

Public Accounts Committee

Wednesday, October 20, 1976

[Mr. Taylor in the Chair]

MR. CHAIRMAN: Would the committee come to order please.

First of all, I would have to explain as I did in the notice to you, that the Provincial Auditor, Mr. Rogers, was unable to complete the report ordered by this committee and consequently, I asked the hon. Dr. Warrack if the rural gas people could come today to fill in the gap. Mr. Rogers expects to have his report on the Export Agency ready for next week.

Is that satisfactory?

HON. MEMBERS: Agreed.

MR. TAYLOR: So we have with us today, the representatives from the rural gas Department of Utilities and Telephones.

Before I introduce the delegation, I would like to introduce our new secretary, Mrs. Mary Ann Velkin, who will be spending full time on public accounts. Previously, one of the secretaries of the government members filled in, and it made it very awkward for her to try to look after the members and look after public accounts. So the government has now provided a secretary for public accounts. I think this will work out very satisfactorily.

I would like to welcome the hon. Dr. Allen Warrack and your delegation and thank you for filling in the gap when we had this little opening. So I'd like to introduce the delegation first, before calling on the hon. Dr. Warrack to make a few opening remarks. First of all, the hon. Dr. Allen Warrack, the Minister of Utilities and Telephones. Mr. Jim Dodds, the Deputy Minister of Utilities and Telephones; Mr. Doug Brooks, the Assistant Deputy Minister of Utilities; Mr. Eugene Tywoniuk, Manager of Personnel and Accounts; and Mr. Doug Hirsch, Executive Secretary to the Minister. Thank you very much for coming.

Now, unless the hon. members have something to raise at this point, I will ask the hon. Dr. Warrack to make some opening remarks.

DR. WARRACK: I won't talk very long, if only for the reason that my voice won't allow it. But I would like to say that we're very pleased to have this opportunity again, as we had the opportunity in December last year to come before Public Accounts Committee of the Legislature and be a part of the legislative process in that way and indicate some of the things that we are making an effort to do, the status of these things and try to respond to what questions that we can on the part of members of the committee. There may be some questions of detail that would require a follow-up response at a later time and we'd certainly be pleased to do that as well.

I thought it might be useful, very briefly to indicate what the basic objectives of to indicate what the basic objectives have been in the establishment of the Rural Gas Program since its inception.

There are really three basic objectives with respect to resource management policy involving natural gas -- in some cases involving other natural resources as well -- but involving natural gas. These three were delineated initially in a paper tabled in the Legislature in November, 1972 by the then Minister of Mines and Minerals, the hon. Bill Dickie.

The three objectives essentially were: to obtain fair value for Alberta resources on behalf of the citizens by way of higher prices and higher royalties on those higher prices so that there would be a fairer share of the true value of resources to Albertans of Alberta resources as they were utilized and marketed. So that was one objective.

A second objective -- follows and relates to the first and has been a subject of a concerted effort -- the second has been the objective of obtaining job opportunity in Alberta by way of upgrading of resources and processing of resources in Alberta, with Albertans, providing job opportunities particularly for younger Albertans to look for in the future. And for that to be done before the resources leave the province in such magnitude as had been the case.

So the second objective was to utilize the strength of the presence and the leverage available in the ownership of resources by the people of Alberta, to not only provide revenues from those resources when they're marketed, but to provide job opportunities at the same time, by of resources being upgraded and processed in Alberta. So that was a second fundamental objective that was a part of the natural gas policy resource management thinking in Alberta.

The third was to make gas available to Albertans who had previously not had the opportunity to utilize the clean, convenient fuel that natural gas is. There were a few farm areas, and a lot of towns and villages in Alberta -- most of them I think -- that had by, for example, 1970, been in a position to take advantage of natural gas use. But for the most part in the farm areas, some of the smaller villages and most of the hamlets across rural Alberta, it had not been available. We undertook, as a fundamental policy in resource management of natural gas to make that gas available in rural Alberta. That's essentially where the rural gas construction program stands -- on that policy objective.

I think it is fair to say that the financial capacity to undertake that policy was greatly aided by the additional revenues forthcoming from Objective 1. The higher prices and higher royalties and the additional revenues there, to a great extent have provided a financial capacity to undertake the rural gas program that is the subject of our discussion today.

I might say, just by way of up-to-date status -- though I recognize that the Public Accounts Legislative Committee review is on the fiscal year 1974-75 and my responsibility began a few days after the conclusion of that fiscal year. But nonetheless, I am sure it would be of interest to members to know that the number of new rural Alberta customers for whom natural gas is available -- under the rural gas program -- as at the end of last week the count is 29,700. So these are people who have had the opportunity to burn natural gas in rural Alberta that other wise would not have had that opportunity without the program and the expenditure of funds that we are discussing today.

I recognize, again, that the primary focus of the committee is on the public accounts for 1974-75, but I thought that brief update and status report would be worthwhile,

certainly in terms of matters more current than that fiscal year. We would make every attempt that we could to answer the questions.

Throughout the period of the time of 1974-75 fiscal year, Assistant Deputy Minister, Mr. Brooks and Director of Personnel and Accounts, Mr. Towoniak, have been a part of the Department of Utilities and Telephones. So I think that we can cover the time frame inclusive of the fiscal year being examined, as well as more recent times.

Thank you very much, on behalf of all of us, for this opportunity to appear.

MR. NOTLEY: Mr. Chairman, I would like to begin by, rather than going and reviewing 1975-75, perhaps we could begin by looking forward for a moment or two. I wonder if perhaps the minister or Mr. Brooks would be able to bring the committee more fully up-to-date than the Minister did yesterday in Question Period on just what is going into the consideration at this stage of the game on the Natural Gas Rebate Program; whether that will be continued or not.

The reason, I ask that question, Mr. Chairman, is because crucial to the federation of world gas submission to the cabinet was the very strong view that the program should be continued for some years. As a matter of fact, I believe 10 years was mentioned.

So I would like either the minister or Mr. Brooks, or perhaps both of them, to bring us up-to-date as to just what the considerations are and what the (inaudible) are at this stage in the government's deliberation on this particular matter.

DR. WARRACK: This question was asked in the Legislature by the hon. Member for Drumheller as a matter of fact. It's not possible to elaborate as much in the Question Period as I would understand to be the case here in the Public Accounts Legislative Committee. So I would like to do that.

Again, as a base point in the question of price protection for Alberta users of natural gas, one will find a reference to that objective in the paper that I referred to earlier, that was tabled in the Legislature, November, 1972, by the hon. Bill Dickie. That involved the question of the price protection for Alberta users of natural gas should the

Alberta government succeed in its policy of obtaining higher prices by way of obtaining a higher share of the value of resources for Alberta citizens as a basic policy objective.

Success, as everyone knows, has been very evident and clear. In increasing the price of natural gas and the very worthwhile bounty that this has yielded to the Alberta citizens. In recognition of that, as position paper was tabled in the Legislature on the Natural Gas Rebate Plan by my predecessor and colleague, the hon. Roy Farran, indicating a three-year commitment to price protection by way of the Natural Gas Rebate Plan. And that the support price would be determined each year as circumstances warranted. This has been done.

