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First Session

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The Honourable Gene Zwozdesky, Speaker

Legislative Assembly of Alberta The 28th Legislature

First Session

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Wildrose: 17

Alberta Liberal: 5

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Legislative Assembly of Alberta

7:30 p.m.

Wednesday, November 21, 2012

Government Bills and Orders Committee of the Whole

[Mr. Rogers in the chair]

The Chair: Hon. members, I'd like to call the Committee of the Whole to order.

Bill 8 Electric Utilities Amendment Act, 2012

The Chair: We are back on the main bill. The records tell me amendment A1 was defeated on a division, so we're back to the bill. Speakers on the bill? The hon. Member for Rimbey-Rocky Mountain House-Sundre.

An Hon. Member: Shocking.

Mr. Anglin: Thank you very much, Mr. Chair. Hopefully, it's not just shocking that someone would see the light once the light is turned on.

I rise to speak to this bill. It is important. Beyond the rhetoric, beyond the craziness that has surrounded this subject for years, the fact is that the government now is repealing its jurisdiction, its authority to make decisions on approving transmission lines. I want to talk a little bit about the importance of why the government is doing it and why I support it. I think that got lost this morning when we picked up Bill 8 because I was so tired I don't even remember what I said. But I know I said something.

Throughout history we always undertake projects in a qualitative and quantitative way in dealing with the data. I've heard the hon. Minister of Energy, the Hon. Minister of Infrastructure, the hon. Minister of Municipal Affairs, and so forth and so on talk about the various projects that they will undertake. Now, granted, we have been asking the government for a priority list, but it is presumed that the government is looking at these projects in a pragmatic way. I have some sort of faith that they are doing that, that they look at the data, they look at the return on investment, and they somehow prioritize which projects are going to get built first. That's no different when we look at transmission lines or look at the electrical grid, so I want to talk a little about that before I introduce my next amendment.

The whole purpose of the regulatory process is that government policy gives to a board of experts a mandate to not just operate the grid or operate the system, but to do it also – and we're not going to debate this tonight, ladies and gentlemen – in the public interest. It is always managed in the public interest. That's the whole purpose of the Alberta Utilities Commission. That was the purpose of the Energy and Utilities Board when it had jurisdiction over the grid. It is also a delegated responsibility of the AESO, which is the Alberta Electric System Operator.

I want to look at these various projects that were approved by this government initially. It's important to realize that what this government did when it passed Bill 50 was two things. It eliminated sections 34, 35, and 36 of the Electric Utilities Act. Section 34 required that proof of the project be necessary, be brought forward. Section 35 allowed the AESO the ability to look for an alternative. Section 36 allowed anybody else to propose an alternative to fulfill the need. Those three sections of the act were set aside, and cabinet made the decision instead. Nobody else was

allowed to bring anything forward as a suggestion, whether it was the AESO or anyone else.

The cabinet chose basically five projects, actually six lines: two HVDC lines, one east and one west between Edmonton and Calgary; two 500-kV AC lines going from Edmonton to Fort McMurray; a twin-circuit 500-kV AC line from Ellerslie to a new substation in Gibbons; and a \$300 million substation, that nobody knows what's going to hook up to it, but it was approved.

Now, when you look at the project – and I'm going to just concentrate on the HVDC line between Edmonton and Calgary – the government relied upon the needs identification document that was first published in 2003. I explained that a little bit this morning, where in order to make that document meet the current standard that was set out by the government, that document excluded the Balzac generating station, it excluded any consideration of wind, and it excluded all imports to make the numbers add up and prove that a line was needed between Edmonton and Calgary. The capacity between Edmonton and Calgary right now, as it was then, is 2,200 megawatts. Two thousand two hundred megawatts.

If you look at how they decided this and the plans that the government used, the projections were going to be that there would be no development of generation in southern Alberta. Opponents of that proposal argued that that would not be true. What we now know to be true in 2012 is that the opponents were correct and the assumptions that the AESO made were incorrect. As the hon. minister has said: a different time, a different need. Things have changed, and there has been development of generation in southern Alberta as the opponents thought there would be. There's going to be more generation in southern Alberta.

We have a capacity between the two cities of 2,200 megawatts, and the rated transfer, or the transfer capacity, on average on a daily basis is 800 megawatts. So we have a substantial under-utilization of the existing system as it stands today. When the Shepard generating station goes online, that utilization then drops even more. As a matter of fact, Enmax, and rightfully so, is planning on shipping electricity north to central Alberta, in the Red Deer region, and that would actually make sense given how it's all connected.

What we're proposing is to increase that capacity, that 2,200 megawatts, another 4,000 megawatts with these two HVDC lines. By doing that, we're now going to have a capacity of 6,200 megawatts of transfer capacity between the two cities, and that's the daily average baseload of the entire province. That doesn't make sense, and that was one of the points I brought up this morning.

When I bring this amendment forward, you'll see why we need to relook at these things and why, dealing with this bill, this government should take a look at not just why it should not make these decisions but whether the decisions that were made are now correct because it's a different time and a different need. We're not talking a small amount of money here.

7:40

The proposal by the AESO – and what I'm going to do is to sort of lay out a case, and I'll table all the documents tomorrow after question period. On the current projects that have been approved, that \$1.6 billion line that was approved by cabinet back in 2009, the AESO writes on page 37 in its long-term plan that the line "cannot be fully utilized without the second line being in service as the loss of the first line would create too large of a contingency." Now, I'm going to explain that in plain English. What they mean by contingency is that if that line were to take

any kind of fault, we would risk shutting all the lights off in the province if that line was loaded to any certain level or any reasonable level of its rated capacity.

What we're proposing, Mr. Chair, is to build a transmission line of roughly \$1.4, \$1.6 billion dollars, and we cannot use it. It does not even have stand-alone capabilities. That is an engineering defect, and that would be a policy defect to continue with that project without rethinking how we're spending that money. The eastern HVDC line is absolutely needed to make the one in the west actually work. In engineering terms that's bordering on ridiculous. We've doubled down on cost because the first line we approved cannot work alone. Nobody should ever build a road, a building, or a transmission line that cannot be utilized by itself, and that's what we're proposing with this plan.

That is in the long-term plan, and there is an issue here dealing with the people who actually drafted the long-term plan and actually drafted every document this government has come to rely upon to prove that these are needed. Two of the senior engineers who did the testifying for AESO at all of their hearings on every project are Mr. Millar and Mr. Cline. I will submit this tomorrow. If you overbuild – and one of the great criticisms here is that we're building way too much, more than what we need. Now, there's a logic out there of: "So what? That's a good thing. We'll use it eventually." Well, it doesn't work that way. It's a little bit like booze at a party. If you have a little bit too much, you can ruin the party, maybe, for some people.

Mr. Millar is a senior executive vice-president at AESO, the senior engineer of their agency. On page 498 he was cross-examined under oath and asked about overbuilding the system. The question was: "If the transmission system were overbuilt, would it maintain options for long-term development of the system?" He answered: "I would suggest not necessarily in response to [that]." He said, "An overbuilt transmission system may have already closed off other alternatives." That's really important because one of the things that this government said it did not want to do was to pick winners and losers. Here what we have is the senior engineer that designed this who said that if you overbuild, you create that kind of a problem. That's in the official transcripts going back to the 2004 hearing.

Fast-forwarding to 2012, the coauthor of both documents that this government has relied upon was asked about this western Alberta line. He basically said, "It would be my opinion that it's not in the public interest." That's a change in what's happening here.

At this point, Mr. Chair, I would like to submit and amendment.

The Chair: If you would send that to the table, hon. member. This will be A2.

You may speak to the amendment, hon. member.

Mr. Anglin: Thank you, Mr. Chair. In this amendment, marked A2, I am moving to strike out section 4 and substitute the following, that section 41.3 be amended by striking out "and an order under section 41.1(1)," by renumbering section 41.3 as section 41.3(1), and then by adding the following after subsection (1):

- (2) An application made under subsection (1) must include the following:
 - (a) a technical and economic cost benefit analysis with a comparison of alternatives that could improve economic and technical efficiencies;
 - (b) a description of the rationale, including the assumptions and supporting data on which the rationale is based, supporting the nature of the preparatory operations and estimates of the total cost to ratepayers;

- (c) an assessment of current transmission system capability;
- (d) the planning criteria used for the assessment of transmission system capability;
- (e) a forecast for at least 20 years of the load on the interconnected electric system;
- (f) a forecast for at least 20 years of generation capacity and appropriate reserves required to meet the forecast load; and
- (g) the studies and analyses performed in identifying the timing affecting or that will affect the economic and technical efficiencies of the proposed transmission line.

Now, it sounds like a lot, but it's not. What it does is that it outlines what is normally done in every jurisdiction before these projects are undertaken. To the hon. members: of all the Bill 50 projects that are in the schedule and that have been legislated, none have been built. You need to understand that. The closest one to even starting to be built is the heartland line. So if we were to require that we look at these technical aspects, particularly the cost-benefit analysis but also how the system is going to work – you just can't overbuild any more than you can underbuild a system. That's what's really critical about this.

I think I have to sort of reinforce that point. Bigger is not better, and that can be a problem. That's what the engineer who drafted the original needs identification document, that's what that engineer who led the group that drafted a 2009 plan was referring to when he basically said: when you overbuild the system, you don't necessarily allow for that competition that you thought you were going to. This is really important, and what this government wants to set out in its policy is to create a competitive framework for the development of generation. What's happened here with Bill 50 and why the amending act first had come along and why now this amendment is that we want to enhance or bring this policy of competition forward, and what we're actually doing, if we continue down this path, is probably picking winners and losers to the detriment of some other generators, and that could be a problem.

