

**WILDERNESS AND WATERPOWER:  
HOW BANFF NATIONAL PARK BECAME  
A HYDROELECTRIC STORAGE RESERVOIR**  
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## Doubling Down

Capitalism, in Canada's gilded age, could be a cruel taskmaster. Money easily raised and invested had to be paid back, with interest. Common stock would remain worthless as a bonus unless growth of the business drove up the market price; otherwise, bankruptcy loomed. For Calgary Power to succeed as a company flotation, or even to meet its outstanding contracts, it would very quickly have to produce and sell more power on a continuous basis. Thus, on the one hand, the company had to convince its principal customer, the City of Calgary, to purchase more of its power. On the other hand, the company did not have power to sell from its existing plant.

Survival, then, compelled the company to undertake two expensive projects immediately. It would have to build another hydroelectric station on the Bow River as soon as possible. But that plant, given the seasonal fluctuations in streamflow, would be as inefficient on a continuous yearly basis as the Horseshoe plant unless the company also addressed the imperfections of the river as a power producer by building an upstream storage reservoir to smooth out the flow of the river. However urgent these two projects were from a business point of view, both faced serious and legitimate objections. Financial necessity would compel the company to ride roughshod over these obstacles. Sometimes it would be its own worst enemy. The company would prevail, as this chapter and the next explain, but not without guile and, once again, not on its own terms.

When Max Aitken received the warning in 1909 from an engineer that severe seasonal fluctuation in water supply might be a problem, , he



KANANASKIS FALLS LOOKING DOWNSTREAM ABOUT 1913 (GLENBOW ARCHIVES, NA-3544-27).

took steps, even before the spring freshets swept away the cofferdams at the construction site in 1910, to try and rectify the situation by securing additional generating capacity for Calgary Power. A couple of miles upstream from Horseshoe Falls where the Kananaskis River flowed into the Bow, the river tumbled over a series of four low pitches totalling about forty feet in height as it flowed through a narrow gorge about one hundred yards long. Properly dammed, a head of seventy feet could be developed at Kananaskis Falls, which would permit the generation of 3,500 hp annually, even with a minimum river flow of 550 cubic feet per second (cfs).<sup>1</sup>

In January 1910, Calgary Power applied to the federal government for permission to begin a development at Kananaskis Falls. Officials at the Interior Department quickly recognized that the plans would create two problems: the lands flooded by the headpond were, in part, inside not only the Nakoda Indian Reserve but also Rocky Mountains National Park, whose boundaries had been greatly enlarged in 1902. As of 1910, the legislation governing national parks did not authorize hydroelectric development. The Nakoda Indians would once again have to be persuaded to sell



KANANASKIS FALLS LOOKING UPSTREAM BEFORE DAM (GLENBOW ARCHIVES, NA-3802-8).

the land needed for development of the hydroelectric site. No development could proceed without a satisfactory settlement of these issues. Despite repeated entreaties from the company, a whole year passed without anything being done. Even the retention of a prominent Liberal politician and lobbyist, Senator N. A. Belcourt, failed to secure action. The waterpower expert at the Department of the Interior, J. B. Challies, was convinced that Calgary Power should receive no further concessions until the Horseshoe plant had begun production, which would not occur until May 1911. On the one hand, Challies could see the virtues of having a single company develop both Kananaskis and Horseshoe: it would permit the coordinated use of scarce water resources and eliminate the need for duplicate transmission lines and substations. On the other hand, he feared that Calgary Power lacked the capability to raise the large sums of capital required to finance both developments.<sup>2</sup>

Those concerns were reinforced by the appearance of a second contender for the development rights at Kananaskis Falls in January 1911. Heading the rival syndicate was Dr. Andrew Macphail of McGill University, a prominent essayist and political commentator who usually reserved his deepest scorn for the plutocratic businessmen who dominated turn-of-the-century society in Canada.<sup>3</sup> Despite the irony of having to do business with Canada's leading critique of finance capitalism with no previous experience in the hydroelectric industry, the government bureaucrats had to take Macphail's application seriously. First, Macphail had money of his own and could be reasonably expected to raise the amounts required by a project of this size. Second, within his family circle, he had the engineering expertise to design a professional hydroelectric facility. Macphail had also been shrewd enough to retain another Liberal lobbyist to put his well-conceived case for waterpower rights before the Department of the Interior.<sup>4</sup>

This competitive bid complicated the situation and made a speedy resolution to the licence less likely for Calgary Power. Both designs made effective use of the Kananaskis waterfall. The simplest solution – granting the power to the earliest applicant – was not available since neither had been first. The CPR had long ago applied for rights to develop Kananaskis and had been denied by the Department of the Interior, apparently on the grounds that the railway company was simply acting as a speculative monopolist of western waterpowers. Therein lay a further difficulty. Could a government department be seen, on its own, to grant a monopoly of the waterpower on the Bow River to one company since it also owned rights to the downstream Radnor site? The civil servants needed some cover. Time for outside professional advice.