The essence of the hon. member's question was the fact that we are now in the third and final year of that commitment that was made at the time. I guess, to be precise, Mr. Chairman, the commitment began as a three calendar year commitment and with the large amount of budgetary expenditure that's involved, we have really extended that commitment from 3 to 3.25 years, going from January 1, 1974, when the program began through to the end of this fiscal year, which would be March 31, 1977. So it's really been a 3.25 year commitment that's been fulfilled by way of the budgetary expenditure committed in the present fiscal years' budget, even though the initial commitment was for the 3-year period.

Now, the three-year period, at that time, was one that was chosen on the basis of what length of time stability would be helpful by way of prices for all those involved in natural gas and particularly in terms of the rural gas co-ops that were beginning to plan their work at that time. Certainly in terms of the people who might wish to have cheaper natural gas for a longer period of time, they would urge, as was done in the Federation of Gas Co-ops brief that I mentioned in my answer in the House Yesterday, they would like to have a commitment for a long period of time, like 10 years. Certainly above all, in our discussions with them, they were urging that if the government thought it could recommit the Natural Gas Rebate Plan to look at undertaking that commitment for more than one year, perhaps three years, as was the case in the initial commitment.

The Federation of Gas Co-ops indicated to us that it was about a two to three-year time period from the beginning planning stage to the completion of basic construction for a

service area unit in order for them to complete their work in a natural gas co-op. And that that kind of time frame would be the sort of thing that they would be requesting.

Essentially in terms of the budgetary question, which is really the basic question that's involved here, \$70 million is committed in this fiscal year for natural gas price protections to Alberta users of natural gas; \$17 million was expended the previous fiscal year for that same price protection purpose. The year before that, for the reason that natural gas prices had not risen nearly so dramatically, the previous fiscal year, I'm informed was a \$27 million expenditure. So that totals up to \$107 million. Then there would be some additional protection that had been provided between period of January 1, 1974 and March 31, 1974, so it would be easily \$170 million in that period of rebate plan commitment has been expended.

That's a lot of money. It's a budgetary priority question, first of all for a period of time in the future, whether the recommitment of the Natural Gas Rebate Plan is an appropriate budgetary commitment as compared with other things the money could be spent on. Then within that principle, year by year, the question of how much price protection for natural users in Alberta would be appropriate.

I said to the federation -- and I've said to a number of people, including when question by the press -- that I have reached the conclusion in my own mind that the Natural Gas Rebate Plan would be a valid recommitment for the government to undertake -- greatly influenced, by the way, the Federation of Gas Co-ops brief earlier this month. In the budgetary process as it evolves in late 1976 we will be making that recommendation.

MR. NOTLEY: Let me just follow that up for a moment. I take it, from the minister's answer yesterday, that there may well be an announcement at the annual convention of the Federation of Alberta Gas Co-ops. I raise that because I think it's important that we understand what the time process, the timeframe is. Are we going to wait until the provincial budget is tabled in the Legislature next spring? Or will we in fact be given the indication somewhat ahead of time? I would assume since the announcement was made last year ahead of time that it could be done again.

On that line, Mr. Chairman, in answering that question, perhaps Dr. Brook will be able to provide the technical information. I'd like to know what the cost would be of continuing the present program at the present price, given the higher natural gas prices anticipated. In other words, any estimated figures. I am sure at this stage of the game, there have been. I think it would be useful for the committee if we knew what those figures are -- \$70 million last year -- obviously if we are going to keep it at the same level it would be substantially greater this year.

DR. WARRACK: Mr. Chairman, I can handle that matter on behalf of the provincial government. I intended to include in my remarks that what I indicated yesterday in the House, that I had responded to the Federation of Gas Co-ops that I was hopeful and would try to give them an answer at their convention in terms of the principle of whether the provincial government would be prepared to recommit the Natural Gas Rebate Plan. In checking my calendar, which I've done since yesterday, I notice that I will be on their convention speaking program on November 25.

Yes, I can be very clear that if the rebate plan is recommitted, the support price question and any other modifications that might involved in the rebate plan that would affect the support price at all, that indication would be intended prior to the budget speech which I think is the specific question being asked, as was the case last year. We made the announcement on the support price for the Natural Gas Rebate Plan in February, last year prior to the budget speech itself. I would intend to do that again, in the event that we are able to recommit the rebate plan and therefore be in a position of making those specific decisions.

On the matter of what the cost would be for example, if the support price were not to be increased, we've not dealt with the specific numbers at this point in time because this really not part of the budgetary process. But I think relatively simple arithmetic can take one to the conclusion that if there's no increase in the support price under the rebate plan, there would be a very large increase in the cost to the provincial treasury by way of budgetary expenditure.

If you think back on it, the prices have gone up from 75¢ to roughly a little over 90¢ as the field price in Alberta at the present time. And they will go up again, on the first of January, and it's highly likely that they will go up significantly again, on the first of July, 1977. If phased, next year like this year, they could go up on January 1, 1976, which will include the fiscal year ahead, looking forward again. So it is very clear that this will mean an enormous increase in budgetary expenditure were there to be no increase in the support price under the Natural Gas Rebate Plan if recommitted.

MR. NOTLEY: Mr. Chairman, I wonder if the minister can be a little more specific. I realize he can't give us an exact figure, but we do have The Natural Gas Pricing Act, which was the legislation which was passed last December by this House. It would seem to me at this point in time, that the department should have some ballpark figures at least. I realize that there's going to be a substantial increase. But what does a substantial increase mean? Are we talking about a neighbourhood of \$120 million, \$140 million, \$100 million? There should be some preliminary estimates. I think this is important, not only for members of the House, but it's important too, for the Federation of Rural Gas Co-ops.

DR. WARRACK: The member may be a bit confused about the time frame. The present agreement on energy prices in Alberta, goes from July 1, 1976 to June 30, 1977, with increases in oil, and therefore gas, phased on July 1, which has now occurred. We will have another increase in January 1, 1977. We're looking forward into the 1977-78 fiscal year. It's only three months of that fiscal year that we're looking ahead to that we know what the price of natural gas will be. The other nine months is still out there and still very much uncertain. Because of this, it's not really a question of doing the pencil work as to compiling what figures and numbers would be, but a matter of the fact that nine months of the twelve involved are months of uncertainty in terms of what the price of natural gas would be on an energy-price agreement basis in Canada, regardless of the act the hon. Member mentions -- consequently from that, what the estimates would be of the cost of the rebate plan, if implemented. The closer we get to the time frame where these would be



rediscussed, the better the position that we are to have an accurate basis on which to estimate them. As a matter of fact, I recall giving the hon. Member that very answer a year ago, in December.

MR. NOTLEY: Follow-up, with great respect to the minister. I realize Public Accounts is not the place for a debate. But the government is going to have some indication of what they are going to be looking at anyway. I recall, the minister's announcement last year, of the new price shield, he was able to supply the \$70 million, I believe in his initial announcement. Now, sooner or later the government is going to have to have these figures. I would assume that if the minister is going to make the announcement at the Federation of Rural Gas Co-ops convention on the 25th of November, as to whether or not the program is continued, in the process of making that commitment as to whether or not it will be continued, there will have to be some raw data. I just can't imagine that the government would make a decision give or take a \$100 million one way or the other. The point that I raised, and the question that I asked, is what are the ballpark figures? I'm not asking for specific figures so that we can nail the minister to wall and say, you said this. But I'm asking for ballpark figures at this stage of the game.