On the surface when you look at the data – and anyone can go onto the AESO website and get the data – and you look at the transfer of electricity, transferring electricity from Edmonton to Calgary is going to become something of a moot point when the Shepard plant goes online. It also becomes more problematic as we retire the coal-generating plants. Now, nobody knows how many generators we're going to retire. The AESO can presume and make an assumption. But we do know this. Some generators have already gone offline, and that has reduced the transfer to begin with. Other generators will upgrade and go to combined-cycle gasification, which is mandated by the federal government, but those businesses that don't want to go down that path are not going to do that. The business case for not doing that would be to retire the coal-generating station rather than upgrading it. Am I speaking too loud?

7:50

Some Hon. Members: Yes.

Mr. Anglin: Well, that's because I can't hear myself over the hum. I will try not to speak too loud, but I will speak. I can't help that.

The Chair: Hon. member, you have the floor.

Mr. Anglin: I have the floor.

What we're doing on the western side of Rimbey, from Genesee down to Langdon, is adding an additional 2,000 megawatts of capability when we're actually going to be accelerating the

decommissioning of many of those coal-generating stations. That's not logical. That's not building for the future. Under the current system that the AESO would do their normal evaluation on, using their normal algorithms, this line will be turned off by 2022. It doesn't make sense to spend \$1.6 billion to bring forward a line of that size that may never be used.

Where our growth is happening – and nobody disputes this – is northeast of Edmonton all the way up to Fort McMurray. That's our industrial growth. I've not met anyone who's arguing that point. Bringing a line down from Fort McMurray would normally – whether it's AC or DC doesn't matter. I'll probably be saying that a lot tonight, too, AC/DC. [interjection] Well, you can bring your own innuendoes, but I'm talking about electricity.

We know we're going to build a pipeline coming down from Fort McMurray. That is something that is in the long-term plan. Industry would like that pipeline to go into a utility corridor. Industry wants that pipeline to go to the new upgrader in Redwater. It only makes sense.

The Chair: Thank you, hon. member.

I'll recognize the hon. Member for Lac La-Biche-St. Paul-Two Hills.

Mr. Saskiw: Thank you, Mr. Chair. Just referring to this amendment A2, by my fellow colleague, it's some very, very substantive stuff. Some of it's very technical, and I'd just be interested in hearing some more about this particular amendment.

The Chair: Thank you.

Are there other speakers? Then I'll recognize the Member for Rimbey-Rocky Mountain House-Sundre.

Mr. Anglin: Thank you, Mr. Chair. Looking at the economics of this, the Industrial Power Consumers Association, which represents the major consumers of electricity in this province, is a business group large enough that it claims to directly affect the employment of anywhere from 70,000 to 100,000 Albertans. That is significant-sized employment. They looked at what this government has approved, and they had written the previous PC caucus back in 2009. They said that if the government goes through with this, this could make some businesses uncompetitive. It could cause job losses. They did that on the basis of cost and cost only. What they were saying was that there was no reason for building such a large system when there was no need for it. Their projections at the time were that we would probably develop gas-fired generation, which has seemed now to have come true, in which we would go to more of a distributive generation model versus a centralized generation model. Doing so would require fewer major transmission lines, and this wasteful spending, as they refer to it, is absolutely not in the public interest.

Beyond the Industrial Heartland Association, Dr. Church from the University of Calgary did a study on these lines. He looked at them. He called them uneconomic. He was critical of the AESO, saying that their projections were unrealistic. The government then assigned to the Utilities Consumer Advocate to hire and do its own study. They employed a company called ADC out of Calgary. They did a study for the Utilities Consumer Advocate, and that study said that this is uneconomic, that we should not do it, and that the Utilities Consumer Advocate should advocate against it, that it was too expensive and not necessary. Again, nobody was listening.

So here we are today with this amendment, and what we're asking is not necessarily to hold anything up but to look at what we are doing going forward to require that an application has to be

made with a technical and economic cost-benefit analysis, which used to be required, that this government make it a requirement now as we repeal this act, that we describe in that report a rationale, including the assumptions for the supporting data.

Dealing with the assumptions, bear in mind that our Alberta Electric System Operator belongs to two jurisdictions. One is called the Northwest Power Pool, and the other is called the Western Electricity Coordinating Council. Each one sets a level of standards that we agree to comply with. Now, the Western Electricity Coordinating Council, called the WECC, sets out the parameters, the rules, the protocols for 22 western states, the province of B.C., the province of Alberta, and, I believe, two jurisdictions in northern Mexico. They set the protocols for how that western grid will work. Members of our AESO actually attend training at the WECC to learn how to plan and do it in a manner that's consistent with planners across the entire western electric jurisdiction. They tell planners in their programs that nobody has ever built a 10-year plan because the system is too dynamic. That's not the purpose of a 10-year plan. What we are engaged in, what this cabinet approved back in 2009, is the building of a 10-year plan without a cost-benefit analysis, absent of any rationale, of critical analysis of the assumptions of the data used to come up with the plan.

Here's where we're going wrong if we continue to build these lines. Typically, in the planning stages plans generally change all the time as reality comes to bear, which is that you have a new plant that goes on line or a new facility or a new generating station, which now has to change the long-term plan just because of its location. To bring an example to this, the heartland line runs from Ellerslie to a new substation in Gibbons. The hon. member last night from I think Fort Saskatchewan-Vegreville – I don't have my chart in my front of me – mentioned something about one of the plants in the heartland needing a transmission line for their next phase. They need an upgrade to the 240 system that they're currently connected to in Fort Saskatchewan. That's probably true. Without even looking at it, I think that any time a major plant goes in, they need an upgrade. But you cannot mistake upgrading a 240 system with the construction of a 500-kV HVDC line that it cannot connect to. You cannot mistake that with a twin 500-kV AC line that goes from one substation in Ellerslie to another substation in Gibbons and doesn't do anything to help connect that new facility the hon. member was talking about. That's not what happens here.

8:00

It is important when we look at the system, look at the projects, that the people who have an understanding of them have the ability to look at the data and make a determination based on a public mandate, that they do what is best economically. You can look at the social impact, but realistically it is all about economics. What is the best electric system for our future growth? I will continue to stress that overbuilding the system is problematic, and it will cause problems. Overspending alone is going to raise rates. That's significant.

Some of you may remember a situation during question period when we talked about rates. There was an assumption that the public didn't pay. So I brought a document. It's basically an AESO document – I'll table it tomorrow – on who pays for transmission costs. It lists all consumers. We know that to be true. It's the same with everything in the marketplace. Eventually all costs are passed down to consumers. That's where this is going to hurt this province economically. The average person is going to see their bills rise. I understand members are saying that it's only

going to rise so much per line, but that's not the whole story. That's being misrepresented. That's not looking at the all-in cost of what's happening.

Again, you only need, members, to go home and look at your own electricity bills and look at what you're paying for transmission today, never mind what you're paying for distribution. If everybody is correct and the system that we have today is old and we've already paid for it, then when you look at that transmission charge on your bill, ask yourself: why is that so high? It's a valid question. Ask the AESO to describe to you how that charge is calculated. That is not just the physical plant. That's not the \$3.40 charge that they say an HVDC line would put on your bill.

What you find on your bill is a charge based on the entire system, which is currently valued at roughly \$2 billion. We are proposing a \$16.6 billion upgrade. The first two projects out of that have more than doubled in cost. That should wake some people up. Why? If this continues, we're not looking at a \$16.6 billion charge. Before the former CEO of Enmax left, he said that we're going to have a hard time keeping it under \$25 billion. I'm telling you right now that we're on a path where keeping it under \$30 billion will be very difficult.

Somebody needs to look at this before that money is expended. That's why I came up last night and said: we are looking at something here that's probably somewhere around half the provincial budget. That's significant. That's not just change. We have an opportunity here to just backtrack a little bit and take a look at this on an economic level, look at the real data, have the experts do it with a mandate of the public interest, and I'm confident we will make the right decision.

There are two things that happened here. Political interference started this problem, created this problem, and political interference is currently the problem.

Mr. Weadick: Joe, stop blaming us.

Mr. Anglin: I wish I could. I'd rather you read the data, hon. member, because it is the numbers that matter the most. They don't lie. It's what we need to question.

Mr. Chair, I'll go back to the simple part, that one aspect of what would be corrected by this amendment, and that would be the heartland line. As I made mention this morning, there was a question by the hon. member about the heartland to the Energy minister, I think, sometime a couple of weeks ago.

It has been said numerous times in this Chamber that the heartland needs more power, but when you look at the data, the heartland has 663 megawatts of generation capacity right now. Its baseload is 563 megawatts, which gives it a reserve capacity of around 14 per cent. That's normal. The capacity for transmission feeding the heartland on a baseload measurement is probably just under 2,000 megawatts. That's nearly three times the capacity of the generation up there, and it's almost four times the capacity of the baseload. The existing transmission system actually meets the needs of the heartland. So why are we pushing a twin 500-kV system up there for an additional 2,000 megawatts when the baseload of the region alone is only 563 megawatts? It doesn't make sense.