Faced with these two claimants, the bureaucrats retained Canada's foremost hydroelectric engineer, C. H. Mitchell, to assess the merits of the rival schemes. He reported that there was little to choose between them, but concluded,

Apart from purely technical considerations and on grounds of public utility (i.e. efficiency of public service and freedom from

possible interruption, etc.), there is a certain obvious advantage in the ownership and operation of a plant on this site by the same company which owns and operates the Horseshoe Falls plant. The interests, market and sphere of operations of the two plants would be similar and unless there were strong economic or political reasons for separate companies and fields of operation, a close cooperation, or at least working arrangement, would seem to be a natural consequence. This appears especially so as the sites are so near each other and closely interconnected by river conditions, and because it is quite feasible and economic to operate the two plants in parallel by the same staff and transmit the power to the market over the same transmission lines.<sup>5</sup>

In opting for monopoly control, Mitchell confirmed the views of other technocrats, such as J. B. Challies, about the greater efficiency of coordinated development.

Mitchell's endorsement effectively derailed Macphail's proposal and ultimately opened the way for the federal government to grant Calgary Power the Kananaskis site. The department quickly endorsed Mitchell's opinion although the terms of the final waterpower lease would not be ironed out for another year.<sup>6</sup> At this critical point in the life of the company, the presidency changed hands once again. With Horseshoe Falls finally delivering power in the summer of 1911, Herbert Holt took the opportunity to step down as president. "I consider that it is vitally important for the welfare and interest of the company that the chief executive officer should reside in the West," he reported to the board. This was persiflage. The Montreal directors had become disenchanted with the company and did not see the virtue of pouring good money after bad. By contrast, those directors closest to the scene remained optimistic, influenced perhaps by the boom town atmosphere of Calgary. This internal division had hampered decision making. Holt resigned in the interest of unified management. This also let someone else carry the can, in the event of failure, and assume the burdensome and risky responsibility of negotiating the licences, finances, and sales contracts needed for the company to succeed.

R. B. Bennett, the local legal fixer, was duly elected president, a doubly fortunate choice since he would soon become a Conservative member of Parliament from Calgary, well placed to exert pressure in the company's interest upon the new Conservative government of Robert Borden.<sup>7</sup>

By the time Horseshoe Falls began operations, several other obstacles to the development of power at Kananaskis had been removed. The company required nearly two hundred acres of land within Rocky Mountains National Park for its reservoir, but the act that had created the park in the 1880s contained no provision for the alienation of lands for such purposes. The Laurier government had already set about drafting a new Forest Reserves and Parks Act that gave the cabinet the power to make regulations covering the exploitation of natural resources, including waterpower developments and transmission lines. This legislation went through Parliament in the spring of 1911, attracting little attention.<sup>8</sup>

The interim licence to develop Kananaskis Falls, granted in October 1911, only conveyed the right of development. For its works, Calgary Power would also have to acquire more than two hundred acres of land on the Nakoda Indian Reserve. The company claimed to possess the same powers as a railway company to expropriate reserve lands when necessary, in case the band tried to hold them to ransom.<sup>9</sup> And to ensure that such a thing could not occur, the Laurier government also amended the Indian Act in the spring of 1911 to give railways and public utilities broader powers in this regard. In the debate, Interior Minister Frank Oliver made plain that Native bands were not going to be permitted to stand in the way of developments favoured by the rest of Canadian society:

The Indian reserves throughout the country have been selected, one may say, with very good judgment; the reserves are probably the choice locations in the Dominion of Canada from one end to the other. Consequently with increases of population and increases of value of land, there necessarily comes some clash of interest between the Indian and the white man.... [I]t is not right that the requirements of white settlement should be ignored

– that is, that the right of the Indian should be allowed to become a wrong to the white man.<sup>10</sup>

The leader of the opposition at the time, Robert Borden, objected, arguing that these powers of expropriation could override treaty rights. Oliver reluctantly agreed and amended the bill to require cabinet approval before any such expropriation of Indian lands could take place.