DR. WARRACK: Mr. Chairman, I know the hon. member wants to be able to go out and say the government is hiding figures and so on and so forth, like always. But we had this discussion, in September, 1975 about the coming fiscal year. So, just so he doesn't get confused again, what I said, was that it would be my intention, if I could, at the Federation of Gas Co-ops convention, which is more than a month away, to indicate, as a decision in principle, whether the National Gas Rebate Plan would be recommitted. That would not involve the specific numbers by which the budgetary commitment would be made as an exact amount and therefore the exact amount of the support price as well.

I indicated, I think, when I stood up, a moment ago, that I look to the conclusion of the budgetary process, and a time frame of about February, which would be the same as last year, that we'd have to draw those conclusions. Certainly, as I've already indicated, today, that were there to be no increases in the support price under the Natural Gas Rebate

Plan, should it be recommitted, that would be a very large additional amount of budgetary commitment that the provincial government and this Legislature would need to undertake. It's pretty simple to figure those numbers out just on the basis of the known price increases that have already been committed in Canada.

MR. CHAIRMAN: Before calling . . .

MR. YOUNG: Order, Mr. Chairman, if I may. I've listened, Mr. Chairman, to the exchange which we've just heard, which is in my view, more on future policy. It seems to me that's the sort of thing which would be more appropriate to the Chamber itself and our main function should be a review of the expenditures as they were. Without wanting to curtail the discussion too much, it would seem to me that perhaps in future we could keep this in mind and look more toward those things which flow directly from that time period of the Public Accounts, rather than future policy.

MR. CHAIRMAN: Thank you, Mr. Young. Possibly, I should have called upon Mr. Rogers to give the Auditor's viewpoint on this to start. So I will do that now, before calling on the next speaker.

MR. ROGERS: Thank you, Mr. Chairman. Gentlemen, I would like to refer to Public Accounts, page 280 in Volume 1, which I think contains the references which we are interested in this morning. Appropriation 3205, Gas Alberta -- there was \$129,920 provided in the budget. The expenditure for the year was \$93,749.

3206 -- we discussed this morning -- The Natural Gas Rebate Plan. \$20 million was provided by our Legislative authority, \$8 million provided by special warrant, for a total of \$28 million provided, of which \$27,221,210 was expended.

On Capital -- 3281 -- appropriation, the Rural Gas Expansion Plan, \$6,032,000 was provided. \$8 million was provided by special warrants, making a total of \$14,032,000. The expenditure from that money was \$13,974,066. An item of loans and advances, \$500,000 was provided by special warrant, of which \$368,800 was disbursed.

On page 282, under the appropriate appropriation numbers we see the breakdown by object code, by classification. In Volume 2 on page 311, are shown the balance sheet and other financial statements, at least the Statement of Operation and Surplus of the Gas Alberta Operating fund.

Mr. Chairman, I think those are the appropriate references.

MR. CHAIRMAN: Any questions to the Provincial Auditor? If not, thank you, Mr. Rogers. We'll call on the next questioner, Mr. Lysons.

MR. LYSONS: Thank you, Mr. Chairman. Mr. Minister, I would like to take this opportunity to compliment your department on the vastly improved relations with your rural gas people in the last few months. It's really pleasant to hear that things are moving along quite smoothly.

I have a question. If a private utility, say Northwestern Utilities, or a private utility that's set up within a community, how can they participate in the cost sharing, if they can. As well, at the same time, perhaps you could discuss with us how, if a person lives along a gas right of way, they can share.

DR. WARRACK: First, thank you very much for your complimentary remarks. Certainly the people on either side of me are the ones who deserve a great deal of credit for the circumstances you mentioned.

As I understand it, your question is on the Rural Gas Program but the participation of a private company, for example Northwestern Utilities. It could also be Canadian Western Natural Gas. Secondly, the question of how people who happen to be nearby to a gas line by way of whether they can get an individual tap or something like that.

I think I would ask Mr. Brooks, who has been involved in the design of these plans and also involved in some of the individual tap questions we've dealt with. We've reached a conclusion on some of these also, with the Ombudsman, about eight or nine months ago, I would think. I think Mr. Brooks is more familiar with that than I am.

MR. BROOKS: Thank you, Mr. Chairman. On the question of the North West Utilities serving people in the Rural Gas Program. We do this in two ways. Through what are known as facilities-sponsored co-operatives or through utility company designated areas. We have been involved in the program right from the start in this manner. They receive grants under the normal grant structure in the same way as member-owned co-operatives. In their designated areas along their main lines, they will provide gas service on a fill-in basis or small extension to new consumers within their designated area, all under the program. There have been some cases where we have had requests for individual tap service from other gas sources, rather than say, the co-operative or the utility company. In these cases, they have usually been referred to the co-op or to the utility company to provide service.

MR. LYSONS: Whenever there is a utility company going into this program do they have to work into a general cap area or can they pick selective or small units. In a normal co-operative cap area, they may have say 15 or 20 stretching to the outer limits of the area on each tap. I have been told that in a particular instance -- I don't know whether it's factual or not, that's why I'm asking the question -- is that they have taken only a cluster that would be really economical around a suggestion or have suggested that they could service this system. I wondered how the program worked in that situation. Do they have to go to the outer limits?

DR. WARRACK: Mr. Chairman, that's an excellent question because it really focuses on exactly the fundamental question of the Rural Gas Program. Prior to the inception of the Rural Gas Program, the circumstances that the member is describing are exactly what happened. For good reason, the good reason being simply the economics of what it's possible to do. On a non-support, or if you like, non-subsidy basis, there were what you'd call small, convenient clusters of potential users that could be hooked-up to existing gas pipelines because they happened to be nearby. This would occur as the member describes it to the outer limits of what would be economic to do that. The basic policy problem that that posed is that as time went on, it became more and more difficult and

less and less likely that the people in between those clusters, which are the majority of the people, would ever be able to be served. So that the first step in the design of the Rural Gas Program itself was a freeze on that kind of development, so that franchise areas could be established and systems put in place that would fill all the space of that franchise area and in so doing with each franchise area fill all of the space that's involved across the province; recognizing that it was necessary to have a major amount of financial support of capital cost subsidy in order for these systems to be put into place that would give everyone the opportunity to have natural gas rather than those who just lived nearby. That was the fundamental question faced by my predecessor, Mr. Farran in looking at the problem, that not only was clearly there, but could only get worse unless we got into a system where we had franchise areas that covered everywhere and also came up with the money to help people to put systems into these full franchise areas and provide the opportunity for natural gas in each of them.

I know that there have been some individual problems that have come about with them with respect to individual taps and people who anticipated individual taps. My understanding, subject to additional comments Mr. Brooks might want to add, is that at the time that freeze was established, the individual taps were stopped as well. So that in future, if they were to be served gas, it had to be as member of part of the co-op, in some cases county, but normally the co-op that was providing gas throughout the franchise area.

Anything to add Doug?

MR. BROOKS: No.

MR. LYSONS: What are the outer parameters of a co-operative or utility or however the gas is delivered to rural areas, when they have a cap system and it would pay. But there is someone over here, five miles across a lake or river or something that would never probably fit into another system and can only fit into one system. Where is the general limit drawn there when the utility or the co-operative can say, no I'm sorry we can serve all this area, but we cannot serve you.