It's an overbuild beyond reason, and you need someone to take a look at this data and make a decision based on the public interest. What is best for this province? Particularly, what is best for this province in economic terms? If we don't do that, if we don't bring some common sense to this, there's going to be a problem in paying for all this when we can't get a utilization, and that's the reason for the cost-benefit analysis. The purpose of a cost-benefit analysis is to look at how much money we are

investing and what the payback would be to the public. It's the public that's paying this, and I think it's a reasonable request that the public have an answer to some of these questions, not from me but from somebody independent that has a mandate to act in the public interest.

I'm not asking for this amendment to appoint anybody. I'm saying: use the tools that you have; use the existing system. It can work. I know most of the engineers that work for many of these companies now because of my involvement. They're good people. They've had some good people leave, but all in all these people are competent, and they know their job. Many of them are idealistic; they want to do a good job. The political interference is what caused some of these good people to leave. It is what causes some angst in dealing with these projects. I can tell you right now that you'd be hard-pressed, any member in here, to go out there to an independent engineer with any kind of knowledge of our system and ask for a commentary on the benefit of an HVDC line from Edmonton to Calgary, never mind two of them, on such a short distance.

Now, I know I've been criticized and some of the members here have criticized me for being anti transmission line. I'm not, and I'm not against HVDC any more than I would be against AC technology. As I said earlier, I was criticized, I believe by the hon. whip for the other side, that I had protested Ben Franklin when he first hung a string to a kite and found electricity. As I pointed out to that member, that was DC technology, and I won the argument. We adopted AC technology from that time forward. We have an AC grid now, and DC technology could be beneficial if we were to utilize it over a very long distance. But we're not utilizing it over a very long distance; we're doing just the opposite. So we don't get the technical benefits from the line. The average loss for an electrical system world-wide is between 5 and 7 per cent. That's called normal. Alberta's system operates year after year at 3.5 per cent, 3.8 per cent. It is now just over a 4 per cent loss, operating well below the norm.

8:10

Something the hon. member did not hear last night is: why are we building two HVDC lines, each with a capacity to have 6 per cent loss, when the advantage of the HVDC is to get loss figures below 3 per cent? It's a reasonable technical question. The type of conductors that have been chosen to be bundled together are rated to lose 6 per cent of the electricity that is transported. That doesn't make sense when you're spending that kind of money. You should be less than 3 per cent, and we're going to be in that 6 per cent range.

The added price for spending an extra billion dollars for a DC line over an AC line is not logical. The argument is that it uses less land. If you average that to the price of farmland between Edmonton and Calgary – and there are some places that are more expensive than others – it comes out to about \$42 million a quarter section. Of course, you'll never have an objection from a farmer at that price, but it doesn't make sense to make the public pay that price for DC technology versus AC technology. We're not talking about transferring any more electricity over either technology. So why the added cost of billions of dollars?

Now, one hon. member said something about the advantages of low EMF. When you use this technology next to AC lines, the only thing you've done is create a larger field of EMF anyways, and I'm not going to get into whether it's harmful or not harmful. I'll let industry do their own studies, and they can be the judge of that. The fact is that when you run parallel lines, the more parallel lines you run, the larger the field you will create. You can run a barbed wire fence next to a power line, and you'll help create a

larger field of EMF. So you don't get that advantage by running an HVDC line parallel to the AC lines that exist.

Here we're using a technology that does have advantages, and we're not getting any of the advantages it has been designed to give the system because we're misusing it. That's why I'm opposed to these lines on a practical level. On the practical level of finance, economics, the numbers just don't add up. We are building lines that we do not need. If somebody – and somebody may; it's logical that it could happen – were to put a gas turbine, 240-megawatt generator in and around the Red Deer area, maybe around Wetaskiwin, anywhere in south-central Alberta . . . [Mr. Anglin's speaking time expired]

The Chair: Thank you, hon. member.

I recognize the Member for Drumheller-Stettler. [interjections] The Member for Drumheller-Stettler has the floor. Thank you.

Proceed, hon. member.

Mr. Strankman: Well, thanks, Mr. Speaker. I just want to ask the member – my constituency . . . [interjections] I thought I had the floor, but apparently the hearing isn't quite . . .

The Chair: Hon. member, please proceed.

Mr. Strankman: Thank you. My constituency, too, is going to be affected by this ongoing development. I want to know what the potential lifespan of this development would be. I understand that there's a different technology used, but I want to know because my landowners are also upset.

The Chair: The hon. member may have the chance to get up again, and if he does, I'm sure he'll probably take you up on answering that question, hon. member. Thank you.

Others? The hon. Member for Rimbey-Rocky Mountain House-Sundre.

Mr. Anglin: I'll take questions from anyone, Mr. Chair. Hopefully, some of the members might have some questions. It might sound comical, but I will tell you this. When you look at the amount of money, it's not comical. That's the problem. It's not. It's serious, and it affects all Albertans.

The ones it's going to hurt the most are the small businesses, the hard-working Albertans that are living, you know, cheque to cheque, and the seniors who are on a fixed income. I know that when the hon. Minister of Energy releases his report, which he will, hopefully that will be an eye-opener for this Chamber, that we need to address a significant problem dealing with the pricing of electricity. But going forward with what we're planning on doing is going to exacerbate any attempt to correct the electricity pricing model.

I will not throw out those terms like "If the government doesn't do this, this is what's going to happen." I don't want to be accused of threatening. But I want to bring to your attention that when electricity prices spike, all of you generally probably get calls to your constituency offices or even hear about it. What we have created is a system where we're not encouraging reserve generation to be built. We are not encouraging generation to be undertaken. There's a reason for it, and it has to do with our wholesale system, and the hon. Minister of Energy got some questions dealing with that today.

We have a wholesale system that is actually designed so that a plant could run below cost, lose money for two or three months, and in one day when that price caps out at a thousand dollars a megawatt, they can make up all the difference providing they are not the one that went offline. But given the number of agreements

that are out there, it's a complex web to find out who profited and who did not. That, of course, didn't come out in the report that was published about the last power outage.

The point I'm trying to make is that the system right now, the way we've designed the auction system from the wholesale market, is designed so that at some point the goal is to elevate the price to its cap, to its level so the industry can get a thousand dollars a megawatt. In the end, all of that, whether you're on a fixed contract or not, is passed along to the consumers.

I am quite confident that we will see something to that effect when this Retail Market Review Committee releases its report. Fixed contract or not, whether you are on the regulated rate option or a fixed contract, those ancillary costs are not fixed. Those are variable. They shift. Some of you may have noticed this; others of you may not have. But if you ask around, you'll find somebody who experiences it. Where somebody owns a building, a house that they're not using, the actual electricity costs could be as low as \$10 or \$12 a month, but that bill comes in at \$60 or \$70 a month. That's the ancillary cost. That is transferring everything else down onto the consumer that eventually always ends up on the consumer. We build these transmission lines, and all of that ends up onto the consumer.

So asking for a technical and economic analysis: the whole purpose behind that is that it will take that into consideration. The AUC, the Alberta Utilities Commission, would take that into consideration when the approval for these lines is brought forward to the next stage, the process of locating. That is a nice check and balance to hopefully bring this back and do what is right.

As I talked to the hon. Minister of Energy, we've legislated two critical lines from Edmonton to Fort McMurray. They will cost well over a billion dollars each. Nobody knows when they're going to be built, but they've been legislated. They are in law. The only way they can be stopped is by changing the law. They're in the wrong place right now for what industry needs, for what Fort McMurray needs and for what Edmonton needs.

This green corridor that I spoke of this morning is something that industry wants. It is something that consumers want. It is located on the eastern side of the province. It is where we are developing right now our pipeline system. We're going to continue to develop pipelines from Fort McMurray, and the next plan is a pipeline to the Redwater upgrader. It's all logical. It's all part of the business plan. Should we develop a utility corridor? I would say yes. Industry is saying yes. It makes sense.

8:20

Oh, by the way, landowners as a general rule like the idea of utility corridors. It just takes the political will to make that happen.

But if we build a utility corridor for what they call a green energy corridor, which is on the eastern side of the province, that means the lines that were legislated under Bill 50, that cannot be denied until we remove that from legislation, are going to be built in the wrong place. They're going in the wrong direction. They're not doing what we need to have done. It's a mispending of the public's money. We cannot afford to double down.

What should happen is that this amendment should be passed. Those lines would not necessarily be removed from legislation, but I can guarantee you that they will probably change in location significantly, and there's a likelihood that they would change in technology, that they would go from AC to HVDC. That would be as a result of whether or not hydroelectric development took place and was pursued up in northeast Alberta. I suspect it will be. That is something that industry wants. I think it is something that consumers should have. I think it is something our economy needs.

It's a matter of crunching the numbers and making the projects work. But in order to develop that, you would want to get that electricity down here. That would be more compatible to HVDC technology, but we've legislated AC technology instead. So passing this amendment will allow the jurisdiction of the regulator to make changes, to look at that and bring that back. This is important. This is important for the economic viability of many industries. It's important for the economic viability of many communities.

Electricity, regardless of what we do with oil and gas, makes our economy run. The interesting thing about electricity, even with the demand of it, is that it's so consistent year after year. If you look at a 75-year history of the growth of electricity demand, in a stable economy it runs on average 2.5 to 3 per cent. In an economy that is just humming along you might get over 3 per cent growth in demand for electricity.

