



RETA c/o 23324 Township Road 515, Sherwood Park, AB T8B 1L1

April 1, 2010

Honourable Ed Stelmach  
Premier  
Room 307, Legislature Building  
10800 – 97 Avenue  
Edmonton, AB T5K 2B6

Dear Honourable Premier:

**Re: Changing Economics of Oil Sands Upgrading Requires a Re-Evaluation of Industrial Heartland Electricity Needs**

We have followed closely the Alberta Government's recent re-evaluation of the Alberta Royalty Framework in light of the new economic realities facing the energy sector in our province, including completion of the Competitiveness Review.

During the announcement of these significant changes in royalty policies, we have noted that you, as our Premier, and your Minister of Energy referred many times to how necessary it is to constantly review and reassess earlier decisions, policies and even legislation, against current economic realities in order to ensure that Alberta remains competitive within the context of the national and global economies. We strongly support this wise approach.

Albertans recall the booming economy, record high energy prices, and relentless growth pressures that existed in 2007. These economic factors and resulting growth demands caused the Alberta Government to announce the new Alberta Royalty Framework in October 2007.

Similarly, and about the same time that the Alberta Royalty Framework was established, the Alberta Electric System Operator (AESO) conducted an assessment of the future electricity needs for the Fort Saskatchewan area. During the time period of 2007 and 2008 while the AESO was engaging in its prediction of the future electricity needs of the Fort Saskatchewan area, a total of nine oil sands upgrading refineries were announced. A new industrial area was established for these upgraders called the Alberta Industrial Heartland. Each of these upgraders was expected to bring additional ancillary industries and residential/commercial growth pressures for the thousands of workers and their families. Based on the anticipated upgrader construction and related growth, the AESO predicted that a significant upgrade and system reinforcement was required between the coal-fired electricity generation at Lake Wabamun and the Industrial Heartland.

However, as you are aware and as Minister Liepert has noted in the media, significant changes to the fundamentals of North American economics in upgrading mean that there will now be a significant reduction in the number and types of upgrading facilities required in the Industrial Heartland. For example, only two of the nine proposed upgraders may be built, and plans for additional upgraders have been overtaken by other decisions already made by the energy industry, including the processing of more of Alberta's bitumen in the United States. It needs to be emphasized that most of the once-proposed upgraders have not just been put on hold—many of the planned upgraders have been cancelled. The oil sands energy companies have made other arrangements for upgrading. The energy companies are retrofitting existing refineries in Michigan, Texas, and Illinois. They are building new pipelines and have recently obtained approval from the National Energy Board to build even more pipelines. These U.S. refineries will upgrade the bitumen that was to have been processed in the Industrial Heartland by the nine upgraders proposed in 2007-08.

A consequence of this seriously reduced upgrader construction in the Industrial Heartland is the significantly reduced requirement to provide electricity to the area. The need for electricity to be transmitted from elsewhere is further reduced by the planned co-generation of electricity right in the Industrial Heartland.

All of the changes referred to above, most beyond the control of the Alberta Government, bring us to the critical reason for writing to you. On behalf of Responsible Electricity Transmission for Albertans (RETA), its over 5,000 registered members, and thousands of other Albertans, this letter is our formal request that the Alberta Government re-evaluate the need for the proposed 500kV double-circuit Heartland Transmission Line, similar to the review recently completed on royalties and the broader competitiveness review announced in Bill 1, the *Alberta Competitiveness Act*.

Our members, and many other Albertans, share and support your plan of reviewing government policies and decisions to help Alberta regain its once heralded competitive economic environment. Of course, an unnecessary Heartland power line, proposed to add about 50% of Alberta's total existing transmission capacity, yet to be energized to only 15% of the line's capacity until at least 2027, would burden Albertans with anywhere from \$413 million to \$787 million in infrastructure costs (based on data from the AESO). Being competitive means not burdening Albertans and our fragile economy with a multi-million dollar line that may no longer be needed, at least on the grand scale as proposed in 2007-08. Indeed, if AltaLink and EPCOR were to actually overbuild the line to the extent currently proposed by the AESO, the costs would be particularly burdensome to Alberta industry, existing and potential, which in itself would reduce our overall competitiveness as a province.

A smaller-scale upgrade to the Industrial Heartland, one based on the reality that bitumen upgrading envisioned in 2007-08 is now going to occur primarily in the United States, will mean that any needed upgrades to the Heartland electricity grid can be built at a much lower cost, and can be built more responsibly, including burying the Heartland line whenever it runs near homes, schools, daycare centres, hospitals and environmentally sensitive areas. This would be consistent with an objective Leger Marketing public opinion survey conducted in Alberta late last year, which indicates that 70% of Albertans think high voltage power lines should be buried when they run near homes, schools and daycare centres.

A report commissioned by the AESO and released in February of this year indicates that partial undergrounding of the Heartland line is both technically and financially feasible, and is reliable. In many respects, this report supports information on the technical feasibility and reliability of buried high voltage power lines that we have received during the past year from underground cable experts around the world.

It is important to note that, because a significant majority of Albertans are concerned about the effects of overhead high voltage power lines on health, safety, property values and esthetics, they are willing to pay more on their monthly power bill to get these lines buried. (See [www.RETA.ca](http://www.RETA.ca) for details of the opinion survey.) For example, we have estimated that it would cost the average Alberta household only about 34¢ more per month to have a staged Heartland line buried along the Sherwood Park Greenbelt route (based on data from the AESO). This cost could be even lower because, based on information we have gathered from other sources, the AESO-commissioned costs for undergrounding are significantly higher than the actual costs would be.

In summary, we respectfully request the same type of re-evaluation of the proposed Heartland Transmission Project that has been launched by the Alberta Government for the oil and gas energy sectors, in order to ensure that the size of line is reflective of current realities, and that it is built responsibly. A review may even determine that the line is not needed at all.

Sincerely,

(Original Signed)

Bruce Johnson  
President, RETA

cc: Honourable Doug Horner, MLA Spruce Grove-Sturgeon-St. Albert  
Honourable Iris Evans, MLA Sherwood Park  
Honourable Ron Liepert, Minister of Energy  
Honourable Gene Zwozdesky, MLA Edmonton Mill Creek  
Honourable Ray Danyluk, Minister of Infrastructure  
Naresh Bhardwaj, MLA Edmonton Ellerslie  
Jeff Johnson, MLA Athabasca-Redwater  
Fred Lindsay, MLA Stony Plain  
Diana McQueen, Parliamentary Assistant to the Minister of Energy  
Dave Quest, MLA Strathcona  
Peter Sandhu, MLA Edmonton Manning  
Dr. David Swann, Leader, Official Opposition  
Danielle Smith, Leader, Wildrose Alliance  
Brian Mason, Leader, NDP  
Stephen Mandel, Mayor, Edmonton  
Cathy Olesen, Mayor, Strathcona County  
Robert Wiedeman, Mayor, Parkland County  
Don Rigney, Mayor, Sturgeon County