DR. WARRACK: The establishment of the franchise boundary areas was largely completed at the time I came on the scene. Let me add that's a very relevant question for the fiscal year '74-75, because much of that work was going on at that time. I think I'd ask Mr. Brooks to respond because I've had relatively little experience in dealing with franchise boundaries.

MR. BROOKS: In the areas, where there are a few more isolated consumers, generally speaking, the co-ops and the utility companies attempt to try to serve all the people in the area, even including these isolated consumers. There may be some cases where services may have to be delayed for a year or possibly even two years as the rural gas utility plant is built-up in the area. As you appreciate, a larger number of the co-ops are quite good size and they can't really build a complete system in the first year. There is provision where in the utility company area, if the utility cannot provide service to some of these isolated cases in their designated areas, they can only turn down that service with our approval. But they have to come and discuss it with us. By and large, they have been trying to provide service to all of these cases.

MR. CLARK: I really have two questions, so Mr. Chairman, if you'd put my name down again. The first one I'd like to go back and deal with this question of the faulty pipe. The minister will recall I raised it in the House yesterday. Mr. Minister I would like either you or perhaps Mr. Brooks would be a more appropriate person to ask. Mr. Brooks would you go back and outline the background with regard to the acquisition of the resin, which I believe ended up in really being the pipe which is referred to as 3306.

DR. WARRACK: I would just add this, Mr. Chairman. This question was raised yesterday, by Mr. Mandeville and followed up by Mr. Clark. I had alerted Mr. Dodds and Mr. Brooks, both of whom have been dealing with this important question, that it was raised yesterday and would likely be also raised today. I'd ask them to respond in whichever sequence would be most appropriate.

MR. BROOKS: Mr. Chairman, I believe the question you're asking deals with how the resin was actually arranged for, for this program. You're referring to the polyethylene 3306 resin. At the particular time, which was about the last half of 1974, the early part of 1975, there developed quite a shortage of the base polyethylene resin for the manufacture of plastic gas pipe. The only supplier of that time of the basis resin for Alberta distributors was Canadian Industries Limited right here in Edmonton. There were unable to provide sufficient quantities of the resin to meet the forecast requirements of the program. During that period of time we forecast that there would probably a requirement for close to 12 to 14 million pounds of resin.

We approached a number of chemical companies to try to determine whether any additional resin could be made available. These companies responded and indicated that they could make additional supplies of both the PE 2306 resin and the PE 3306 resin to the program. Once we were able to obtain this information, we then advised the various Alberta distributors that they could probably get this resin to get their requirements. They in turn, of course, placed their orders on the resin suppliers, which were CIL in Edmonton, Dupont Company of Canada and Dow Chemical of Canada.

MR. CLARK: Thank you. I wonder if you could just outline just how we ended up with the 3306 resin, Mr. Brooks and the problems that it developed since then. I raised the question because I've had the chance to meet with not 20 rural gas co-ops across the province, but representatives or officials of 20 of them in the course of my getting across the province. The comment has been made to me that this particular resin has ended up in most of the faulty pipes. I say fault pipes from the standpoint of pipes that we are now having problems with. I understand that one of the co-ops in southern Alberta has had to take out several miles and put in additional new pipe.

The suggestion has been made to me also, that the government through the Opportunity Company were involved in helping acquire this resin and that in some place in the whole process, the extruding, that two companies didn't do the kind of job that we would have hoped they would have done. That one is now in receivership and the other company is no

longer in the business of -- I guess extruding is the right word -- of making plastic pipe.

So I level with you and say that those are the kind of feedback that I have been getting from some of the co-ops that have been having this problem now with the leaks in their system. They're going to have to go back and put a lot of pipe in the ground. Everything seems to point back to this 3306 resin and so what was, Mr. Brooks, in this whole area. I say you because I understand you were the person responsible at that time.

DR. WARRACK: I'll ask Mr. Brooks and/or Mr. Dodds to add to these comments. But I just wanted to put this caution. I understand that a number of those matters -- I think it's not a number, one -- in any case is likely to end up in court. Just so that all of us are aware that we wouldn't want to I think be a part of an influence on the decision process. I guess it comes back to the situation that I described in the House yesterday where there are about four steps in it, and everyone finds it possible to blame everyone else.

MR. CLARK: Mr. Chairman, on a point of order. If I might just ask you, Mr. Chairman, or Mr. Rogers, the auditor, it would seem to me that anything that's said in this chamber wouldn't influence whether the court cases go ahead or not or don't or the decisions of those court cases. I wouldn't want us to feel that Mr. Brooks, Mr. Dodds, or anyone couldn't respond to the questions and give the committee all the possible information. Or on the other hand, that we would be restricted from asking questions because of future court cases. Let's get that one out of the way quickly.

MR. CHAIRMAN: I think the hon. minister simply cautioned there may be a court case. There is nothing more than that.

DR. WARRACK: That's right, Mr. Chairman, nothing more than that at all. It might be helpful for us to simply agree that there is no intention in any for this committee in the questioning and deliberation process having any impact upon a court decision. That might



be even a helpful thing to record as a committee consensus in the event the matter should ever arise.

MR. BROOKS: Dealing with the involvement of the Alberta Opportunity Company. The Alberta Opportunity Company was involved strictly to handle the payments for the resin. It was not involved in any way with the shipment or handling of the resin nor with any quality of that resin.

Now, the reason that they were in there was that at that time when we approached Dow Chemical, there was quite a shortage of resin, and they felt that they had, with their commitments to their present customers at that time, they would not be able to divert additional resin to this program without hurting those customer commitments. They did indicate that they would be willing to make the resin available if it could be sold through a government agency. We arranged with the Alberta Opportunity Company strictly the billing for the resin, and the payment by the extruders for that resin. They did not handle the resin. They had no responsibility for the quality of it et cetera.

The 3306 pipe problem which you refer as to a fault pipe problem has been evident in a number of co-ops which have used that pipe in the rural gas system. There, I believe, are about four to five million pounds of that 3306 resin which was made into gas pipe during the period of its availability. We don't have any indication that all of this pipe is bad. There are certainly some areas where co-ops have had some difficulties. Three in particular, the Sunshine, Deer Creek and Bassaano co-ops, attended a hearing before the Energy Resources Conservation Board, in July to investigate the type of problems they were having with this pipe.

As a result of that hearing -- there's no decision been handed down by the ERCB yet -- it would appear that there are four areas which could lead to problems with this pipe. There is the question of the resin itself; the question of the extrusion process; the question of handling during transportation; and the question of the actual installation or construction of the system. Any one of these four areas or any combination could possibly have led to the problems they are having with leaks in the pipe.

MR. CLARK: Mr. Chairman, I believe this is the second supplementary isn't it?

MR. CHAIRMAN: No, this is your third time up.

MR. CLARK: I get one question . . .

MR. CHAIRMAN: I'll give you the benefit of the doubt.

MR. CLARK: Thank you.

Mr. Chairman, I would like to go back and ask them if they would respond to the question that the pipe that these co-ops have had trouble with and other co-ops are starting to experience trouble with, has that been traced back to two extruders or not? Or has it come from a number of companies? Could I ask also at the same time, has the government made any decision to buy back any of this pipe 3306 that presently in stock by rural gas co-ops?