Ironically, residential demand as projected by our AESO is fairly flatlined. Although our residential growth will continue to grow at whatever rate it is, in the last few years the people who paid for the transmission systems, who paid for the lines actually only grew it 1.4, 1.5 per cent, yet we have high growth of residents in Alberta. The reason I bring that forward is that our growth in electricity is not residential; it is industrial. Our industrial consumers consume roughly 80 per cent of all the electricity produced in this province on a regular basis. They have more to gain, they have more to lose if they run out of power, yet they have come out against these lines, and nobody is listening to them.

The Industrial Power Consumers Association has been steadfast and critical of this overbuild, and someone needs to listen. They employ a lot of people, and they want to do business in this province. Having the ability to reassess and re-evaluate the data based on changing economic times – and they have changed. Some projects that were proposed to go forward are not going forward. Other projects that nobody thought about are now going forward. The Shepard plant is a big project that is going forward, 800 megawatts of power.

As a person who is in favour of a lot of renewable – and I applaud this province for pursuing renewables – wind power itself is more problematic than it is an advantage. Because of the unstable effect of wind power on the system, there needs to be what's generally referred to as a stabilizing generator or a stabilizing source to compensate for the unstable nature of wind. That doesn't make sense, in my view. I think wind power makes sense on an individual's farm that can manage it, but as an industrial component to a system that's going to sell electricity commercially, it is not a system that is, in my mind, economical because it requires additional generation just to make it stable.

What we have in this province, though, is that we are extremely wealthy in something called energy. We have natural gas, whether we cogen or build natural gas facilities. If somebody takes a look at what we're building, we are building some of the most efficient natural gas generators of today. Unfortunately, we're building some of them in the wrong place. That has to do with something they call the overbuild of this transmission system.

Regardless, if we were to use natural gas – compared to coal, natural gas can turn on quite quickly whereas coal cannot, and coal cannot shut down quickly unless you trip it offline, which makes it that much more difficult; natural gas is much more flexible in its ability to meet demand – if we were to bring that online with hydro potential, particularly the significant hydro potential that is available in Alberta, with our natural gas facilities Alberta could do something that no other jurisdiction can do or

most other jurisdictions want to do, which is to create a distributive generation system.

What that means is that your generators are distributed all around the province versus one central location. Your grid becomes what they call an Internet grid. You don't need major, huge, expensive transmission lines. You need smaller and multiple transmissions lines, creating what's called a spider web, or an Internet, grid. What gives us the ability to develop it and what gives us an advantage over all other jurisdictions is that we have a natural gas system in place today. To develop natural gas is not that difficult compared to other jurisdictions that don't have the pipelines and the gas plants the way we do.

We have a natural gas facility going in south of Calgary, we have a huge natural gas facility, the Shepard plant, going in east of Calgary, generation that is proposed with the new Clover Bar facility northeast of Edmonton, and so on and so forth. We're building a backbone that has been legislated, that cannot serve that type of system effectively. We need to take a look at the premise of a different time, a different need.

Mr. Chair, passing this amendment brings the information forward. It allows us to reassess and re-evaluate what we're doing before, in my opinion, we do something wrong. I could live with the decision as long as I had faith that more qualified people took a look at the data and that they made a determination based on a public mandate, and that mandate would be for our economic system. This mandate that originated to build this was based on the assumption that the oil sands wanted it to export electricity. I know this government denied that for the longest time, but too many reports, authored even by our own AESO, confirm that that's what this was all about.

As I mentioned, two members went down to the Pacific NorthWest Economic Region conference. In that region their second-highest priority was what was called the heartland line. It was electricity from the heartland to Buckley, Oregon. The heartland is an export region of the province. It does not need more electricity. It exports electricity. Does it need an upgrade to the 240 system for a new project? Probably more than likely. All projects require upgrades. They very rarely don't. So we're back to that situation where we've legislated lines, and once we've legislated them, we have to build them, yet we're not building the upgrades where we need to build the upgrades.

8:30

If you take a look at it from this perspective, if we upgrade the system to the hon. member's plant, that produces an economic value on the next phase. We try to time it so we meet that on the next phase. But when you're building lines of what I would call the bridge to nowhere, the road to nowhere, you're building lines that do not produce any other economic activity. There's no great payback for the public, and there has to be some sort of payback to the public. This is nothing more than an expense. We need to get a handle on that, and we need to get that under the microscope of those that are more qualified and to make a determination of: should we go forward, should we change it, should we modify it, or should we just deny it? That has to be part of this.

It has been brought to my attention that these lines cannot be stopped now that they have been legislated. I do not believe that for one minute. The TFOs, which are the transmission facility operators – there are only about five of them in the province – are regulated companies. The fact is that we are going to build a transmission line from around the Edmonton region, which I would call now the heartland, the Redwater area, to Fort McMurray. That would be no different than what has been currently legislated. Now, I know AltaLink has their eyes on that,

but it has not been decided whether AltaLink or anyone else is going to build that. The heartland line upgrade: even though I see the towers out there, those towers still can be used for other projects. It is not problematic. Buying the wire is not problematic. The wire can always be used elsewhere, and the engineering is always done on an continuing basis. Will there be a loss? There'll be grumbling, but there'll be a gain when we build the lines in the right places. There will be a significant gain, in my mind, if we do what is right for our economy.

This political interference that I referred to that started way back when – and it was political interference in many ways. I'm not going to reiterate the whole spying scandal nonsense that went on that's been now well documented in this Chamber. The political interference I want to refer to is that at that time, in December of 2006, I had brought a motion forward to the EUB that the EUB did not have jurisdiction over an export line. They did not. The federal government did. Of course, some of you may well know that this government for many years has denied that these had anything to do with export. Within a matter of two weeks there was an order in council giving the EUB jurisdiction over an export line, which the cabinet had the authority and jurisdiction to do. But you can't have it both ways. Either it was for export or it was not for export.

There is a study that I did table. It's called the Canada-Northwest-California Transmission Options Study. It's coauthored by our own AESO, and in this study is every line that's in Bill 50. They're all there in a number of different capacities. That's a planning document, and the whole document was designed on: how do we get the excess electricity from Fort McMurray, in the heartland down to southern California? The problem is that it's just not economic. It's economic to ship natural gas. It's economic to ship bitumen and oil. It's not economic to ship electricity that far. It's just not. Private industry looked at that. TransCanada looked at that project.

The Chair: Thank you, hon. member.

I'll recognize next the Member for Edmonton-Calder, followed by Livingstone-Macleod.

Mr. Eggen: Thank you, Mr. Chair. I just wanted to make a couple of brief comments on this amendment by the Member for Rimby-Rocky Mountain House-Sundre. I certainly appreciate what he is intending to do here because it's something that I am deeply concerned about as well. I did make some comments on another amendment of his this morning, and I focused on the individual consumer side of our electricity situation in the province.

You know, I had the occasion to actually go to an event in my constituency here earlier, just before this evening's session. Lo and behold, people at a local crime council were talking about their electricity bills, opening their electricity bills and finding all of these ancillary charges that were bringing up the cost of their electricity bill considerably. You know, one gentleman who went away and was not even using the house at all last summer said that his bill was still quite significant without any use of electricity whatsoever. He just turned everything off. People do talk about this. For people, seniors especially, who have a modest fixed income, their utility bills sometimes are the thing that is driving them out of their homes.

We need to look and remember that we produce power for the development of our industry here in the province and we produce power for the benefit of the people who live here in the province. To look at it strictly in any other way, I think, confuses the notion of what electricity does as a medium to provide that development of industry and to provide those benefits to consumers. As we

look around, in the many industrial countries that are successful, they make sure that they carefully regulate the price of their electricity to ensure that you're not putting unfair burdens on industrial development and individual consumption, right? This is not for the sake of wanton consumption, leaving all the lights on and all that sort of thing but, rather, using and understanding. Again, electricity is not just the thing to profit from unto itself but, rather, the medium by which we can build things that we can make profit from in other circumstances, right?

In order for us to understand this more clearly, we have to make sure to know that regulation is the essential part of a modern electricity grid, so the hon. member's amendments here in regard to taking a long view of developing our transmission capacity and looking at at least a 20-year assessment of the load of our interconnected electricity system is absolutely essential because this is an essential service, right? We're not talking about an optional service that people might opt out of. All of us use electricity as absolutely central to our daily lives and, as I said, to the industrial development of our province.

You know, at this juncture I think we need to look at where electricity goes and plan it very carefully and plan it in conjunction and harmony with how we want to diversify our economic system here in the province. We rely too much on primary resource extraction and not enough on secondary industrial development of especially bitumen into synthetic crude oil. All of these processes need a great deal of power that we can develop in a more intelligent distributive generation system that doesn't rely on single large places where we produce power.

Another interesting and not insignificant place that we can, I think, draw from is the considerable secondary electricity generation capacity of our oil sands in and around Fort McMurray. We know that that electricity is there. We know that those industries have been interested in selling that electricity for quite some time. I mean, a modest proposal is to perhaps bring that electricity down to our population centres where we want to develop our industry – the industrial heartland here in Edmonton, large population centres including Edmonton, Calgary, Red Deer, and so forth – in the most efficient way possible and then selling it in the most reasonable way possible, too. All of these things take a tremendous amount of central planning and long-term planning. This amendment certainly does speak to that, and I commend the hon. member for bringing that forward.