Once more, the thorny issue of whether or not ownership of the adjacent land made the Nakoda the owner of the waterpower raised its ugly head. Whatever the government bureaucrats might think – and in this case, the Indian Affairs and Water Power officials in Ottawa disagreed – the Nakoda believed that their land and the waterfalls were connected, and they valued the land accordingly. In the subsequent negotiations, they steadfastly refused to give way to the demands of Calgary Power unless they received compensation that they considered adequate. Against the company's supposed powers of expropriation, the Nakoda had their own defences. In this struggle, though, they found themselves at something of a disadvantage. Late in 1911, the Interior Department was thoroughly reorganized and responsibility for hydraulic matters, which had formerly been dealt with by the Railway Lands Branch, was transferred to a new Water Power Branch. J. B. Challies, the new superintendent of the branch, was a strong proponent of hydroelectric development in western Canada, which gave the power companies subject to his authority a strong voice at court. The election on September 21, 1911, also brought the president of Calgary Power to the House of Commons as a Conservative MP.

The Indians wanted the same terms that they had received for the Horseshoe Falls development: a lump sum of \$10,000 plus an annual payment of \$1,500 to the band treasury. Challies insisted that they had no right to any waterpower rental and should merely receive payment for their lands as though they were located anywhere on the reserve.<sup>11</sup> Delay in settling this matter pinched the company where it hurt – its bottom line. In the fall of 1912, Calgary Power complained to Challies that if the company was not permitted to begin construction at Kananaskis at once, it would not be able to supply the power needs of the city of Calgary by



MOSES BEARSPAW, STONEY CHIEF, CIRCA 1908 (GLENBOW ARCHIVES, NA-695-40).

1913. Challies applied pressure to the Indian Affairs Department (which also fell under the minister of the interior) to grant an interim licence to the company so that work could be started. Eventually, J. D. McLean, the acting deputy superintendent general of Indian affairs, agreed, provided that an agreement to compensate the Nakoda could be worked out later. Immediately, construction workers moved onto the reserve, cutting trees, building roads, and erecting a bunkhouse at Kananaskis.<sup>12</sup>

This unilateral action understandably infuriated the Nakoda, who had not been consulted. Local Indian Agent J. W. Waddy had to try and placate the angry band members, who now demanded as much as \$125,000 for 212 acres of their land and, in addition, sought other lands and more horses for their use. McLean, the deputy, advised Waddy to warn the Nakoda that if they made such unreasonable demands, the power company would simply apply to expropriate the necessary lands. Nonetheless, the band rejected out of hand Calgary Power's offer of ten dollars per acre. They reduced their demand to a cash payment of twenty-five dollars per head for their 660 members (\$16,500) in exchange for the lands, plus a yearly rental of \$1,500 for the water rights.<sup>13</sup>

Waddy considered the Indians' demands quite reasonable and wired McLean in Ottawa: "Whole trouble caused by power company going ahead [with] permanent work with authority only for preliminary; [I] think the Indians acted very decent[ly] in matter [compared] to what white people would have done." But R. B. Bennett considered the price of the lands (roughly seventy-five dollars per acre) "absurd" and demanded that McLean find some way "to adjust the matter." In June 1913, angered by the company's stalling, the Nakoda threatened to attack the power plant and destroy the works. Waddy took the matter seriously enough to inform the local Royal North West Mounted Police detachment at nearby Morley, and the company put a couple of extra men on watch against trouble.<sup>14</sup>

Eventually, the Department of Indian Affairs dispatched its chief inspector of Indian Agencies, Glen Campbell, to the reserve to see if he could defuse the situation. Campbell ordered Calgary Power to stop work in an effort to cool things down, but company secretary V. M. Drury hurried up from Montreal to Ottawa, where he mobilized the sympathetic J. B.