MR. BROOKS: On the question of the extruders. At the hearing there were two extruders involved with the three co-ops who participated in that hearing. We only have written information from the co-ops concerning those two extruders. Incidentally those two are Domex in Calgary and Also Plastics. There were three other extruders in the plastics in the program: Beta Plastics in Edmonton, Polytubes and Building Products of Canada, also in Edmonton. Building Products of Canada did not utilize any of the PE 3306 resin. We have no heard of any problems with the resin extruded by Polytubes. We have verbal indication with some of this PE 3306 extruded by Beta Plastics here in Edmonton, but we haven't any written reports from the co-ops to date on that particular pipe.

There are no plans at present, to buy this pipe that is presently with the co-ops. Some of the co-ops are making arrangements to put alternative pipe in their systems. We are dealing with the financing requirements through the normal grant program.

MR. CLARK: Thanks Mr. Brooks. Then if I could try to conclude the questioning in this area -- this is my last supplementary question -- by saying, Mr. Brooks, can you tell the committee how many miles of pipe you now estimate that were having this problem with, that's in the ground now. I am sure the department, because you have had several discussions with the co-ops about the problem. Approximately how many miles of pipe are we looking at that we are going to have to replace? I realize, Mr. Brooks, that has to be a ballpark kind of thing. I wouldn't be in a position to come back to you later and say, you were out by a number of miles. Give us some feel for the magnitude of the problem, if you could, Mr. Brooks.

Mr. Brooks, also, who's responsible for the quality control here? Which government agency is responsible for the quality control, checking the quality of this pipe before it went into the ground?

MR. BROOKS: Based on the written information that we have, which was produced at the ERCB hearing which I mentioned, there is approximately 25 to 35 miles of the PE 3306 pipe which should be replaced and is being replaced. There are some additional mileages of the same type of pipe in the three co-ops involved of which they have not to date had the same type of problem. It may have to be replaced. We don't know at this time.

The responsibility for quality control really is a question of the CSA approval which was given to the manufacturer of the resin and also for the pipe extruders, which covers really the processes which they use in the manufacture of both. This was the basic quality control used in the program. In other words, it was CSA-certified and as such, was judged to be a good quality resin or pipe.

MR. HYLAND: Mr. Chairman, a point of order for clarification. The point asked by the hon. member was how many miles will we have to replace. Then there was the further question as to who was responsible for quality control. I would just like to be assured that the "we" isn't this government or the Assembly and that the question of who is or is not replacing was not being responded to here by Mr. Brooks. The question of who is replacing the pipe,

I don't know who is, but surely the intention of the answer is not to indicate that the government was.

DR. WARRACK: Certainly that's an important distinction. As all members are aware, these systems are owned by, managed by, and arrangements made by the local gas co-op or in some cases the county. These arrangements are made and the checking process to a great extent relies on the CSA standard and their review and in a couple of these instances that turned out not to have been completely adequate.

I know Mr. Dodds has been involved in discussions with the people involved with the CSA standards and its implementation and also the Energy Resources Conservation Board hearing that was held was done at the department's request and perhaps Mr. Dodds could add a few comments that would be helpful.

MR. DODS: Earlier this year, when it became evident that there were leaks occurring in several of the co-ops in the province I took it upon myself to call the Canadian Standards Association because I wanted to find whether the pipe that was developing leaks had been approved. It was indicated to me at that time that it had been. The resin that had been used in the manufacture of the pipe met CSA standards. The samples of pipe that had been extruded and that had been tested by the Canadian Standards Association's labs also met the standard at that particular point in time.

Immediately after my question to the CSA they lifted the approval. At about the same time I had some discussions with the vice-chairman of the Energy Resources Conservation Board and asked him what could be done about these reports that were coming in. The result of that conversation was a hearing held in Calgary in mid-July at which two of the extruders who had made this 3306 pipe were present and also representatives from Dow Chemical who had provided the majority of the resin. The documentation of that hearing should now be available but I have had no report yet as to what conclusions the ERCB might draw from the report.

MR. HYLAND: I guess this is probably a supplementary question I should have asked after Mr. Notley's question, but to borrow the phrase of Mr. Notley, a point for clarification. Dr. Warrack you said, when you started, individual taps are arrangements made by, for example, in my constituency, a number of farmers with individual oil companies for the right to use gas. They've made deals varying from the price of the well site to the very early rentals, this type of thing. One of your gentlemen said in your remarks that some of these questions had been solved with the Ombudsman and the department and the co-op combined. I wonder if there is anything that you could tell me that you remember especially about an area in and around Schuler that become somewhat difficult for the co-op and is a little easier served individually. Because there is a great many people already, who previously made applications and were accepted before the days of the rural gas co-op -- had made applications had been accepted by the various pipelines and such -- that have gas. It becomes somewhat of a large area in that area. I was wondering if these cases -- I believe that some of them were in front of the Ombudsman -- I wonder if these were some of the ones solved.

DR. WARRACK: I believe they were. My memory is that there was something like 9 or 10 cases that were in the grey area, let's say. In some instances, that I recall were particularly difficulty, where a commitment had been entered in earnest as indicated by the individual citizen and confirmed but never in the form a letter or anything like that

in terms whether there had been that kind of agreement and commitment or not. So at a point a few months ago, with the help of detailed reports on the part of the staff we sat down with the Ombudsman and reached a conclusion on a case by case basis as to which ones seemed clearly that it seemed clearly valid the individual taps should go ahead, and which ones were there wasn't sufficient substantiation to justify that. Those have now been resolved. I could give the hon. member details at an uncertain time or a case by case basis. He's right. I believe that most of those were in the area that would be in his constituency.

I think the second part of the question -- I think I'm right about this, but I'll ask for correction if I'm not -- it is my understanding that in the case of someone who is within a co-op franchise boundary and can be served on an individual tap basis at significantly less cost than off the co-op gas system by way of its supply and distribution system, I believe that that person can be serviced on an individual tap basis, but arranged through the co-op and with the same payments to the co-op to the overall system in that franchise area as would be the case if he would be getting the gas off the co-op's system itself. Is that correct?

MR. CLARK: The first question I'd like to ask, in the second go around, Mr. Chairman, is -- I look to Mr. Dodds, or Mr. Brooks, or the minister, naturally -- that is, from the answer we received about who is responsible for quality control. I get the impression that we left this up to the CSA. If the CSA has said the standards are all right then no one in the department or no agency in the department or in the Department of Labour or the ERCB have been concerned at all. This is the question that a number of gas co-ops are saying. Who do we hold responsible here in Alberta? Who was asleep at the switch is the way it's been put to me.

MR. McCRAE: Mr. Chairman could I interject here. Surely, Mr. Chairman, if this matter is going to go to court, this is a question that can only be answered by the judicial system.

SOME HON. MEMBERS: No, no.

MR. McCRAE: The members opposite can express all sorts of viewpoints that they wish as to who might be responsible. If they wish to they are welcome to do it. But I don't think it is appropriate myself. I would appeal to you, Mr. Chairman, for a ruling on that. That's right, Mr. Chairman, it's the public accounts committee, where we are dealing with factual information, no matters of opinion on something that has going before the courts.

MR. CHAIRMAN: The Witnesses may or may not answer. It's up to the witnesses. There is no compulsion for them to answer.

MR. CLARK: Mr. Chairman, speaking to the point of order that was raised by -- I was going to say learned colleague, but I'll just say my colleague -- were not asking here which companies were responsible, we're asking which government department, or which government agency flubbed the ball. That's never going to court.

