2013

Wilderness and waterpower: how Banff National Park became a hydroelectric storage reservoir

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University of Calgary Press

Armstrong, C. & Nelles, H.V. "Wilderness and waterpower: how Banff National Park became a hydroelectric storage reservoir". Energy, ecology, and the environment series, 1925-2935 , No. 5. University of Calgary Press, Calgary, Alberta, 2013.

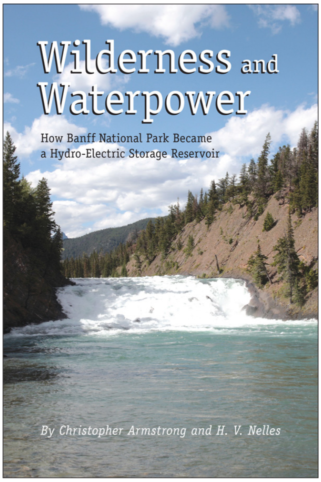
http://hdl.handle.net/1880/49374

book

UNIVERSITY OF CALGARY PRESS

University of Calgary Press

www.uofcpress.com



WILDERNESS AND WATERPOWER: HOW BANFF NATIONAL PARK BECAME A HYDROELECTRIC STORAGE RESERVOIR

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ISBN 978-1-55238-635-4

Acknowledgement: *We acknowledge the wording around open access used by Australian publisher,* **re.press**, *and thank them for giving us permission to adapt their wording to our policy* http://www.re-press.org/content/view/17/33/

CHAPTER 9

Public Power

For fifteen years, an important question of public policy lay dormant. Would Alberta embark upon a program of public ownership electrification? First the Great Depression and then the Second World War intervened to prevent the question from even being posed. The issue had been raised, as we have seen, at the end of the 1920s, when for a moment it seemed as if Alberta was poised to follow Ontario's example. But the onset of the Depression meant that the province could scarcely meet its existing obligations, much less contemplate borrowing the millions of dollars necessary to buy out the private electric companies. Some of the rights to control natural resources so eagerly sought by the provincial government were even turned back temporarily to federal jurisdiction. A world war created other, higher priorities and temporarily commandeered provincial fiscal room to prosecute the war effort. But once the war was over and, especially, as a new era of economic growth and prosperity began to bloom, the time had surely come to pose this question once again.

The transition from a rural and agricultural province to an urban and industrial one created new political pressures. The province's Social Credit government – which had swept into power, led by William Aberhart, during the depths of the Depression in 1935 – had to adjust to the changing times if it were to retain office. When Aberhart died in 1943, he was succeeded as party leader and premier by his young associate, Ernest C. Manning. It thus fell to Manning, an immensely shrewd politician, to preside over the transformation of Social Credit from a populist, rural protest movement into a pragmatic, conservative party that emphasized conservatism and efficiency in government. One of the issues with which Manning had to grapple was the campaign for a publicly owned electrical system like that in Ontario or Manitoba. That demand came primarily from the traditional sources of Social Credit strength on the rural roads and in small towns, where an agitation for rapid rural electrification arose during the late 1940s. Many farmers, accustomed to the co-operative traditions of western Canadian agriculture and to the province's government-owned telephone system, looked to the Government of Alberta to take up the task of supplying them with low-cost power.

Manning, however, recognized that his new-found friends in the oil industry, many of whom came from the United States, would not be enthusiastic about actions by a provincial government that smacked of "socialism." The premier decided, in fact, that the way to stay in power was to redefine Social Credit as a vital weapon in the fight against the menace of the Left, embodied in the Co-operative Commonwealth Federation (which had won power in Saskatchewan in 1944). In the context of the Cold War struggle against communism, this political manoeuvre proved popular with Albertans, who continued to re-elect Manning with overwhelming majorities until the end of the 1960s.[1]

The growing anti-socialism of Social Credit made it more difficult for the provincial government to support the creation of a public electrical system, despite the fact that the strongest pressure for it came from some of the movement's long-standing supporters. The debate over public power in Alberta, which ultimately ended with a victory for the supporters of private ownership, naturally affected the development of the private utilities, in particular Calgary Power. As long as the issue hung in the balance, the company showed little enthusiasm for new capital projects to enhance generating capacity, despite the steady growth of demand. Only after it became clear that the provincial government was ready to allow the private utilities to operate within a regulatory environment did Calgary Power begin to press for more water storage. Thus, the time required to resolve the issue of public versus private power in Alberta removed the pressure for more construction inside Banff National Park for several years.