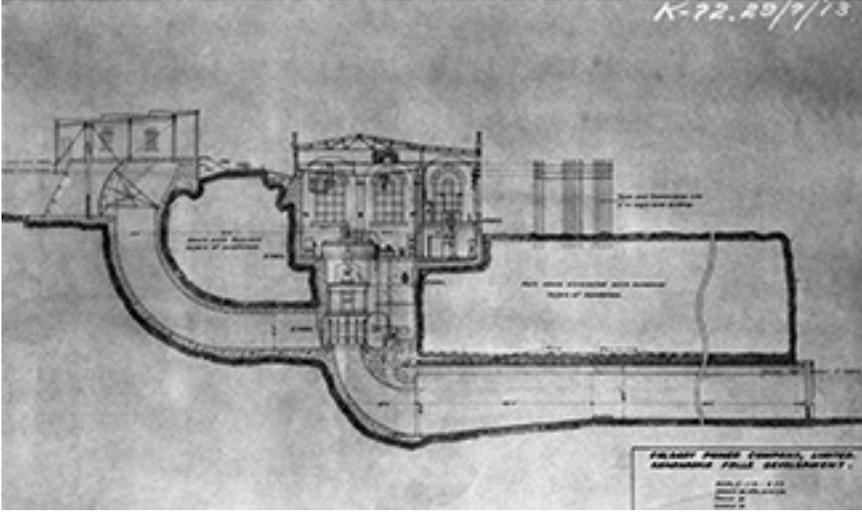
Challies in the Water Powers Branch to help him persuade Frank Pedley, the deputy minister of Indian affairs, to countermand Campbell's order.<sup>15</sup> The company was desperate to get on with construction to meet its existing commitments and to have the power on hand to expand and extend its contract with the City of Calgary when it came due for renewal in 1913.

Chief Inspector Campbell's investigation led him to support the Nakoda demands: "I feel certain if this property was owned by any one of the shareholders of the Company that he would not even consider \$100.00 per acre." If Calgary Power disagreed, he reported, then the whole matter should be referred to an arbitrator to be valued like comparable sites: "I cannot think any rich company expecting to gain immense wealth (as no doubt its prospectus will show) by obtaining this franchise would care to have its method of obtaining possession aired in court or newspapers, and I strongly urge the Indians be paid their price under the stipulations they make."<sup>16</sup> But the company made only a modest increase in its offer: it would buy the 25 acres actually needed for the dam and powerhouse for \$625 and lease another 160 acres for \$500 per year, which, taken together with the \$1,500 each for the use of the Kananaskis and Horseshoe Falls, would mean an annual income of \$3,500, or about \$5 for every resident of the reserve. Chief Inspector Campbell complained angrily to Superintendent McLean,

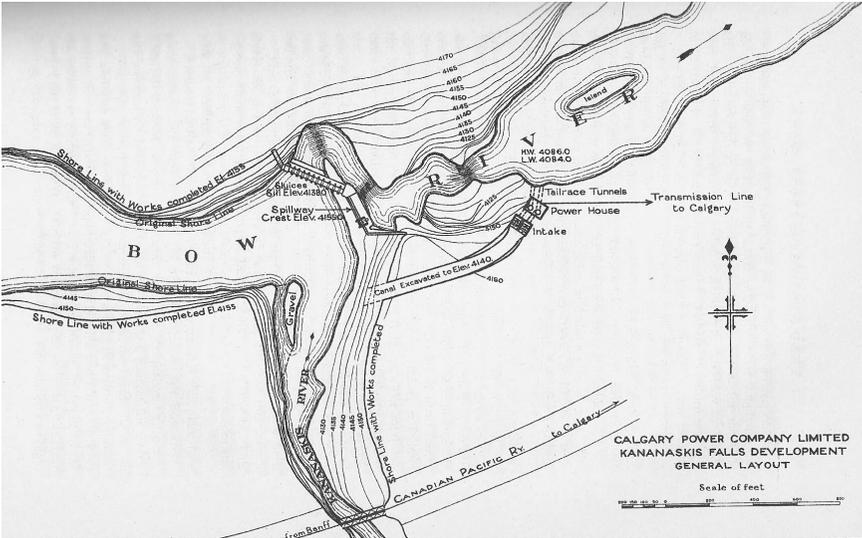
I think the Department is absolutely remiss in its duties to its wards in permitting the Company to trespass on an Indian reservation without permission from the Indians, and furthermore, that when asked by those Indians through their Inspector to hold up the work until a settlement is made, the Department does not take proper steps to do so.

Campbell promised to accompany the band leaders to a meeting in Calgary with Interior Minister Dr. W. J. Roche when he visited there early in September and to "fight out the matter with him."<sup>17</sup>

Roche promised them a speedy and generous settlement, provided the Nakoda agreed to arbitration of their demands, but Calgary Power



SCHEMATIC DIAGRAM OF THE KANANASKIS HYDRO-ELECTRIC PLANT (GLENBOW ARCHIVES, NA-3802-2).



