

## PETROLEUM INDUSTRY ORAL HISTORY PROJECT TRANSCRIPT

INTERVIEWEE: Jack Stabback

INTERVIEWER: Not indicated

DATE: December 1989, 1991?

*Note: The audio was very muffled, hard to distinguish who is talking at times, and very hard to make out the dialogue in places.*

### **Tape 1 Side 1 – 31:00**

JS: But again, I think we have to recognize that our time schedule is going to be important only when seen alongside a number of other events, some of which are going to be triggered in the US.

INT: Yes, and I would think that...

JS: You know, and perhaps some of them, one of them quite apart from the one I mentioned a moment ago, one of them could be whether or not they want to apply for any accelerated deliveries, gas, or time swaps, and to work out the details of those and I could bring on the southern portion of the line possibly, given the series of favorable results, could bring on the southern portion of that line earlier than otherwise.

INT: To bring that on wouldn't the whole thing have to be sewn up first. I mean could you bring on the southern portion of the line prior to the time you had the finance on all assurance of the whole thing?

JS: I think you're right in the sense that the whole thing has got to be put together as a ball of wax. That would be the only basis upon which one would look at any pre-deliveries.

INT: Yes. You couldn't look at pre-deliveries until the financing was set and everything else, to be assured the whole thing was going to come on. Is that right?

JS: That was, yeah. Absolutely. Yes.

INT: So that there's, even to get pre-deliveries there's...

JS: You got to get this out of the global agreement in place, which involves the other things we were talking about such as, whether there is going to be high pressure, low pressure line, and the financing of the line? That kind of thing.

INT: When do you expect a decision [pause in tape] ??? pressure of the lines south of Whitehorse?

JS: I can't give you a date, you know, it's been under active discussion of meetings on both sides with respect to the issue, it's a political issue on both sides of the line, the border.

INT: It's a political issue from the standpoint of the pipe supply or?

JS: Yeah. Political issue in Canada. This year was... Saskatchewan for example is our, are we in Saskatchewan, is IPSCO specifically going to participate in building the pipe.

INT: And it couldn't in a 48-inch high pressure.

JS: That's my information. Certainly, I think it's a political issue in the United States on the basis of, we don't want to be faced with having to finance or subsidize a less economically designed system, considering the fact that the ultimate financing, the ultimate cost, the ultimate consumer is the American Consumer. We want them to be able to get the cheapest gas we can, we know it's going to be high cost, but we did build in our negotiator to build in the negotiations with Canada, certain protections to ensure that we were going to get a fair deal.

INT: Well, they already are to some extent, have agreed to subsidize a somewhat less efficient transportation system by subsidizing the Dempster?? Have they not?

JS: Well, I don't know that ??? people describe it as the less efficient transportation system. Indeed, I think if you look at the negotiated agreement and you compare that with the NEB Report, you'd find that the system that has been negotiated which takes us out the old trunk line route without that Dempster diversion. I need an allowing for the expenditures which would be involved in building the spirit back up the Dawson. But that is more economical than what was estimated with the old Dawson diversion.

INT: I see.

JS: So I think it would be hard to make that argument...

INT: Less efficient as compared with the route recommended by the NEB.

JS: I think you could argue that it's more efficient.

INT: Than that route, yes. Well, of course...

JS: This is for book purposes rather than just for question and answer in a magazine.

INT: Clearly it is, yes.

JS: I'm not giving you answers which you could use, nice ??? answers for a magazine, or newspapers or anything else.

INT: No, I have no intention to write any newspaper...

JS: Yes, just general background.

INT: Just general background for the book, which I hope to have out late summer or early fall... trying to access the decision-making processes, but even more important the implications of the decision. When you say that, the system now is as efficient or more efficient than the system that the NEB recommended...

JS: In costumes.

INT: In costumes but the Board found of course, if I read that report correctly that it's not as efficient as a single pipeline across the North Slope with it being, I think they found that cheaper transportation by that... that's the aspect of it, to that extent....

JS: Yes. Yeah, on that point, I think you're right. The NEB indicated that balance of economic advantage...

INT: It was social, environmental...