8:40

From my certainly not comprehensive but, you know, considerable analysis of the trends in our electricity generation system from five or seven years ago, we could see that the large producers and AESO were orienting our transmission capacity and building our lines with a view to exporting electricity to the United States. While this in itself doesn't seem unreasonable, it does when we are trying to build a distributive, integrated electricity system here that can be more reliable and more affordable for domestic consumption, right? If we have some of the highest consumer and industrial electricity prices in the nation, then that is something that casts a shadow over proper economic diversification in our province and affordable living for all classes of people here in the province, too.

Making some small amendments to Bill 8, as this hon. member has done, is not unreasonable. I don't disagree that we need to have considerable reform of our electricity system and considerable reform of how we make choices about our electricity system. The way to do that, I think, is a reflection of what is the best system that could be put in place for this province, which is to not rely on one or two or three different large producers but,

rather, to diversify considerably and put into the basket of possible electricity generation ideas and add to that basket in an exponential and organic and creative way.

Yes, perhaps wind energy, as the hon. member said, has problems, but it belongs in that basket of a distributive and diversified electricity generation system. So does biogas; so does solar; so does geothermal, right? All of these things are recognized around the world as a way that you strengthen your electricity system through diversity.

That's my metaphor, Mr. Chair, that we strengthen our electrical grid and the debate on Bill 8 through diversity as well. Part of that diversity is to take the best ideas, the best practices that might come out of this Chamber, including this one here from the hon. Member for Rimbey-Rocky Mountain House-Sundre, and thus strengthen Bill 8 as we endeavour to strengthen our electrical grid.

Thank you.

The Chair: Thank you, hon. Member.

The hon. Member for Livingstone-Macleod.

Mr. Stier: Yes. Well, good evening, Mr. Chairman, and thank you very much. It's a pleasure to speak to everyone tonight. It's my first opportunity to speak to this bill.

The Chair: To the amendment.

Mr. Stier: Right.

The Chair: Thank you.

Mr. Stier: Thank you for that correction, actually. Yes. I'm in favour of this amendment, and I think I'm in favour of it mostly because I think it will guarantee a proper review. But before I get started, I'd like to compliment the minister, who has spent an awful lot of time here in the past 24 hours. I appreciate his coming back here tonight. It's good to see you again.

Mr. Chairman, when I started in Livingstone-Macleod, one of my most primary concerns was power costs that I heard about frequently, in fact, and, of course, Bill 50. At that time there was no review by the AUC, and it raised an awful lot of concern with a lot of people out there. There are a lot of people down in the south who have a lot of power lines going across their properties, a lot of power lines being planned, a lot of windmills, a lot of things happening that they were concerned about. I think it's justified because a lot of times when these things are going across land, it renders the land somewhat difficult to work with. It also in terms of, perhaps, a resale point of view interferes with values. I had an awful lot of these folks mentioning this to me, and they still are doing that today.

When we look at how we have been evaluating it in the past and when Bill 50 came along, it was certainly something that concerned me greatly because I thought that there must be a better way to do this than what had been decided several years ago. So in October of '09, when the review was put back in and the Utilities Commission was allowed to get back involved, I was certainly relieved, but despite this recent change to put them back into the process, these lines are still being planned, and they're still going forward. That gives me a lot of concern.

When I read the amendment by the hon. member here, who has spent so much time in this business and gone through an extra step or two to ensure he's worded it correctly with all the good folks involved, it looks to me like a pretty good thing. It gives a proper review to ensure there is or there is not a benefit to the new infrastructure that's being considered. It determines whether

there's really a need for it and whether it's best met with whatever method might be appropriate. It verifies whether or not the new infrastructure really is worth while or outweighs the public interest. He spent a lot of time talking about that. The learned gentleman knows an awful lot, and I think it would be fair to give the gentleman a chance to say more on these topics because it's very important.

Lastly, it provides for a consideration of alternate routes or ways of evaluating efficiencies and reliabilities and so on. All this is very important because we the taxpayer and my constituents will be the ones that will be footing the bill, and these things will appear in their transmission costs on their bill.

I certainly hope that there will be good support for this amendment. It's a serious situation to all landowners and all power consumers, whether they're rural, urban, commercial, or what have you. I think it's extremely important, and I hope everyone in the Chamber will support this amendment.

Thank you, Mr. Chairman.

The Chair: Thank you, hon. member.

I'll recognize the Member for Rimbey-Rocky Mountain House-Sundre.

Mr. Anglin: Thank you, Mr. Chair. I want to just cover a couple of topics because I've heard some people mention that they would like to go home, and as soon as I know everyone has listened to me, I want to go home, too. Okay. Now I have their attention. Good. Actually, when I stand up, I should probably still say, "Good morning, Mr. Chair" because it's never ended for me since last night.

I want to talk about a couple of things. There needs to be greater consideration to a number of complex problems that have been created because of what I would call bad policy. We do not allow our AESO, our ISO to consider utilizing nonwire solutions, and to me that is what has led to our current problem that we're dealing with in this amendment. Our AESO can only employ new transmission lines to address any problem. They are not allowed to use nonwire solutions as a permanent solution. That is a problem because technology has advanced so far in recent years that there's a lot our AESO can do that is far more economic than building a transmission line.

I always like to use the Dr. Benjamin Rush example, and some of the members may have heard me use this before. Dr. Benjamin Rush is famous for one thing and one thing only. He was a doctor in the late 1700s, the 1790s, early 1800s. He invented the laxative. It didn't matter what ailed you. You took Rush's Thunderbolt, and that was the cure. If you had tonsillitis, you took the laxative. If you had a swollen knee, you took the laxative. Maybe that made you forget what your real problem was. I don't know.

I will tell you this. Our AESO is the Dr. Benjamin Rush of ISOs. It is only allowed to build new transmission lines. It is not allowed by our current policies to utilize nonwire solutions, and that is extremely important, that we give our AESO the full spectrum to deal with the system in the most efficient and economical manner that it needs to utilize. There's a lot out there they can do.

8:50

The second thing. I'm going to debunk some of the information that some people have been hearing. The idea that we haven't done something major in the last 20 years or 40 years to upgrade the system: in 2010 the Alberta Electric System Operator published their annual major upgrade completion report in which they listed nine major projects they had completed. The point I

want to make is that the ISO is always upgrading the system, as they should be, both small and major, when it's required. We do this, and we expect them to do that on a normal basis.

The idea that our electric system is bleeding or losing a lot of electricity is just not supported by the ISO's own data. In 2008 the system lost 3.8 per cent of its electricity. In 2009 it lost 3.5 per cent. In 2007 it lost 4 per cent. In 2010 it was actually below 4 per cent; it was 3.27 per cent. In 2012 it's 2.93 per cent. That's outstanding for a system. A normal system loses between 5 and 7 per cent. Anyone who says that our system is bleeding and losing a lot of electricity: it's not supported by the data that the AESO has publicly available on its website.

We have another policy problem as a result of a policy change, and that is that we used to have a policy that Albertans would not subsidize export. That was written into section 15(4) of the transmission regulations, 15(1) to 15(4), and that was repealed. Hon. members, somebody needs to ask the question why that was repealed. Now Albertans subsidize the export of electricity. We pay for it.

This act is a direct result of the amendments to the Electric Utilities Act. One of the things that did not get repealed that will conflict either with this motion or without this motion is the fact that we changed the mandate of the Alberta Electric System Operator from that it must build a system that is required by industry to that it must build a system that may be required by the industry. That change in that wording is not a change of flexibility. It is something that basically allows any approval to be made, whether it's required or not. That leads to the overbuilding, and as I read earlier from the engineer that pretty much drafted every document this government has relied upon, if you overbuild the system, you build problems into the system. There's no advantage to overbuilding, any more than there is an advantage to underbuilding. Both are problematic.

This amendment would address those problems in the sense that it would give the experts, the board, the opportunity to re-evaluate based on quantitative and qualitative data and do a technical and economic analysis of what should take place versus what somebody wants to take place. That's the difference. We still live in a system where, although people say that we need more electricity, our economic environment produces excess electricity each time we grow because, really, it's the oil sands that drives it.

I see the hon. member shaking his head, and I will direct his attention to the AltaLink website, and he can look it up. Since 1996 the generation capacity in Alberta has risen 38 per cent, and demand has only risen 21 per cent. That's the data right on AltaLink, who is, by the way, the biggest proponent of the lines. The reason for that is that when we develop an in situ mining operation or any other upgrader, it's not a matter of: will they have cogeneration? It's a matter of how large that cogeneration will be.

There are a number of distortions that are just not true, and I just explained that about the number of years. The biggest distortion was that the lights were going to go out in Calgary, and that was just not true. The prediction back in 2006 was that if this was not built before 2009, Calgary would experience rolling blackouts. The system would fail. It even made the front page of the *Calgary Herald* in June 2006. I can assure you, standing here in this Assembly in 2012, that the lights have not gone off as a result of any transmission line over the backbone between Edmonton and Calgary. The lights, however, did go out when six major generating units went offline. I assure all the members of the Assembly that I don't care how many transmission lines you build, if you turn the generators off, the lights will go off, too. This idea of line loss costing millions is just not true.

There is another problem. I did bring this. This amendment will address this problem, hopefully, if members here accept it. The Keystone pipeline did a study of multiple jurisdictions that they need electricity in, and they, of course, need electricity via transmission lines in Alberta. What they found in their study – and I believe they gave it to the hon. minister – was that building transmission lines in Alberta cost twice as much and sometimes three times as much as building a transmission line in Saskatchewan, Manitoba, North Dakota, South Dakota, Nebraska, and Kansas.