DR. WARRACK: Well, Mr. Chairman, unfortunately, the initial question was posed and then the comment on the point of order has lapped into debate language. Because in the initial question the hon. member says, concerned at all. We're very concerned. That's been clear at the outset. The Department of Utilities and Telephones has undertaken a substantial effort by way of review and analysis of just how serious the problem is, and analyzed the exact and specific nature of some of these problems. Some of the information that we've been able to compile has been indicated by Mr. Brooks already, and it was indeed the Department of Utilities and Telephones that asked for a review of the situation, and a hearing on the situation by the Energy Resources Conservation Board this summer. That has now occurred. We are awaiting the results, conclusions and recommendations of that hearing and analysis. When we have it on hand it's conceivable that they may suggest that there is a need for some additional review agency or inspection system in order to deal with this area of problem. Whereas, in the inception of the program there is the CSA standard on which considerable reliance was placed.

In all fairness to the people who are responsible for implementing those standards, they responded immediately -- I believe within 24 hours -- on lifting the approval when they

got information from us as a concerned department of the Alberta government, that there may not be a standard out there in the physical structure of the pipe that there should be. They lifted the approval to seek that immediate examination and the hearing by the Energy Resources Conservation and so forth went from there.

Certainly, there is no way that it is fair to suggest that not concerned at all, or flubbed the ball, I doubt that's helpful anyway.

MR. CHAIRMAN: Hon. member on the point of order. The matter is not yet before the courts. I don't think we could operate on the basis that it may go before the courts. I think it's far better to put the onus on the witnesses to reply or not reply or reply in a way they feel that they can properly do.

We've had the question. Did you want to proceed with the answer to the first question.

DR. WARRACK: Well, I guess, aside from the debating language contained in the question, it was a matter of again, asking the question of whether there was a separate government standard of inspection review or something like that, separate from the CSA standard that applied to the pipe. I think the answer's already been given that there was not.

Now, whether there should have been in retrospect, is in fact, a debatable question. But certainly in terms of the department action in discovering that there was a problem there, it seems to me that that action has been very immediate and complete. It would be worthwhile to mention that the standards of the Gas Protection Branch of the Department of Labour are involved and do apply. And that an involvement of that department where there is doubt in their area of responsibility has been recognized.

MR. CLARK: Mr. Chairman, could I ask to the minister or the officials, have there been any changes in procedure by the department or other government agencies since the problems have come to the department's attention as far as the 3306 pipe is concerned? In other words, has there been any changes within the approval system within the department or in other government agencies?



MR. FARRAN: Mr. Chairman, may I as the hon. Leader of the Opposition a question for clarification?

MR. CHAIRMAN: Is it a point of order?

It's a clarification on his question. Is he suggesting, Mr. Chairman, that we should have laboratories in the province to check CSA standards for . . .

MR. CLARK: That's called a red herring.

MR. FARRAN: . . .plastics and wire and every other sort of material that's tested by CSA and acknowledge as a standard across Canada? Does he feel that the province should have a similar facility?

MR. CLARK: That's really not part of my question.

AN HON. MEMBER: It's a valid observation though.

DR. WARRACK: I think it would be fair in direct response to the question, in addition to that important counter-question to I suppose just how much government we should have and whether we should in fact, duplicate all those things that are done by the CSA standards that are implemented. But by way of direct response it is my understanding that for some time now, there has been no 3306 pipe that's been used. I don't know the exact date of that, but I could determine it for the hon. member on a subsequent time frame. Would that be useful? Or maybe you know the answer Doug

Oh, yes, that's an important point. Mr. Brooks reminds me that they cannot now plough in any 3306 pipe. That is outside of approval. So, then even though there is some around, it can't be ploughed in. It has been some time since 3306 pipe has been ploughed in. I'll endeavor to get the last date as nearly as we can determine it, that it in fact had been ploughed in.

The other item, I think, is that it's fair to say that this problem has brought to the fore a consciousness of its being a potential problem more serious than what had initially been anticipated. These are the kinds of things that happen as you learn to do large new operations, recognizing that the Rural Gas Program itself was envisioned as a petty long-term undertaking to put the system into place across rural Alberta, and that in a surprisingly short period of time, almost 30,000 new users are already in a position of having gas made available to them. But just the consciousness of it by way of the approval process of projects and the involvement and advice of the Federation of Gas Co-ops to the member co-ops, have been very useful, helpful and instrumental in that.

So that I think the problem as far as the future in this area, is now resolved, particularly with what advice we will have from the Energy Resources Conservation Board hearing and analysis. But there is no question that there is a problem out there from the prior period when this particular pipe was used. Or perhaps the alternative should be put, misused as well, because there are people who supplied the resin, who extruded the pipe, who feel that the problem was incurred during the transportation and/or construction process.

MR. CLARK: Mr. Chairman, second supplementary question to the minister. Mr. Minister, now that we have the problem and as Mr. Brooks said, it looks like between 25 and 35 miles of pipe should be replaced. I've been advised by some of the co-ops that there is much more than that amount of this 3306 pipe in the ground. Mr. Minister has your department taken any steps to buy back the pipe that the co-ops have on hand now? At what stage is your consideration to some sort of compensation or some sort of financial arrangements to help the co-ops that are now in this bind?

DR. WARRACK: I believe that question was posed to Mr. Brooks and I can elaborate the answer. There is no buy-back program in place at the present time. I don't want to be over-reactive. They didn't buy the pipe from us. In any case, this is not a possibility that is excluded. We are simply in the position, as I indicated in the House yesterday, of doing a review and analysis of the situation which turns out to be a very complex one.

A part of that analysis and review is of course, the Energy Resources Conservation hearing and the information and recommendations that we look forward to from them. So no option is closed on it, but at the same time it is really just as reasonable to mention that no commitment of any sort has been made at this relatively early time frame of the review that is necessary.

I should mention that in the number of miles, I think 25 to 30, indicated by Mr. Brooks, that that's a very small percentage of the total miles that's in the ground. However, the counter-argument to that and counter-concern is the possibility that people might fear that that pipe will have future difficulties. I certainly recognize that. The fact is that the real profounds of our concern in this area is more geared to just how serious a problem might there be in the foreseeable future as distinct from the extent of the problem as we understand it now.

The extent of the problem as we understand it now, is a relatively manageable one. But our real concern is whether this is an indication of a future larger problem and why we are going about it in as careful and detailed way as we can and invited the participation of the Energy Resources Conservation Board which under The Pipelines Act has considerable jurisdiction and expertise in this area.

MR. CLARK: Mr. Chairman, my third question would then deal with perhaps the most common concern that has been expressed to me in preparation for Public Accounts. That is, that we without exception, in speaking to directors of rural gas co-ops this question of a commitment of some sort of a ballpark, four per cent increase per year continues to come up. I have yet to speak to a rural gas co-op that doesn't feel that they had this kind of a commitment made to them at some time down the road. I guess I have to direct this question to Mr. Brooks because he was there at the time.

Mr. Brooks, where has this feeling come from? If it was just the rural gas co-op in my constituency, I'm sure that many people could have all sorts of assumptions of where that may come from. But I find it in the Peace River country, in central Alberta, around Edmonton, south of Calgary, in the minister's constituency, and in others. Where has this four per cent figure come from?