JS: Was very much on the gas article ???

INT: Yes.

JS: It was on the social and environmental that they came down on the side of???

INT: Yes. So to some extent the Americans are subsidizing that.

JS: I see, I see what you mean and that's, in that sense it may be costing them more and may be costing Canadians more. Both.

INT: Yes. So it's a trade-off against the environmental...

JS: Well, that's the way the NEB saw it, that was the decision that they presented this with.

INT: You alluded earlier to some of the decisions that the US has to make in order to keep the decision-making thing straight and some of those would be like the fuel price for the gas with ??? the producers of the pipeline companies going to pay for the best, cover the cost of the processing facilities. Who the heck, whether the producers are going to, as the U.S. Approval envisions whether the producers of the State of Alaska will provide some completion assurances.

JS: Maybe even the State of Alaska.

INT: Yes the State of Alaska under the U.S. mechanism was called upon, asked how helpful that that was, I understand. Are you watching the progress on these areas?

JS: Oh, yeah very much so. But I got to admit to you that I'm not doing on a day-by-day basis right now because it's quite impossible given the fact that the two Houses reported on the bills and have been in conference to their committee system now for, since I guess about the middle of October and here we are the middle of December. So for some eight weeks or close to it. It's been very difficult to see any significant movement.

INT: Well, what do they, do they still require legislation down there then?

JS: Yes. Mr. Carter's energy package is not law and one of the key elements in it is the whole question of gas prices, deregulation of gas sometimes put in those terms or not. And if not, what sort of interim

steps should be taken, so until that's settled I guess nobody knows what the, what the market price might be for that Northern gas. And that could have an effect I guess, have some impact on the producer's price back at the Wellhead. It could also have a very significant effect on the kind of contracts that shippers might be prepared to write, no shipper is going to write a contract until he knows what he's going to have to pay, and there's going to be no financing progress until the underwriters know what the shippers are prepared to contract for, so it's a whole series of events.

INT: Are you suggesting then that there's some risk that these steps will not be made in time to keep the pipeline on the targeted schedule that was envisioned, there seems to be an awful lot of stuff that they still have to jump through before they get there.

JS: I've got to say that the progress, with respect to the United States Energy Bill has been very disappointing, as far as I'm concerned. And I'm also very concerned with the lack of awareness in the United States about the serious energy problem the United States has. Like fifty percent of the people in the U.S. still think the United States is a net exporter of oil. Polls have shown this. You start to ask yourself...

INT: Do you mind if I smoke, do you smoke?

JS: No, I don't. But you have to ask yourself, that explains why the American government is having so much difficulty in getting this thing through Congress. The level of understanding is so low. And the kind of question I ask myself is, will that level of understanding change fast enough to save them and indeed to save all of us because if the United States fails to sort this energy problem out, the western world is going to be in very serious trouble.

INT: I would gather from your remarks that the critical element in the timing relates more to the decisions that have to be made in the U.S. and Canada, so...

JS: Yeah, very much so.

INT: I would think that's right, the things we discussed. I saw a statement attributed to Foothills recently that they had some concern that the timing of the decision on the sizing and pressure ??? in Whitehorse could cause a year's delay. Do you think that may be a factor or...?

JS: Well, I guess it depends, it will depend ultimately on how persistent certain people in the United States Administration want to be and trying to push for a high-pressure system. And all the indications that we have is that a low-pressure system will do the job just as well and from Canada's point of view, will provide a lot more Canadian benefits.

INT: Through the provision of steel.

JS: Yup.

INT: I see. It will be as efficient or just about as efficient.

JS: Everything, everything that I've seen indicates that they're comparable. with, now there may be some more work to come in, but that's, that's what I've seen, on the basis of the first cut and secondly

one has to recognize that there may well be greater risks involved and the so-called high-pressure system Engineers that stated there was a ??? system so far. I don't believe it's been ever used. Any likely climactic conditions we're talking about ??? so there has to be a bigger risk factor associated.

INT: What would impel the Americans done to favor the 48-inch high pressure system? Surely it can't be the prospect of selling more American steel to the pipe, because wouldn't the competition be with offshore pipe rather than American?