GEOGRAPHY OF THE KANANASKIS SITE (COMMISSION OF CONSERVATION).



KANANASKIS DAM (GLENBOW ARCHIVES, PA-3689-127).

procrastinated throughout the fall of 1913, refusing to “pay an exorbitant price for useless land.”<sup>18</sup> At one point, the company claimed that it had power to expropriate an easement over the lands and did not have to buy them.<sup>19</sup> A few days later, they asked for an additional 290 acres of reserve lands along the Kananaskis River, which would be flooded behind a storage dam planned to try and further increase the water supply available. Superintendent McLean abruptly refused even to consider such an application until the ownership of the lands at the main dam site was settled.<sup>20</sup>

Construction on the dam and powerhouse continued at a frantic pace even though these negotiations dragged on due to the company’s intransigence. Spring and summer passed without settlement. With no agreement in sight, the bureaucrats at Indian Affairs became increasingly nervous that there would be violence if the matter was not settled by the time the Nakoda returned to the reserve from the autumn hunt at year’s end. Duncan C. Scott advised the company, “Unless everything completed by January first Department cannot hold itself responsible for the course of events.” Even though the company had just signed a new five-year contract to deliver a minimum of 5,000 hp annually to the City of Calgary at \$26

each, with provision for larger supplies in future, it refused to offer more than \$2,500 for the ninety-odd acres it now wanted, a price characterized by Indian Affairs officials as “absurdly low for land enhanced so greatly in value as that in question on account of commanding the utilization of the power.”<sup>21</sup>

In an effort to calm the situation, Indians Affairs decided in mid-December to advance the band \$3,000 (or \$5 per head) to be recouped from the ultimate settlement. Agent Waddy, however, had the unpleasant task of explaining to the angry Nakoda that it now appeared likely that their lands would be considered simply as arable, since the value of the adjacent waterpower was covered by the \$1,500 annual rental that Calgary Power was offering. A valuator chosen by the band reported to Ottawa that the lands without the waterpower were of negligible value but suggested that lands and water rights together be given a nominal capital value of \$67,000, which, at a rate of return of 6 per cent, would yield a total of \$4,000 per year for the Indians. Despite repeated urgings by Agent Waddy, however, the Nakoda refused to budge from their demand of \$25 per head (\$16,500) for the lands plus an annual rental of \$1,500.<sup>22</sup>

In January 1914, Calgary Power declined to agree to either figure, preferring instead to have an arbitrator settle the dispute. At the same time, the news that the company had already put one generating unit into service at Kananaskis Falls and expected to have a second in operation by February caused outrage among the Nakoda. Their chiefs informed Agent Waddy that the generating station must be closed down until the land claims were finally settled. Chief Inspector Campbell was again hastily ordered to Alberta to try and persuade them to do nothing while the arbitration proceeded. In March, a three-man panel was agreed upon between Indian Affairs and the company, and Agent Waddy reported about the Nakoda that if the panel went about its task quickly, “he thinks he can hold them down a little longer.”<sup>23</sup>

But the arbitration quickly bogged down in technicalities, and after a month and a half, Chief Inspector Campbell reported from Calgary that he was “tired of loafing here indefinitely doing nothing.” A visit to the reserve a few days later, however, alarmed him thoroughly:

Situation there so dangerous, that if there is no immediate prospect of settlement ... I advise you most seriously to arrange for immediate police protection to men at Kananaskis Falls. Indians determined to go to extremes to protect rights which they now believe are being sacrificed in favour of rich corporations. Waddy is holding them down hourly. Grave danger of trouble.<sup>24</sup>

Campbell's superiors in far-off Ottawa clearly considered him overwrought. The general superintendent of Indian affairs, Duncan C. Scott, grandly ordered him to dispel the "myth" that the Indians were being sacrificed to the interests of the company and told him to warn them that they would be prosecuted if they took the law into their own hands. The power company had, after all, the ultimate right to expropriate their lands if no settlement could be arrived at. Campbell did as he was told but reported that these arguments cut no ice with the Indians. They had their own legal advice that they possessed the right to eject trespassers on their lands – by force, if necessary. "Stonies [*sic*]," wired Campbell, "really on [the] prowl."<sup>25</sup>