At the end of the Second World War, no more than eighteen hundred of the fifty-five thousand farms in Alberta, slightly over 3 per cent, had electrical service.[2] The Social Credit government, with its rural and small town base, was naturally particularly sensitive on this issue. Near the end of 1944, the province established the Alberta Power Commission to survey the power requirements of the province and to study the equalization of rates charged to various classes of consumers. Auditors were appointed to value the assets of the Calgary Power Company and its smaller counterpart, Canadian Utilities (formerly Mid-West Utilities), which served the southeastern part of the province, in case their expropriation or purchase was contemplated. The northern portions of the province, as noted earlier, were served by lines running out from the municipally owned steam-generating plant in Edmonton. The Alberta Power Commission quickly concluded that a comprehensive review of the electricity situation could not proceed until the provincial government had made the formal decision to take control of the electricity industry completely, to build a public distribution system to distribute privately generated power, or to leave the industry entirely in private hands.[3]

The cabinet considered the issue during the next year or so. A good many Albertans proved dubious about the idea of creating a large public enterprise modelled upon Ontario Hydro or the Manitoba Power Commission. The chairman of the Electrification Committee of Ponoka, Alberta, for instance, pressed the Social Credit government to allow the Calgary Power Company to proceed with the task of wiring the rural areas and small towns. A study by the staff of the Department of Economic Affairs in the spring of 1946 concluded that pressure for the acquisition of electrical systems by governments might be peaking at the very moment when private interests were actually eager to unload their high-cost conventional generating stations and replace them with much cheaper nuclear power plants.[4]

By the summer of 1946, Premier E. C. Manning's cabinet, having concluded that the existing private utilities should undertake rural electrification, began pressing the two companies for precise targets.[5] When

Ernest Manning, premier of Alberta (Glenbow Archives, NA-2922-14).

the private utilities stalled, unhappy about committing themselves to this high-cost, low-volume segment of the electricity market, Manning ordered the Alberta Power Commission to draw up a plan.

The commission, in turn, recruited Herbert Cottingham, the former chairman of the Manitoba Power Commission, to undertake a study. In February 1947, he strongly advised against any scheme by the province to undertake rural electrification apart from the existing distribution system: "Farm electrification is the most costly service in the West," he warned, "and can only be economically performed in conjunction with general service to cities, towns and villages." Cottingham, not surprisingly, was a fervent public ownership man:

> The acquisition of the utilities is the best solution of the farm electrification extensions and is in the interest of urban, rural and farm population. If this is done the Government of Alberta will duplicate the phenomenal success achieved by other provinces.

He was convinced that the result would be electricity supply at lower rates than at present charged by Calgary Power and Canadian Utilities.[6]

Doubtless aware of the tenor of Cottingham's report, Calgary Power became sufficiently concerned about the possibility of a government takeover that it reorganized its corporate structure in the spring of 1947. During the 1930s, I. W. Killam and his associates had used the Montreal holding company to acquire, in addition to its Alberta assets, 85 per cent of the capital stock of the Ottawa Valley Power Company. The company now applied to the federal minister of mines and resources to divide its properties into two legally separate elements. Calgary Power Limited, with a head office in Calgary, would operate all the Alberta utilities while the Montreal holding company (called Calgary Power Company Limited) would control the entire undertaking. This division would presumably have made a severance easier in the event of a takeover. The federal authorities raised no objections to this restructuring.[7]