DR. WARRACK: Well, Mr. Chairman, I first dealt with this matter, I suppose, a few dozen times in the House, in estimates earlier this year. I simply indicated that there had been no such commitment made. If one were to review the Natural Gas Rebate Plan position paper tabled in the Legislature, they would see that clearly that was in now, way, shape, or form a commitment either in concept or magnitude. In fact clearly spelled out in the statement of policy by the provincial government is the factors on which gas prices would increase and that support prices would increase under The Natural Gas Rebate Plan. One of them being in fact, the very major factor mentioned in the rebate plan position paper tabled in the Legislature that the support price would be adjusted year-by-year and that along with two other factors would reflect the actual commodity value of natural gas. Though of course, the idea was to not reflect it fully, in order that the price protection or shielding be there.

Certainly, I can understand two things very well. That I'd like to pay less for natural gas. I'd like to pay less for everything. If one brings up the subject to a rural gas co-op, I think they quite clearly indicate that it would be preferable if they were in a position of paying less for natural gas. That's understandable.

One of the ways it can come up is by me, MLA, or any other MLA proposing it to them. So I can certainly understand that.

The other thing quite naturally follows. Once you get to any kind of planning stage at all, in putting a system into place, whether it's a rural or natural gas system or any other, you are in a position where you need now need to start working with some numbers. To work on the costs. Once you do that, then those numbers are on your paper and you are obviously dealing with the numbers that are relevant in that time frame. It's not that surprising that some people might have the feeling that those numbers might have been a commitment into the future, which unfortunately, is of course, not the case. So it is understandable that that kind of situation could materialize once people got to working with the kinds of numbers that were relevant at that time as they planned for the natural gas systems. Certainly in terms of the heating value comparison, it compares very favourably with alternatives other than maybe chopping your own wood and I for one don't really want to do that.

But nonetheless there is certainly the situation where there are some who wished and/or felt there was a future gas price commitment by the government, despite the statement clearly in the Natural Gas Rebate Plan position paper that outlines what is going to happen in the coming three-year period of time. I don't really think the onus is on my to explain where that misunderstanding came about.

MR. SCHMIDT: Mr. question is to the hon. minister. In the establishment of the franchised areas that fell to the utility companies -- and a portion of that franchised area is rural Alberta -- would the minister tell me if there is an obligation or a responsibility, and to what degree, on the utility company to service that area comparable to say, a co-op in rural Alberta. In other words, the people who live within that franchised area, can they look forward to gas in one year, three years, or on a projected plan, so that they would know exactly. I'm speaking now, not of areas that are difficult, but just an ordinary blank area.

DR. WARRACK: Certainly, Mr. Chairman, I have no difficulty indicating that the commitment is yes to their being served in that area. I would ask Mr. Brooks to comment on the time frames involved and what sort of mitigating circumstances, if any, would be ones that would be acceptable reasons for a deferral through time. But certainly in terms of the commitment to serve people in an a franchis area, the commitment to those people is the same as if they were in a franchise area of a rural gas co-op.

MR. BROOKS: The utility companies are trying to bring service to the various customers in their franchise areas in a very similar manner to what the member-owned co-ops are doing. Now, they can't always, of course, serve everybody who requests gas service, let's say in six or eight months of a given year. I believe that in most cases, though, they are trying to bring the service as quickly as possible.

In the total number of services that have been put in so far this year, which is, as Dr. Warrack mentioned, close to 4,000 or 5,000, this year, they may put in one-fifth of those

will go in this year. In other words the utility companies themselves should account for about 25 per cent of the total number of new services put in this year, depending on the number of applications they have. Their construction program, of course, has to be geared to serve all of these different applicants during the construction season. They try to go methodically through these areas and build the services as quickly as they can. But there is no basic difference between the approach of the utility companies and the member-owned co-ops in their franchise area.

MR. NOTLEY: Mr. Chairman, I would like to -- the last question Mr. Clark raised concerning the widespread misunderstanding over the 4 per cent. The minister, in answering the question -- I think I took down the phrase correctly -- indicated the possibility of working figures relevant at that time. My question to the minister or to Mr. Brooks, was there any suggestion or any use of the 4 per cent -- the much discussed, debating 4 per cent as working figures with the rural gas co-ops during that particular time, when gas co-op directors indicated that that understanding came from the government to them.

DR. WARRACK: Not that I'm aware of, Mr. Chairman, but I would ask Mr. Brooks to add.

MR. BROOKS: Not that I'm aware of either, Mr. Chairman.

MR. NOTLEY: Just to recap that; as far as both the minister and Mr. Brooks are concerned there was no suggestion, use, authorization on the part of any personnel of Utilities and Telephones to in any way, shape, or form, use the 4 per cent per year increase in their discussions with rural gas co-ops that were planning to get off the ground or were in the process of organizing. I just want that discrete.

DR. WARRACK: The member is certainly sounding like a lawyer. The answer is not to my knowledge. The answer is the one that Mr. Brooks gave. To say that there had been no suggestion that any staff member, at any time, in any place would be a distortion.

MR. NOTLEY: Perhaps I could put this question then, to Mr. Brooks. Has the department or have you, Mr. Brooks, as the Assistant Deputy Minister in charge, received any complaints from rural gas co-ops concerning that matter? Have you had an opportunity to search them out and find out if in fact those undertakings had been made?

DR. WARRACK: The same question could certainly be asked me. The answer is yes. I'm sure the answer is that there have been those complaints voiced to the Deputy Minister and also the Assistant Deputy Minister, although Mr. Brooks might like to elaborate. When these were brought to my attention initially, in the House, I asked that a review be undertaken within the department to ascertain whether any such commitment had been made. A review of the department files, as I recall and Mr. Brooks could add, was there that there had been none.

In any case, certainly the position paper tabled in the Legislature said otherwise. But Mr. Brooks might wish to add as well, relative to those complaints. Because I know there have been some.

MR. BROOKS: Mr. Chairman, I don't think there is much I can add to that. We did receive a number of complaints. We checked them out and we couldn't find any evidence where either any member of the department had any discussions with co-ops along those lines.

MR. NOTLEY: Notwithstanding the indication within the Federation of Gas Co-ops brief, as I recollect reading before the Spring Session of the Legislature, that there was absolutely no evidence of that commitment being made.

Okay. Let me just pursue a slightly different question. Perhaps this should go to Mr. Brooks, because it deals with the viability of gas co-ops, something which was contained in the current brief to the provincial government. I would like to know, from Mr. Brooks, what the department assessment is of the supplies of propane and the competitive position of propane vis a vis natural gas. That is something specifically raised in the Federation brief this year.

When you're answering the question, Mr. Brooks, I would also like to know whether or not there have been many cases where individuals and various co-ops around the province have attempted to leave the co-ops or were having problems with members saying, all right, you know, don't service me, I'll just as soon leave. I raise that because I think it is a very serious problem. If people do leave co-ops, then remaining members have the cost of bearing the operation and therefore, I'd like to have some indication of just whether or not this is an isolated problem or whether it is more widespread.

It seems to me it is tied at least in part, to the availability of propane. I realize that propane is not concerned the Public Utilities Board, but to a certain extent the availability of it is going to have some important bearing on its competitive price compared to natural gas.