Somebody needs to be asking this question. Why does it cost so much to build a transmission line in Alberta when it's the same companies building it, buying the steel from the same companies, buying the cables from the same companies, utilizing the same employees, which are generally first-class linemen that have to construct this, and using the same techniques? These jurisdictions were chosen because they had similar geographical characteristics to Alberta. The data was stunning. There's no rational explanation for why it would cost Alberta twice as much and in some cases three times as much as these other jurisdictions.

Now, there's a theory that I have. It's the only one that I know of, and I'd be willing to take another one. There's no oversight here. That's the one difference between these other jurisdictions. We do have a cost monitoring committee that has been appointed by the former Minister of Energy, but that cost monitoring committee does not have a right to access all the financial information, and that cost monitoring committee does not have the jurisdiction or right to demand it, and that cost monitoring committee does not have the right or jurisdiction to slow or hold up or stall a project. That, I say, is problematic, and I have a funny feeling that that is the reason why it costs so much more than other jurisdictions.

This amendment would do probably a pretty good job of bringing that forward because if you did an economic cost-benefit analysis, I think that would be a glaring figure that would jump off the page to a reasonable, educated person who's qualified to make an informed analysis of that data. It is a question that I would hope these hon. members would even take back to their caucus to debate. There's no rationale to have that added cost to building a transmission line in Alberta. There is none there.

In my opinion, because I just gave a lot of facts, and I will be tabling them tomorrow, I believe that if this amendment is adopted and we make sure that the regulator has the proper mandate – that's important – we would develop hydroelectric generation up in the northeast of Alberta. It makes economic sense from a long-term perspective, not just to provide ourselves with generation but to dovetail with the development of local gas generation. It could make Alberta one of the cleanest greenhouse gas emission provinces in North America – I'm not saying it will; I think it has the potential where it could – and that's without carbon capture. That's significant.

9:00

As many members well know, there is a program right now where the federal government has mandated that these coal generators either have to meet combined cycle gasification emission standards or close, that is equal to a typical gas plant. What that program will do is probably force some of these coal generators – rather than to gasify the coal, on a capital basis it may make more sense to decommission the coal plant and just construct a gas plant in its place or even in another location.

In closing . . . [some applause] I was waiting for that. I just didn't know if anybody was listening, that's all. I fibbed.

Nobody actually builds a long-term plan, and somebody has to ask: why in Alberta are we trying to actually build a long-term plan? I want to just read from something that I had written as a submission. It is something that is with the Western Electricity Coordinating Council. Our AESO has to maintain compliance with the Western Electricity Coordinating Council. It also has to maintain compliance with the national energy regulatory commission down in the U.S. They have mandatory planning standards, and the objective of the long-term planning, as outlined in the standards, is to provide high-level information to support operational decision-makers in determining possible solutions and alternatives to help ensure that interconnected electricity systems are reliable, low-cost, efficient, and environmentally sound.

The planning standards expressly state with regard to the long-term system plans that the plan is informational in nature. It is intended to advise and guide rather than instruct. And that's the whole concept of plans. It is not something that is supposed to be deterministic of what should be built. It is supposed to serve as a guide. Where, in my opinion, we went wrong with government interference, political interfere is when we adopted that long-term plan and just made a commitment and said: we're going to build this. That's wrong. The world turns too quickly for that, and it changes rapidly. To quote the hon. Energy minister: a different time, a different need. That's true, and I'm going to continue to quote that because we are in a different time, and that need has evolved.

These lines are not necessary. The lines that are necessary are not what we are building, and that's why there needs to be an economic trigger, which there always is in every other jurisdiction. We require industry to commit before we spend billions of dollars or hundreds of millions of dollars so that we can get the most value for whatever project we build.

In this case a perfect example was made known right here this morning. In the heartland there is a project going forward where they need an upgrade to the 240 electrical transmission system internally, within what they call the heartland node. I don't know the status of that, but the local company there says that's what they need. Well, that makes sense. They've already invested money. They have built phase 1, and they're looking to build phase 2.

But we're not building that line. What we are building are lines that have no economic trigger to cause them to be approved and built. That's what's missing, and that should be taken under consideration. This amendment brings back to the table the cost-benefit analysis.

With that, Mr. Chair, I will sit down.

The Chair: Thank you, hon. member.

Hon. members, before I recognize the next speaker, might we revert briefly to Introduction of Guests?

[Unanimous consent granted]

Introduction of Guests

The Chair: The hon. Minister of Agriculture and Rural Development.

Mr. Olson: Thank you, Mr. Chair. We've been joined this evening by five guests, who are in the public gallery. I actually had the pleasure of having dinner with them tonight. Now, some might suggest that they're here because they don't have much of a social life, but they're actually here because they're keenly interested in the political process. They represent the Alberta

Cattle Feeders' Association. This is an organization that this coming year is about to celebrate a 40th anniversary. They're a very influential group that does great work in our agricultural industry, so it's a real pleasure to be able to introduce these gentlemen. I'll just ask them to stand as I call their names and remain standing. They are Ryan Kasko, Glen Thompson, Leighton Kolk, Joe Novecosky, and Greg Van Vaeranbergh. I'd ask that my colleagues all extend the traditional warm welcome

The Chair: Thank you.

Bill 8

Electric Utilities Amendment Act, 2012

(continued)

The Chair: I'll recognize the hon. Member for Lac La-Biche-St. Paul-Two Hills.

Mr. Saskiw: Thank you, Mr. Chair. I know that a lot of people on the other side want to hear more on the debate of Bill 8, but at this point I think that the discussion is coming to an end.

I'd like to make a motion that for any future standing votes you have a one-minute interval for the bells.

The Chair: Thank you.

[Unanimous consent granted]

The Chair: Are there any further speakers on amendment A2? Seeing none, I'll call the vote.

[The voice vote indicated that motion on amendment A2 lost]

[Several members rose calling for a division. The division bell was rung at 9:07 p.m.]

[One minute having elapsed, the committee divided]

[Mr. Rogers in the chair]

For the motion:

Anglin	Kang	Stier
Eggen	Saskiw	Strankman

9:10

Against the motion:

Amery	Hughes	Olson
Bhullar	Jansen	Pastoor
Campbell	Jeneroux	Quadri
Cao	Johnson, L.	Rodney
Casey	Kennedy-Glans	Sandhu
Cusanelli	Khan	Sarich
DeLong	Lemke	Weadick
Dorward	Luan	Webber
Drysdale	McDonald	Woo-Paw
Fawcett	McIver	Young
Fraser	Olesen	

Totals:	For – 6	Against – 32
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[Motion on amendment A2 lost]

The Chair: Now we're back to the bill, Bill 8.
The hon. Deputy Government House Leader.

Mr. Campbell: Mr. Chair, I would ask that we close debate and that the committee rise and report.

The Chair: On Bill 8, the Electric Utilities Amendment Act, 2012, on the remaining clauses of the bill, are you agreed?

[The remaining clauses of Bill 8 agreed to]

[Title and preamble agreed to]

The Chair: Shall the bill be reported? Are you agreed?

Hon. Members: Agreed.

The Chair: Opposed? That's carried.

We have a motion from the Deputy Government House Leader to rise and report.

[Motion carried]

[The Deputy Speaker in the chair]

The Deputy Speaker: The hon. Member for Calgary-Varsity.

Ms Kennedy-Glans: Yes. Mr. Speaker, the Committee of the Whole has had under consideration these bills, and the committee reports the following bill: Bill 8. Mr. Speaker, I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

The Deputy Speaker: Thank you, hon. member.

Having heard the motion by the hon. member, does the House concur in the report?

Hon. Members: Concur.

The Deputy Speaker: Opposed? Carried.

Government Bills and Orders Third Reading

Bill 8

Electric Utilities Amendment Act, 2012

Mr. Saskiw: Well, I'll be quite brief on Bill 8. Of course, the first thing about Bill 8 is that it's purely a recognition that there was a mistake and a failure in the previous process. That was under Bill 50, the Electric Statutes Amendment Act, 2009, which of course gave the power to make decisions on transmission capacity. It took it away from the independent Alberta Utilities Commission and put it into hands of cabinet, a cabinet with no expertise on transmission capacity. As a result of that, we see a decision now where we're questioning it. My hon. colleague is questioning the need for these lines and rightfully so because we didn't have an independent utilities commission look at the data, look at the evidence to determine how many transmission lines were needed and, subsequently, where they were needed.

We have a situation where \$16 billion worth of transmission lines went out through untendered contracts. They're already in a situation of cost overruns. This is a huge amount of money, Mr. Speaker, to allow a select few cabinet ministers sitting behind closed doors to make a decision on. Clearly, this bill on a go-forward basis fixes some of the problems, but why would we not go back and look at the \$16 billion decision and look at some evidence and see whether or not they're actually needed?

There is some continuous fearmongering by some members about the fact that if we don't build these lines, there are going to be brownouts and blackouts and that kind of thing. There's absolutely no evidence of that. If anyone actually looks at the data – you can see online where the power consumption is – it's clearly not the case that there are going to be any blackouts or brownouts.

In fact, I think that argument is almost put to rest. I don't think they even make that argument anymore. But we heard that argument when Bill 50 was initially produced.