Killam and his friends need not have worried so much. Cottingham's advice was not well received. After a final flirtation with the orthodox doctrines of Social Credit around the end of the Second World War, Premier Manning had quickly adopted conventional economic policies that emphasized fiscal prudence and resisted an expanded role for government in most sectors. Socialism was now the main enemy of the Social Credit movement, opening an Albertan salient in the Cold War battle against communism.[8] Taking its cues from its political masters in the spring of 1947, the Alberta Power Commission ignored Cottingham's views and proposed that the private utilities should undertake a ten-year program to make power available to three-fifths of all farms in the province, all those that were not too remote or not likely to be only marginal users of electricity. If 70 per cent of those 33,000 farms were to be hooked up, then 21,300 connections would have to be made, nearly 80 per cent of them by Calgary Power. The targets recommended were two thousand farms each in 1948 and 1949, followed by twenty-five hundred connections yearly over the succeeding seven years.[9]

In July 1947, Premier Manning wrote to the presidents of Calgary Power and Canadian Utilities asking that they commit themselves to undertake this proposed program. To make the service attractive to farmers, the basic rural electricity rate would be limited to a base rate of four dollars per month for up to twenty kilowatt hours of current. Manning hoped to induce the companies to co-operate by offering them a subsidy equal to half the amount that they paid in federal corporate income taxes, a sum estimated at about $217,500 annually, which was rebated to the province by Ottawa under the tax-sharing agreements. This rebate, as he reminded the utility men, the provincial government stood to lose in revenue should it expropriate the companies in order to ensure rural electrification, since provincial utilities were not subject to federal income taxes. Manning concluded firmly,

> The Government of Alberta would prefer to have the programme … implemented by the present companies, but the development of the province has reached the stage where a comprehensive programme of rural electrification cannot longer be delayed.[10]

Doubtless relieved that any threat of a takeover seemed unlikely, the two private companies nonetheless, and not surprisingly, displayed little enthusiasm for such a scheme. How could the large sums required for extending service be raised when the returns would be so paltry? G. A. Gaherty complained that the proposed basic rate barely covered the cost of producing and transmitting the current and provided no return on the capital invested in the plant or insurance against risk. Calgary Power already faced the need to raise approximately $10 million to expand its generating capacity, but the real need was a subsidy to cover the heavy cost of extending rural lines, which was five or six times as high per customer as in the province's cities. While Ontario Hydro's rural lines had an average of 7.15 consumers per mile, the present rural lines in Alberta had but 1.3 users. With an average investment of $750 per additional customer required, the cost of adding over twenty-one thousand new connections would be more than $17 million. Instead, Gaherty proposed that rural electrical co-operatives be established to purchase current from Calgary Power and that the government agree to provide a subsidy equal to half the cost of the rural distribution systems constructed co-operatively.[11]

H. R. Milner of Canadian Utilities was equally unenthusiastic about the proposed rural electrification plan. He suggested that before the next provincial election, the government announce its commitment to action but point out to the electorate that the postwar boom had made it almost impossible to obtain the capital goods needed for such a massive scheme. Social Credit could thus reap the electoral advantage of its policy commitment, "even if it would have to remain in the wrapper for the next two or three years."[12]

The premier referred the issue back to the Alberta Power Commission. In a report rendered in October 1947, the commission argued that the private utilities were offering no more than to provide rural electric service in areas where they could earn a profit. By demanding hefty subsidies from the government to consumers, Calgary Power had eliminated any financial risk. The idea that shortages of material could justify the postponement of the entire program was exploded by pointing out that the Manitoba Power Commission was planning to make thirty-seven hundred rural connections in 1947 and another five thousand in 1948. In light of the foot dragging by the companies and the expense of constructing a rival public system, the report concluded:

> If it is the desire of the government to engage in expansion of distribution of electrical energy throughout the province, and with particular reference to the extension of rural electrification, it would be the view of your commission that such a policy can best be carried out by taking over the existing facilities of the power companies and operating the same as an integrated unit as a public utility through the Alberta Power Commission.

The first step recommended was the acquisition of Calgary Power, either by negotiation or expropriation.[13]

The issue would not go away because the Alberta government remained under pressure to take action to promote rural electrification. Pointing out that the number of electrified farms in the United States had risen from only 10 per cent in 1935 to over 60 per cent in 1947, mainly due to the New Deal program, Ken Reid of Islay argued that the time had come for the provincial government to take action:

> We believe in private enterprise when it's progressive. Otherwise we expect governments to wake them [*sic*] up or show them up.

