell us: has any money been allocated in the budget to protect Albertans from future spikes in the price of natural gas? You know, these are questions that certainly Albertans that are on fixed incomes and Albertans who are in the lower income bracket have. These are huge when it comes to paying the mortgage or paying the utility bills. It's having a huge, huge impact even on small business in the province. They're having a great amount of difficulty in setting their costs when the price of energy fluctuates the way it does.

There has been quite a bit of volatility. One of the comments made to me yesterday was by a person who was quite seriously looking at the federal building to examine the viability of it becoming residences. Certainly, the location would be ideal, but this was one of the drawbacks that he was facing. He does own a number of properties, and at one time he owned the LeMarchand Mansion, not far from here. He would be most interested in doing this type of work with that particular building, but it's out of the question, I think. He is certainly going to explore it. Without being able to forecast what his energy costs are, this would certainly be a big part of why he would be cautious in proceeding.

As well, when we look at the Natural Gas Price Protection Act, will the government make the results of its review of the regulations around the Natural Gas Price Protection Act public? As well, I know that Albertans certainly expected the Natural Gas Price Protection Act to work like a thermostat. They certainly expected their rebates when prices spiked. When can they expect this type of help?

In looking at consumer protection, consumers are hardly mentioned in the Department of Energy's budget documents this year, yet energy consumers are the people that elect the minister and who must pay higher utility bills in this province. Furthermore, the government and the Ministry of Energy have a responsibility to be accountable to consumers. The number one question on Albertans' minds is: when am I going to see lower bills? Like this person I was talking to yesterday, they would certainly like to know when they can look for some stability with their energy bills. As well, why is it the policy of this government to put big business ahead of consumers?

When I look at core business 4 on page 129, the target for electricity restructuring is that "Alberta will remain a leader in implementing a competitive marketplace for electricity." It certainly isn't a competitive marketplace right now, and we as consumers are looking at a huge difference in the bills from what we were paying just a few years ago. Certainly, consumers are very, very concerned. As well, they ask: is there any money allocated to a consumer education program that will educate consumers about buying electricity from a retailer, and if not, why not?

4:50

Continuing along, I have some financial questions. The total operating expense and equipment/inventory purchases to be voted on next year is \$115.256 million. This is up about \$10 million from the ministry's actual spending of \$105.823 million last year. The Ministry of Energy operates three programs, including ministry support services, resource development and management, and energy and utilities regulation. The amount of money spent in each department can be broken down as follows: ministry support services at \$2.355 million, resource development and management at \$73.844 million, and energy and utilities regulation at \$37.742 million.

On page 113 of Energy's estimates for 2003-2004 it indicates that the department's communications budget is going to increase by \$404 million, or 108 percent, quite a huge increase. Just a few questions in regard to this. Is the ministry increasing its communications budget in order to sell deregulation to Albertans? They certainly don't feel at this particular point in time that it is working. Does the minister expect this communications budget to increase in future years, and if so, what are the projections if he has any at this time? Does the increase in the communications budget mean that Albertans will finally get answers to the questions about energy deregulation from this minister?

Now, as well, switching back to page 129 of the business plan, it states that the ministry has set the target that "Alberta will remain a leader in implementing a competitive marketplace for electricity." That, again, was found under core business 4. One of the questions I would have for the minister is: when all other jurisdictions are declaring deregulation to be a failure and working hard to put a stop to it, why does Alberta want to continue with this botched plan? It's a fair question, because we've seen certainly a change in the policy in California. We've seen changes in the policy in Montana. I don't know why and Albertans don't know why we are forging ahead with this plan when it certainly doesn't appear to be working in other jurisdictions. If the minister knows something that they have done wrong that made their short voyages into these waters unsuccessful, I would hope that he would share it with all members in the Assem-

bly here and with Albertans, because at this point people do not have any confidence that deregulation will lead to lower prices in the future. As well, referring to the same bullet, electricity restructuring, on page 129, why isn't there a performance measure in place to measure consumer satisfaction with the implementation of deregulation?

Now, on page 130 of the business plan for 2003-2006 under the heading Stakeholder Consultation it states that the department plans to "continue to provide clear communication and consultation with industry on business rules and processes." Does this mean that the department does not plan to provide clear and open communication with consumers? Again, this certainly is a difficulty that all consumers in this province have. When they get their bill, they shake their head. They cannot figure it out. There's a huge problem here. It's one department that I'm glad my wife handles in our house.

Mr. Smith: I can see that.

Mr. Bonner: Yes, and I'll bet yours does too.

Another question in regards to the business plan, again with the same bullet on page 130: given that consumers are not mentioned under the title Stakeholder Consultation, does this mean that consumers are not considered stakeholders?