Eventually, a meeting of the band council was convened at Morley, Alberta, on May 12, 1914. The Indians delivered an ultimatum to Campbell, Waddy, and J. B. Challies of the Water Power Branch, who had been sent to advise on the value of the hydraulic site: they wanted a settlement on their terms approved by the minister of the interior within a fortnight or else the arbitration would proceed with instructions to determine the full market value of the waterpower. They were willing to send their three principal chiefs to Ottawa to explain their demands and sign an agreement. Challies endorsed Campbell's view that otherwise an Indian attack upon the power plant could hardly be avoided:

I submit that serious trouble costing thousands of dollars damage to Company's property will most assuredly result with Indians in their present mood, unless the Department either directs their chiefs to come to Ottawa or instructs the arbitrators to proceed...

The Indians have good cause to feel that they have not been dealt with frankly, fairly and promptly, and I am convinced that their attitude is reasonably fair and just.<sup>26</sup>

Duncan Scott, who up to that point had insisted that no good purpose would be served by a meeting in Ottawa,<sup>27</sup> hastily reversed himself and ordered Agent Waddy to accompany the three chiefs – George Maclean, Jonas Benjamin, and Dan Wildman – to the capital at once. The company seems to have recognized at long last that continued refusal to meet the Indians' terms posed a real risk to the plant at Kananaskis Falls. Representing Calgary Power at a meeting in Scott's office on May 20, 1914, corporate secretary Victor M. Drury signed an agreement conceding most of what the Nakoda had been demanding all along. A cash payment to the band of \$16,500 (\$25 per head) would cover the purchase of ninety-four acres for \$9,000, plus an annual waterpower rental of \$1,500 for the next five years. From 1919 on, the Indians would receive \$1,500 annually as long as the company held the hydraulic rights to Kananaskis Falls.<sup>28</sup>

With the Indians en route back to their reserve, Scott sat down on May 23, 1914, and wrote a memorandum to the file analyzing the deal. This minor classic in the field of bureaucratic self-justification purported to demonstrate that the band had gotten a pretty good deal thanks to the activities of Indian Affairs. After all, the \$9,000 that they had received for their lands was a few hundred dollars more than the sum suggested by their own valuator. Moreover, they had already received on account \$5 per head out of the sum coming to them. Perhaps a more accurate light on the whole business was cast by a letter of gratitude from Victor Drury, thanking Scott for his "consideration in arranging the differences between the Indians and the Company."<sup>29</sup> The Nakoda had had to play on an uneven playing field, but in the end, they got their price.

Still, the company continued to display a rather cavalier attitude toward its obligations. It paid grudgingly and on a delayed instalment plan. When the deal was signed, Drury forwarded an initial payment of \$2,500 on account, but Indian Affairs had to put up the balance of the \$13,240 still owed to the Nakoda. In 1915, when the department requested another

substantial instalment from the company, the company pleaded poverty owing to cost overruns on the Kananaskis plant and promised to send the money later.<sup>30</sup> Further pressure from the Indian Affairs superintendent, Duncan Scott, who reminded the company that this had been “a very difficult matter to arrange with the Indians,” was deflected with the information that Bennett was off in England and would take it up on his return.<sup>31</sup> A year later, the company had still paid nothing. A warning from Scott extracted a cheque for another \$4,000. A further \$3,500 was paid over in the summer of 1917, and the final balance of \$5,000 was received at long last that fall.<sup>32</sup>

The ruthless logic of capitalism, backed by the growing social dependence upon electrical energy, drove the company onward, in some respects against its own will. The most unlikely characters – even university professors – responded to this siren call of hydroelectric development. Calgary Power won its coveted franchise fair and square over its competitor, but its arrogance and intransigence in the subsequent negotiations over the lands were utterly unwarranted. The Kananaskis Falls story adds further evidence to the case of the state acting as handmaiden to capitalist development, aligning its powers and bureaucracy behind the developers. Yet it also shows, somewhat surprisingly, the countervailing influence of other elements of the state structure balancing development against other responsibilities. Indian Affairs provided consistent support to the Nakoda in their agonizing dealings, though that support was more resolute locally than in Ottawa. The Nakoda, too, demonstrated that there were other kinds of power that terrified bureaucrats and politicians, which they used quite effectively in these negotiations.<sup>33</sup> Finally, the whole affair raises the narrow technicality of whether the Nakoda sold something they did not own, a question that remains open to this day.