> You spent [$]7 million on main roads – and half a million on oil sands – why not spend some to help the hard working farmer?[14]

Rural Albertans who shared these views and believed that private enterprise would not bring transmission lines to their farm gates for years to come insisted that a plebiscite be held on the issue of public versus private ownership of electrical utilities on provincial election day, August 17, 1948. E. C. Manning, fearful that American oil explorers would be frightened off by any "socialistic" extension of state enterprise, campaigned actively against any takeover of the utility companies. He argued that such an experiment was "risky" and likely to lead to power shortages if undertaken. Predictions were made that it would cost $40 million to acquire the existing companies, $40 million to extend rural transmission lines, and another $25 million to build new generating stations. H. R. Milner of Canadian Utilities reminded Albertans of the costs incurred in extending Alberta Government Telephones into rural areas and warned against any repetition of this extravagance.[15]

When the votes were counted, E. C. Manning had easily won another term of office, and public power went down to defeat by the narrow margin of 139,991 to 139,840, largely because of strong opposition in southern Alberta cities like Calgary (70% against), Lethbridge (65% against), and Medicine Hat (81% against). Edmonton narrowly rejected the proposal by only 51 per cent. In the aftermath, the premier laconically declared, "We will just carry on as before."[16]

Even many rural dwellers agreed with the government's policy. The executive of the new Alberta Rural Electrification Association, formed at the time of the plebiscite, voted unanimously against public ownership:

> Everyone felt that the private companies had given very satisfactory service in the past, and their efforts for rural electrification were all that could be expected under existing material and labour conditions, and that no advantage would be gained by the provincial government taking over.[17]

Attempts to persuade the government to call another plebiscite on the grounds that the results of the first one had been inconclusive seem to have elicited little enthusiasm.[18] Although the Alberta Rural Electrification Association reversed its position and voted in favour of a provincial utility in 1950, the government paid little attention. A 1951 article by the president of the Farmers' Union of Alberta condemned the rate of expansion of rural service by the power companies as "absolutely unsatisfactory," but the provincial minister of industries and labour hastened to defend the record of private enterprise. He claimed that twelve thousand farms had already received electrical service and another four thousand would be hooked up by the end of the year. An effort to have the provincial legislature order another plebiscite was stifled by the Social Credit government in 1952.[19]

The debate over establishing a public power system in Alberta effectively ended in 1948 with the plebiscite. Strong as the support for such a plan was in the traditional centres of Social Credit support, the voters in the booming cities of Calgary, Lethbridge, and Medicine Hat delivered a decisive verdict against the idea. Apart from a general satisfaction in those urban centres with the service provided by the private utility, Edmonton and Calgary residents perhaps sensed a threat to their own municipally owned distribution systems (and generating capability, in Edmonton's case). That was sufficient to convince Premier Manning that he could safely ignore the public power proponents, confident that Social Credit loyalists were unlikely to desert his government over this issue.

The failure of the rural supporters of a provincial utility to carry the day meant that the existing public-private hybrid would continue, with Calgary Power supplying a municipal distribution system in Calgary. Edmonton would be served by its own civic generating station. Most other urban areas were supplied by one of the two private companies. Premier Manning made it plain that the fight against socialism debarred his government from establishing a provincial utility without overwhelming support from the voters, and that had not been forthcoming.

The debate over public power in Alberta in the late 1940s caused Calgary Power to place its expansion plans on the back burner until the outcome was clear. I. W. Killam and G. A. Gaherty had no intention of undertaking any major expansion of generating capacity if a government takeover was a real possibility. With that issue settled, Calgary Power could resume planning in earnest to expand its generating capacity to meet skyrocketing demand for electricity, which threatened severe shortages in the near future. That, in turn, would almost certainly entail the extension of its water storage capacity inside Banff National Park and bring the issue of wilderness preservation versus power development to the fore once more.