Again, moving along to page 132 of the Energy business plan for 2003-2006, it indicates that the EUB is going to "conduct an internal review on a sample of decisions for communication quality." What standards is the department planning on using in order to measure communication quality? What action will the department take if the communication quality is not found to be up to par?

On page 133 of the business plan it states that the EUB is going to "develop mechanisms for effective monitoring of the financial and service performance of regulated utilities." It goes on to state a number of ways that the EUB is planning on achieving this core strategy. If the minister could indicate what the standards are that regulated utilities currently have to follow, given that the business plan indicates that those standards are going to have to be reformed. Has the government consulted energy consumers as to what those standards should be? As well, if the minister could indicate what kinds of enforcement measures are being explored. Mostly fines? Or is the department planning to place a limit on the number of fines that a single utility can be assessed?

I have just a few more questions here for the minister. If we move forward to page 135 of the business plan and look at core business 2, information and knowledge, under goal 2.1 it states, "Ensure accurate, comprehensive and current information is readily available to stakeholders." If the minister could please tell us: who does the EUB consider to be its stakeholders? What is the primary method that the EUB uses to inform Albertans? If the minister could also indicate what other methods the government is considering using, keeping in mind that many Albertans do not have access to the Internet.

Perhaps with those questions, I will cede the floor to the minister and listen to any responses he might have. If there are some questions that he cannot answer at this time, I would appreciate those answers in writing at a later date, and I look forward to his comments at this time.

Thank you.

5:00

The Deputy Chair: The hon. Member for Vermilion-Lloydminster.

Mr. Snelgrove: Thank you, Mr. Chairman. Earlier this year the

hon. Minister of Energy raised the level of intense scrutiny of other departments within the government, and I know that the minister would never ask another department or minister to do anything that he was not prepared to do himself. So at this time would the minister commit to us and his department that he would remove the cloak of complacency, the mantle of mediocrity, the pants of pulchritude, and indeed the socks of sobriety?

The Deputy Chair: The hon. Minister of Energy.

Mr. Smith: Aah, Mr. Chairman, as I am the recipient of an auditory avalanche from the member and basically, you know, batons of blustering, I am certainly ready to respond with – oh, I don't know – I would say a cacophony of cries of excellence. I want to thank that member for his instant and appropriate recall from *Hansard*. I don't know who would have uttered the original comments. They are interesting.

Let me, Mr. Chairman, turn to some of the comments from the Member for Edmonton-Glengarry. He was doing so well up until the time he asked about putting big business ahead of consumers, which he knows is not true. Also, I had just covered his question about communication budget increases in the comments prior, so I won't repeat those but direct the member to *Hansard*.

His comments with respect to utility bills and facilities that are so important for the youth of Alberta are important ones and ones that have been taken into account by this government. Also, Mr. Chairman, throughout this process we have always focused on lending and delivering funds to those seniors who may have been hit by variable utility rates. To those folks on low income or fixed incomes who get a sudden price impact, we have always been able to have appropriate funds available to ensure that no one freezes, no one's left out in the cold, and that is an important piece.

In fact, the member, I know, will be wondering what the sound is coming from when he's shaking his head, but in fact when he looks forward to signing that first long-term contract with his new energy provider, he will say, "Will this take the volatility of price out of my bill so that I can budget each month what I'm going to pay?" and that provider is going to say, "Yes, thanks to the government's program." "Thanks to Bill 19, Bill 3 I will be able to have a fixed contract price from a reputable provider, and I will be able to make decisions, my own decisions," because for the most part I have confidence in the Member for Edmonton-Glengarry and how he conducts himself and how he looks after his own affairs, so given the right set of facts on electricity, on natural gas, he's going to make the decision that's in his best economic interest.

He's also going to make a decision that's going to stop his wife of some years from shaking her head at him, and I know that she will probably respond with something – and I may be paraphrasing – that will sound like: "You know, that is good deregulation legislation. That Bill 3 is a winner. Bill 19 really helped us find a provider, nail down our prices, and, Bill, it allows me that extra few dollars for shopping that I find you sometimes consume in the winter months when you come home from a hard day at the Legislature and you have a hearty appetite at supper." Of course, she's very aware that because of this, they're not going to wash the dishes right away. I bet you that in that household in Edmonton-Glengarry the dishes aren't washed until after 8 o'clock, Mr. Chairman, and the reason why is because they want to give back to Albertans and they know that the higher the peak load, the higher the price. So that gentleman is delaying that dishwasher to past 10 o'clock. I know he keeps the thermostat down at night. I know he likes to sleep with fresh air coming in, so that's important. He probably has a preprogrammed thermostat. He's taken the right steps for conservation, and I applaud him for that.