I heard it when I was working with a group called VALTOA, a bunch of landowners in the Vegreville area, where these lines were being rammed down their throats. When they questioned the need for these lines, the inevitable response was, "If we don't build these lines, there are going to be brownouts, and no one's going to get their power," and that kind of stuff. It's a completely ridiculous assertion, but we continue to see those types of statements made by then-former prominent cabinet ministers who are no longer with us.

The second part about it, of course, is that it has a real impact on people and our province. We're seeing right now record power bills. We see some of the highest power bills across the country. Why is that, Mr. Speaker? It's because of decisions like this, where you build transmission lines without determining whether or not they're needed. If they're not needed, they shouldn't be built. We now know that they're going to get built, and there are already cost overruns which are going to further increase people's power bills and, of course, make Alberta less competitive. If you're a small business, compare your power bills to other provinces. There are drastic differences.

Because this bill, of course, doesn't go back to the old lines, if these lines go forward, those power bills are going to further escalate and further make Alberta businesses less competitive. You know, we used to have the Alberta advantage in this province: lowest tax rates, low power bills, best health care, low regulations. Of course, we see with health care that we have some of the longest waiting lists. When you look at almost every main performance indicator, it's high. You look at tax rates: we're getting caught up by other provinces, and there's talk about a provincial sales tax by former Finance ministers.

9:20

Now we're seeing the other side of it. It's the input costs for businesses. Power bills. Power bills are going through the roof. We have record power bills, Mr. Speaker. Unfortunately, despite the hon. Energy minister making the amendment, admitting that it was an absolutely dismal failure, that Bill 50 was a complete and utter mistake – despite admitting that on a go-forward basis, he's unwilling, apparently, to go back and look at those previous decisions. I question why. That was a legacy of a former Premier, of a former Energy minister. Why not just go back, look at it? You're admitting with this bill that it was a mistake. Go back and look at those previous decisions to see whether they got it right. I think that's a very reasonable thing to do, especially when you're looking at the magnitude of the expenses that are going forward.

The hon. member mentioned two lines costing a billion dollars each. If we don't need these lines, we shouldn't be building them. Can you imagine? Even right now I think that cabinet ministers would admit they shouldn't be the ones that make the decision on building \$16 billion worth of transmission lines. I don't think any cabinet minister here would even think of doing that. But that's what was done in the past. That was a decision that was made.

It was not made in a vacuum, Mr. Speaker. There was a group from the Industrial Power Consumers Association, a group whose composition is some of the greatest and biggest power consumers in our province. These are the big guys, the main industry, chemical producers, industrial producers. They went to cabinet. A copy of that presentation was leaked out. In that presentation it said that Alberta was going to be less competitive. We don't need these power lines. Under the slide that said Losers, it was the

Alberta public. They're the ones that are going to have to pay for these transmission lines through their power bills.

Unfortunately, it's not one of these cases where, you know, you can reduce your consumption and thus reduce your power bill. This goes directly on the fixed component of people's power bills. That's what we've seen escalate. It's not the variable rate. It's that fixed component that has been escalating and escalating. There are rider fees. There are all sorts of other fixed fees. It's making Alberta less competitive. We pay some of the highest rates in the country. It's going up and up. Take a look at all the evidence. It's in the papers.

What happens is that you have some record power bills. [interjections] The hon. members are mentioning that there's no debt. Of course, the Finance minister has clearly said that he's going into debt. Stay tuned, guys. There's going to be some debt coming forward.

What we're seeing is that we pay exceptionally high power bills. Look at a fixed-income senior whose power bill over the last few years has doubled. Go and actually visit a senior and ask them about their power bills and compare them from three or four years ago to now. It's almost doubled. That's very unfortunate, Mr. Speaker, when you have seniors who are on fixed incomes, who need their services. They need, you know, some money to make ends meet, and their power bill has doubled. Why has their power bill doubled? It's a result of Bill 50, which the former cabinet ministers here decided: \$16 billion transmission lines without going through an independent needs assessment. We have cabinet ministers who have no expertise in electricity, none whatsoever, deciding \$16 billion transmission lines.

It's shocking, quite frankly, Mr. Speaker. That was a big election issue in my area, and I know it was a big election issue in other areas. At the time there were folks saying: well, this is fearmongering. But we're starting to see the evidence come forward. We're starting to see the power bills go through the roof. We're starting to see these cost overruns. The more people become educated on the transmission lines, I think the more they're going to question that decision back then. Why was that decision made? Mr. Speaker, you know, we're going to see power bills continue to escalate. We're going to see people continue to question and say: well, why are our power bills going through the roof? They're going to go back to that flawed decision. Yet in this bill the minister refuses to go back to that flawed decision and see whether or not we actually need these lines.

The secondary component, of course, to Bill 50 was the extinguishment of property rights. Under that bill the cabinet had the ability to ram through transmission lines without full compensation and without recourse to the courts. Those are two very valuable rights in our society. In any western democracy property rights are essential for business.

I recall an hon. member saying that there has been no extinguishment of property rights. Mr. Speaker, that's completely false. We saw earlier this year the extinguishment of 19 oil sands leases. The question I would ask: if the government can extinguish an oil sands lease for a big company, what's going to happen to the farmer or the landowner? What chance do they have if an oil sands company's lease can be unilaterally extinguished without a right to compensation? Now, the government is negotiating with those oil companies to try and provide some type of compensation, but there's no legal right to – that's the problem – and there's no legal recourse to a court.

Under Bill 50 they took out the Expropriation Act, which gave a landowner the rights to various heads of compensation and a right to appeal to a court. Even if these lines were needed, even if there was a public need for these lines, a landowner shouldn't have to

bear a disproportionate burden for that public good. He or she should be compensated if their land and their rights are taken away. This bill didn't do that, and that's why people were upset.

Mr. Speaker, it's great to see that the Energy minister has seen the light here and saw that that process was flawed. On a go-forward basis there's going to be a look at the Alberta Utilities Commission. I think the amendments that were put forward would have assisted in that regard in terms of what the Alberta Utilities Commission could look at, which principles and guidelines. It's unfortunate that he's unwilling to go back and look at those previous decisions because if he were, some of these lines that are being built right now may be deemed unnecessary by the Alberta Utilities Commission, and we wouldn't be potentially wasting a lot of ratepayers' money and, as a result, see power bills continue to go up.

With that, thank you, Mr. Speaker.

The Deputy Speaker: Thank you, hon. member.

I'll recognize the Member for Rimbey-Rocky Mountain House-Sundre.

Mr. Anglin: Thank you, Mr. Speaker. I'm not going to be repetitive, but I do want to summarize. I even get sick of hearing myself being repetitive, just so you know. [interjections] Thank you to the member for pointing that out.

One of the biggest problems affecting our system is the spiking of electricity. Yes, we have competitive pricing and we have high prices, particularly on the ancillary side.

Mr. McIver: You said the opposite.

Mr. Anglin: No. I'm agreeing with them. You're not listening. We can go back into second reading, and we can debate this.

It's the spiking of electricity that's really problematic. We are the only jurisdiction that suffers from that, and that needs to be looked at. That is part of this problem with political interference of what's happened. We created a market, and we took control of the transmission system politically, and it's not working well. When we spike electricity to \$1,000 a megawatt, that has a tremendous impact on our commercial activity. I know we discussed in question period today about consumers, but it has a tremendous impact on commercial. That can actually be corrected by changing the policy to something called day-ahead firm pricing, and I would ask the members to think about that as we move forward.

This bill is a step in the right direction. I'm going to support the bill. It's unfortunate the amendments or at least one of the amendments didn't get taken, and I realize that. Getting the politics out of this system is paramount if we're going to make the system work. We need to change the onus of risk. We need to remove it from the consumers and put it on the producers that want to participate in a competitive market. Right now there's no risk for those producers. The risk is all on the consumers, and that's unfortunate. It's a market that's imbalanced by that.

9:30

There are a number of reports. Enmax produced a white paper back in 2009, I believe. The University of Calgary actually published an addendum to the original study by Dr. Church. The Utilities Consumer Advocate hired the company ADC, who does a lot of work for our own AESO. They all are consistent that these transmission lines are at overbuild and unnecessary in that sense.

Now, nobody is saying that we don't build transmissions. That's not what's happening here. What we're trying to say is that we should be building what is correct and what is needed. The

Alberta's Industrial Heartland Association has come out, and they are part of a lawsuit right now trying to stop this. There's a federal mandate to accelerate the decommission of our coal plants, which significantly changes this whole grid that we are proposing, and that has never been taken into consideration. We never took into consideration – we were in denial – the development of our natural gas facilities in southern Alberta. That was presumed not to take place, and the opposite has actually happened. It has occurred, and it is occurring.

The political interference started the problem. The political interference exacerbated the problem when we passed Bill 50. Thank you very much to the members for introducing this bill to start a path for correcting the problem. Cabinet should not be making this decision.

We should not stop there. We need to continue on this progress. We need to make that the mandate for the ISO. In that public interest and in the interest of industry to the tune of when these lines are needed, they must be, not may be, required by industry. They must be required because that was the mandate before we started political manipulation. We need to remove the political interference altogether. We are trying to create a competitive market. As any businessperson knows, you can't have the political interference in that competitive market because what you end up doing is picking the winners and losers and upsetting the market.