DR. WARRACK: The hon. member mentioned the Federation of Gas Co-ops brief last year, and I'm sure he's read the brief this year, relative to the question exposed. I can remember him waving it in the House and complaining last year and I expect him to wave it in the House and reflect the complimentary remarks of the Federation of Alberta Gas Co-ops towards the Alberta government in this year's brief.

AN HON. MEMBER: You don't have to worry about that.



DR. WARRACK: Relative to the question of supply of propane, I've been paying considerable attention to this matter, prior to and in conjunction with follow-up on the Federation of Gas Co-ops brief. Two or three comments that can be made. First of all, it is relatively easy to make the price comparison between propan and natural gas by multiplying the price per gallon of propane by roughly 9.1. It's a little bit more than that, but roughly 9.1. So that the 26 cents that is the present maximum allowed by the Public Utilities Board and the partial price review that the Public Utilities Board is responsible for, that works out, for example, to 32.38 per MCF price comparison. Then if propane was available at a lower price, as in some areas, such as the hon. Leader of the Opposition's constituency -- I think it's 21 or 22, that would be 9.1 times the 21 in terms of the comparable price comparison.

My understanding to the present time is that for the coming year, supplies of propane appear to be fully adequate in Alberta. Though that would be subject to further checking with the Energy Resources Conservation Board, who are really in a position to know these matters. But propane, like everything else, has had some cost impact of inflation put to it. My recollection is that there is currently an application before the Public Utilities Board regarding the price of propane. But in any case there is some very real doubt about the price of propane, remaining in the future as low as it is presently now.

So that subject to further checking with the Energy Resources Conservation Board, my understanding would be that for the coming year of 1977 the supplies of propane appear to be relatively adequate, but without any reliable prediction of adequacy for years beyond that. In other words they could be in shorter supply. Some review of the price of propane is under way. Probably considering the time frame since the prices were earlier struck, this would be worthwhile.

There was the question also, of whether there have been any customers -- or potential customers, I guess would be more accurate -- in rural Alberta, within rural gas co-ops or I guess county systems for that matter as well, who have indicated a desire to leave. Certainly among the thousands upon thousands that have been dealt with there are a few who had various responses some being highly individual and some to some extent in response to

things people have said them. For example, if one of us were out in the area, badmouthing the program, certainly that would tend to push people towards going out of the program, even though that would be, as the hon. member suggests against the interests of the majority of local people. That certainly could happen. But relative to the numbers, I understand that they are few. I'll ask Mr. Brooks to add to that. But there are relatively few in number considering the many thousands of people that have been and are involved in the Rural Gas Program.

MR. BROOKS: Yes, Mr. Chairman, if I recall correctly, there are four or five co-ops who have advised us that some of their members did want to leave the Rural Gas Program, that is, get out of the co-ops. The number in total, compared to the total number of members is very insignificant.

MR. HANSEN: I'd like to ask the minister a question. If a utility company builds a line to its customers and finds that the line is too small to serve the customers it has on it now, they can't add any more buildings or any more utilities to it, how long has that company go to replace that line with a bigger line or have you any control over that.

DR. WARRACK: I don't know the answer to that question. Perhaps Mr. Dodds or Mr. Brooks can shed some light on it. If not, this might be a matter I need to follow-up for the hon. member.

MR. DODDS: Mr. Chairman, this sort of problem arises not only with the utility companies, but also within the gas co-ops. At the time a system is originally designed it is designed based on the potential customers in the area. A few years down the road, the requirement may have changed substantially. This has happened in two or three of the gas co-ops. The gas co-ops and the utility companies have a responsibility to see that gas is available to all their customers. When this occurred, then they have to do what they call 'loop' their lines to make sure that an adequate supply is available. That is being done

in one or two of the gas co-ops at the present time. I'm sure the utility companies would do exactly the same thing.

MR. HANSEN: Is there a time limit for them to do this? Are they bound to any contract or anything that says you have to have this provided within a year from the time you find out that you can't even supply your own customers.

MR. CHAIRMAN: I have one more name and we have passed the adjournment time. Mr. Clark. Oh, another supplementary, I'm sorry.

MR. HANSEN: I didn't get my answer on my supplementary. Is there a time limit set? This is what I've been asked and I don't know the answer.

MR. CHAIRMAN: I'm sorry, Mr. Hansen.

MR. DODDS: Mr. Chairman, I don't know of a time limit. I know there have been disputes between customers and the co-ops and the utilities as to the time at which gas would be available. Because of varying circumstances, construction, weather conditions and so forth, it's not always possible to provide it at the time the customer wants.

MR. CHAIRMAN: Have you a third supplementary? Okay, Mr. Clark and this will finish the questions.

MR. CLARK: Mr. Chairman, I've got two or three more areas of questions. In light of the fact the Provincial Auditor is going to be bringing in a report on the Export Agency next week, and it would likely be desirable at least from my point of view, to have a chance to read that report before we have the people from the Export Agency back, I wonder, would the committee be agreeable to the suggestion that we have the gentlemen back from Utilities and Telephones next week. So that following the Provincial Auditor tabling his

report and any comments he may want to make on it, we could go back to the question of the Utilities and Telephone people.

MR. CHAIRMAN: Telephones or rural gas?

MR. CLARK: Oh rural gas, I'm sorry. The rural gas portion of it.

AN HON. MEMBER: Agreed.

MR. CLARK: So I'd like to move that if it's agreeable to members of the committee.

MR. CHAIRMAN: It's been moved that we request the rural gas people to return next week, for the balance of time after the Provincial Auditor makes his report. Are you able to do that?

DR. WARRACK: We are pleased to be at the disposal and preference of the committee, Mr. Chairman.

MR. CHAIRMAN: Any discussion.

MR. McCRAE: Just for clarification, Mr. Chairman, as I understood the motion, it was that we not review the Provincial Auditor's report at all, next week. That we simply have it placed on the Order Paper and come back another day to discuss it.

MR. CHAIRMAN: Is that agreed.

HON. MEMBERS: Agreed.

MR. CLARK: Mr. Chairman, just in agreeing to that. I'm completely agreeable, but I would assume that we would give the Auditor an opportunity to make any comments he wants to when he tables the reports with us.

MR. CHAIRMAN: Yes, it'll be his report. I'll be up to him. Now I was wondering if . . .

DR. WARRACK: Mr. Chairman, just so we can do our planning. Would the committee want us to be here at the outset of the meeting, or do you want to receive the report. I'm member of the Public Accounts in any case, but the other gentlemen on this side aren't. Would it be your thinking to begin at ten and go to a time period that would still allow time for the presentation of the report itself.

MR. CHAIRMAN: I would suggest that they be here at 10:00. It might be 10:15 or it might be 10:45, but it would be better if they could possibly be here.

DR. WARRACK: At the outset?

MR. CHAIRMAN: At the outset.

DR. WARRACK: Fine.

MR. CHAIRMAN: That answers two or three points that I had. So we will ask the AGT and the Fort Saskatchewan Correction Institute to remain in the alert position for some time after the meeting next week.

Now, the minutes of the last meeting. Are here any corrections, errors or omissions. If not, a motion to adopt would be order.

MR. NOTLEY: I move they be adopted.

MR. BUTLER: Seconded, Mr. Butler.

[Motion carried]

MR. CHAIRMAN: Thank you, Dr. Warrack, gentlemen. The meeting now stands adjourned.