I also know that in his questions he's wondered why there's no provision for rebates. In fact, that's the essence of the Natural Gas Price Protection Act. The average price was struck so that when it was exceeded, 60 days would transpire and then the royalties would be collected and deposited into the coffers of the government of Alberta for all Albertans. It was from that money that then rebates would be paid, so the member is entirely correct, and we accept his compliments on a well-structured and a well-planned program. Humbly we accept those comments, Mr. Chairman.

So that's why there is no provision, and now the landscape has changed a little bit. The sustainability fund has put a certain amount of money in, let's call it, escrow, and in fact if the government deemed that money should be available right away or at a point in time, it is not dependent on the cash flow of natural gas royalty income. So that review is waiting, and I will commit to the member that I will make public to him, to others, to this House the findings that I deem are appropriate and relevant to the natural gas price protection review and, of course, have never, ever been reluctant to put information into the public domain. He knows that. I congratulate him for those concerns with respect to that.

Then he moved on, Mr. Chairman, to talk about a consumer education program. I think what he's saying is: in the household in Edmonton-Glengarry where there's some subsequent head-shaking going on, how do we stop that in that particular household? Now, the department has planned and has made provision for a public education program that explains the market policy of the government of Alberta with respect to the competitive market model, and that is twofold: the purchasing of electricity on a long-term contract or a fixed-term contract or buying an open mortgage and playing the spot market or buying gas on a fixed rate or a long-term rate or playing the flow-through market. It depends. It depends on what your needs are. For example, if I were a senior who has retired and is going to Phoenix for five months of the year, I would turn my hot water tank down, winterize my home in Alberta, move for the four or five months to Phoenix, and I would pay the spot rate of gas because your reduced consumption with a higher price would still come out better on a 12-month period.

But you need some tools to help you make good economic decisions, and that'll be a fundamental part of the customer education program, Mr. Chairman. We will provide on a computer base – we'll also provide hard copy – something such as the Member for Vermilion-Lloydminster has pointed out. He calls it a dare-to-compare chart, where you put up the questions, the offers that come from the providers, check them off, and then because all that information is right there in front of you, you can make a clear, comparative decision based on a good planning document. So again we've seen and we've heard from a number of members good suggestions on this consumer education program.

5:10

We've also seen, Mr. Chairman, some cases where, in fact, you might want to buy your electricity and your gas together from the same provider, and that might provide an additional discount. There is some talk that you would be able to buy your electricity, your natural gas together as well as heating, ventilating, air-conditioning services, cleaning your air conditioner, cleaning out the furnace, making sure it's working. Maybe you want to buy snow shoveling services, home insurance, towing services. So you'll be able to buy

a range of services on a vertical basis, or you'll be able to buy them on a horizontal basis. Those are the kinds of things that Albertans have asked for. Big choice. Big flexibility. Reasonable costs. We've done all this under the tablet of transparency, in what we think is an open, decisive fashion, and one that's open to discussion. In some cases, some controversy. But, all in all, a good program that delivers ample supplies of natural gas and electricity to the marketplace in Alberta and where we act as efficient custodians for Albertans on behalf of Albertans.

Mr. Chairman, thank you very much.

The Deputy Chair: I hesitate to interrupt the hon. Minister of Energy, but pursuant to Standing Order 58(5), which provides for the Committee of Supply to rise and report no later than 5:15 p.m. on Tuesday, Wednesday, or Thursday afternoons, I must now put the following question.

Agreed to:	
Operating Expense and	
Equipment/Inventory Purchases	\$115,256,000

The Deputy Chair: Shall the vote be reported? Are you agreed?

Hon. Members: Agreed.

The Deputy Chair: Opposed? Carried.

The hon. Deputy Government House Leader.

Mr. Stevens: Thank you, Mr. Chairman. I move that we rise and report.

[Motion carried]

[Mr. Shariff in the chair]

Mr. Klapstein: Mr. Speaker, the Committee of Supply has had under consideration certain resolutions, reports as follows, and requests leave to sit again.

Resolved that a sum not exceeding the following be granted to Her Majesty for the fiscal year ending March 31, 2004, for the following department.

Energy: operating expense and equipment/inventory purchases,	\$115,256,000.
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The Acting Speaker: Does the Assembly concur in the report?

Hon. Members: Agreed.

The Acting Speaker: Opposed? So ordered.

The hon. Deputy Government House Leader.

Mr. Stevens: Thank you, Mr. Speaker. I move that we call it 5:30 and that when we reconvene this evening at 8 o'clock we do so in Committee of Supply.

[Motion carried; the Assembly adjourned at 5:15 p.m.]