So our electricity market actually has a number of problems. We talked a little bit about that during question period today. There are solutions. There are alternatives. We need to start thinking about this in intelligent and pragmatic ways rather than bickering or throwing humorous jibes at one another. This is serious in the sense that it isn't just about the cost to consumers. It's about the future of our industries, and it's about the future of our associated industries, those industries that use our natural resource.

It is important, and I firmly believe that there's not a person in here that doesn't want this to work. I know that. I believe that anyway. I don't think anyone here would stand up and say: I don't want this to work. But to make it work, we have to admit sometimes that mistakes were made, and we have to have the courage to stand up and minimize, marginalize, or somehow remedy those mistakes. There was a mistake. We had political interference that approved a number of transmission lines. That needs to be looked at. What we can correct, we should correct. For what we can't correct, we have to live with the fact that we made a mistake. But we should not continue with the mistake and exacerbate the problem.

I would hope that people would take that under consideration as we move forward. I will be supporting this bill.

Thank you very much.

The Deputy Speaker: Thank you, hon. member.

I recognize the Member for Calgary-McCall.

Mr. Kang: Thank you, Mr. Speaker. I will also be supporting this bill but, you know, with some reservation. Bill 8, the Electric Utilities Amendment Act, 2012, is an amending bill that is trying to correct the most contentious provisions of Bill 50, and this is because of strong public pressure as a response to the Critical Transmission Review Committee report of February 2012.

As the four projects formerly designated critical, including the heartland transmission line from Edmonton to the site of a proposed oil bitumen upgrader, the northeast transmission lines from Edmonton to Fort Mac, and most controversial, adding the lines between Edmonton and Calgary, will go ahead as planned. Only new projects will be affected by this legislation. It could

have been good if the minister could have taken the decision to scrap everything and start afresh, but still Bill 8, you know, is a step in the right direction. Had all those amendments put forward by the opposition been accepted, those could have probably strengthened Bill 8.

As transmission is paid a hundred per cent by regular Albertans as electricity consumers on their power bills, some estimates said that many felt the lines were too expensive. We have been talking about 16 and a half billion dollars. Are we talking in today's dollars, or are we talking about when those lines will be built? Who knows how much they will end up costing us when we start building them?

Also, many felt that the lines were too expensive – some are to be built as high-voltage direct, HVDC, which is more expensive but has less of an impact on land and on landowners – and that it's unnecessary. Some are worried that that would eventually be used to export electricity. So there are some concerns that the consumer, Albertans, will be paying for those lines, and they will be used to export electricity. I think the producers should be paying for the lines if they are exporting electricity. Albertans shouldn't be paying for the lines because the private companies would profit by selling electricity to the States, et cetera.

Finally, there was opposition to the fact that while transmission is private, the province is divided into zones, where private companies such as ATCO and the eastern transmission lines have regulated monopolies, and those were not acting in landowners' best interests.

As the need for the new transmission lines has been in the works for 30 years, the process got bogged down before with a lawsuit brought by landowners in 2007 saying that the regulated process was unfairly biased against them in favour of companies building the lines.

There was also the spying scandal. I don't want to go back into the history there.

As Alberta Liberals we opposed Bill 50 basically because having cabinet decide where and which power lines are built is just a bad process. We also came out with an electricity policy of our own, one that dealt with the actual problems in the system and that could stop Albertans from having the highest electricity prices in the country. Our leader called at the time for Bill 50 to be repealed. We understand that the new transmission is a necessity, but he knew that Bill 50 was a very bad process for deciding on where and when to build it.

Good government policy is an objective policy, and objective decisions are best made by an independent body like AUC, both on needs and location. We have supported the good, objective process to make the hard decisions, but we are glad that government is trying to correct its mistakes in passing Bill 50 with this bill. So I commend the minister for that.

Most Alberta electricity is generated by coal, and those coal-powered plants are supposed to be retired in a maximum of 45 years under the government's federal regulations for environmental protection. The most likely replacement will be natural gas and natural gas power plants. They can be located almost anywhere because of Alberta's very robust system of gas pipelines. The plants don't need to be near the source of the gas, just close to the pipeline. This means that building those power lines to move electricity from coal plants that could be retired in 45 years may not be a good idea. It doesn't look like it's a good idea.

Simply put, there are many, many factors involved, and it's a complicated enough decision not to have cabinet ministers with not enough knowledge to make it. Also, it is very important that the process that is in place is fair to everyone. Why should the

Alberta consumer pay for the lines used to export electricity? Shouldn't they have the guarantee that they won't? Landowners should have their rights respected as much as possible and not have their land taken over by power companies just because it might be cheaper than another option. At the same time, we need to respect Albertans' need for low-cost electricity. Residents of Edmonton and Calgary should have some assurance that someone somewhere can make an objective decision about which power lines to build before there are blackouts or brownouts in Edmonton or Calgary.

9:40

This bill corrects Bill 50, which was simply a quick fix to the fact that the government could not get this process right. Had the government accepted some of the amendments put forward by the opposition, that could have strengthened their bill. Still, I will be supporting this bill because it is a step in the right direction.

Thank you, Mr. Speaker.

The Deputy Speaker: Thank you, hon. member.

Standing Order 29(2)(a) is available.

Seeing none, do we have any other speakers on the bill? The question has been called.

The hon. Minister of Energy to close.

Mr. Hughes: Thank you, Mr. Speaker. I'm particularly pleased so late in the day to rise and move third reading of Bill 8, the Electric Utilities Amendment Act, 2012.

Bill 8 would ensure that the need for all future transmission projects will be determined by the Alberta Utilities Commission, not the provincial cabinet. Mr. Speaker, over the course of the debate for this bill my colleagues here in this House have had a lot to say. While I've heard their concerns about the bill, much of the debate, particularly from across the way, has focused on Bill 50, the Electric Statutes Amendment Act of 2009. While I can appreciate their ardour around the issues of Bill 50, I want to keep the focus on the bill which is currently before the House.

This bill is not about deregulation, nor is it about sending previously approved projects back to the drawing board. Bill 8 is about moving forward. We'll move forward with the critical transmission infrastructure that this province needs. The strain on our electrical system increases as more people move to Alberta – a million people in the last 10 years, probably a million or more in the next 10 years – and as the industries that continue to contribute to our prosperity continue to grow.

Demand for power in Alberta has increased more than 20 per cent in the last 10 years. That demand is forecast to increase by two-thirds over the next 20 years. These statistics, Mr. Speaker, are not from the government but from the Alberta Electric System Operator and are publicly available from the operator's website. So as you can see, putting these critical projects on hold is not a solution. We cannot ask Albertans to refrain from using electricity while these projects get sent back to the drawing board. We can't. We should not put brakes on growth. That would be irresponsible.

Mr. Speaker, the four transmission projects in Bill 50 were first identified by the system operator almost 10 years ago. The need was identified again and again in AESO long-term plans. Moreover, the government of the day struck the independent

Critical Transmission Review Committee to look at the method utilized by the Independent System Operator to assess future need. The government asked them to look at the lines that were determined critical, the staging of the lines, and also the technology that had been suggested for the lines. In all cases – in all cases – the CTRC determined that the forecasts by the operator were reasonable.

There's one point that I must touch on. Hon. members keep throwing numbers around. It causes me to note that Halloween was over three weeks ago, yet one of the hon. members opposite keeps trying to frighten small children by throwing around outrageously large numbers like \$16 billion. He should stop frightening small children. It's simply not the case. The AESO's 2011 long-term plan identifies the critical transmission projects required to 2020 at an estimated cost of 13 and a half billion dollars, but only \$5.2 billion is related to the projects that were put in place under Bill 50. The rest is for smaller regional projects and customer connections. Make no mistake. That is still a pretty significant investment, Mr. Speaker, but it's a needed investment, and it's serving the needs of a growing province.

Planning for transmission need is about the future, and Bill 8 helps us move towards the future. The authority to approve transmission will be returned to the Alberta Utilities Commission. This will reinforce the principles of respect, transparency, and integrity in the transmission approval process. We respect the views of Albertans and want their involvement in assessing the need for future transmission infrastructure. Moving that authority for future decisions to the AUC will allow decisions to be made in a transparent manner and will allow them to withstand greater scrutiny. We're confident that the AUC as an agency independent from government has the expertise, practices, and processes necessary to consider the need for future transmission infrastructure.

In conclusion, Mr. Speaker, the Electric Utilities Amendment Act, 2012, responds to both the recommendation in the Critical Transmission Review Committee report and to commitments that we made to Albertans. With that, Mr. Speaker, I encourage my colleagues to support this bill unanimously.

Thank you.

The Deputy Speaker: Thank you, hon. minister.

The hon. Minister of Energy has moved third reading of Bill 8, the Electric Utilities Amendment Act, 2012.

[Motion carried; Bill 8 read a third time]

The Deputy Speaker: The hon. Deputy Government House Leader.

Mr. Campbell: Well, Mr. Speaker, seeing that it's a quarter to 10 and I think we've made some pretty good progress over the last two days, I would move that we adjourn the House until 1:30 tomorrow afternoon.

The Deputy Speaker: Thank you, hon. Deputy Government House Leader.

[Motion carried; the Assembly adjourned at 9:46 p.m. to Thursday at 1:30 p.m.]

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Managing Editor
Alberta Hansard
1001 Legislature Annex
9718 – 107 St.
EDMONTON, AB T5K 1E4
Telephone: 780.427.1875