JS: I believe, I believe their argument has been an economic ???

INT: It doesn't relate to supplying pipe from American mills.

JS: It could but that's not the argument they're using. I'm not saying this, I'm not saying that that's the real reason that they can supply more pipe, though that might well be the result.

INT: They've only got one mill in the U.S. that can supply that pipe.

JS: That I'm not sure about.

INT: Well until a year ago they didn't have one mill that could do it.

JS: They're offering, they're offering us their technology to do it in Canada, which, little amusing that comment of yours.

INT: Well, it was my understanding that there were no mills in North America that were able to do it ??? the 48-inch high pressure was the ??? mill and U.S. Steel was building one ??? that would be able to do it. It was, in fact, I think U.S. Steel made an announcement about a year ago that they were building this mill which would be able to make the 48-inch.

JS: Yeah.

INT: So I would have thought that that wouldn't have been a factor because they'd probably has her hands full supplying that for 700 miles of 48-inch and...

JS: Yeah. Well, like I say, I'm not arguing that is the reason.

INT: But it isn't the reason they advanced in ???

JS: That's right.

[00:17:23] INT: Are you optimistic that the financing will be secured under the conditions, in the manner and vision in the U.S. Approval?

JS: When it comes to financing, I've got to say that I'm a Conservative. Until the thing is all signed up, I'm not optimistic. In other words. I think the financing is going to be tricky. I think that it's not yet assured, the government has received assurances from the Foothills Economic Group that it will not require

government financing, government guarantees, but until the whole thing is put together, I'm really keeping my counsel.

INT: Well, their assurance that it would not require, as I recall, government insurance was predicated on the assumptions of back stopping by the State of Alaska and the producers which in turn doesn't, if I read the testimony before the U.S. Congress there was some reservations about the ability to get that.

JS: Yeah, I'm not even, I'm not even sure that it's based on the Government of Alaska financing, in re-reading parts of the transcript recently, I saw no mention of that by the Foothills spokesman. You might want to check the transcript ???

INT: Yes, I think at that stage they were looking at some U.S. legislation that would put the consumers ??? In the event that government backstopping is asked of Canadian government, do you anticipate the possibility that the Canadian government may be asked for some financial ???

JS: Well, in the theoretical sense, I think you have to anticipate it, but for practical purposes we've said, no, we're not, the regulations being put to us on the basis it's not necessary, those assurance have been given by the company, and we don't intend to ??? the guarantee.

INT: I see. So if it could not be financed without it, you'd just have to take, what would you do, just have to...

JS: Well, yeah, it's pretty hypothetical respective question ??? I think the main beneficiary in the sense of getting gas earliest, and the greatest quality, I'd want to consider what options it had available to it. What are the options producers have? Well they can, we can re-inject that gas for a little while, but it becomes uneconomic after a while.

INT: Increasingly expensive as the gas:oil ratio increases.

JS: I suppose the other ??? would be the tariffs, which I would think in the circumstances are a very unlikely occurrence.

INT: Yes. It hasn't happened for a long long time. It's been a long time since that happened. You expressed some concern about the steps that the U.S. has to go through and whether or not they will be able to get through those in time to maintain the schedule that was envisioned. To the extent that they do not do that, does not that jeopardize the subsidy that the Americans would pay for the flow through the Dempster.

JS: I agree, it does. It does in the sense that the ratio of the 30, 35% over on provision on the section through the Yukon, that could be eaten up by a delay imposed by them, and that does give me concern, because ultimately we would lose some of the benefits of the negotiated contract. We don't lose them all by any means because our exposure I guess is limited to two-thirds. In other words, if the main line comes in at under 35% over then they build the ??? But in any event, as in certain ??? but in any event, they would, they would build two-thirds regardless of what the overrun was. But ??? it would pre-empt a possible one-third advantage to us on that spur, and that does concern me.

INT: The, if it's kept within that overrun that was envisioned, the subsidy I believe would amount to what, about 20 cents an MCF?

JS: I can't give you the latest number on that, it depends an awful lot on ??? future dollars or average dollars. We can get you the latest department figures ??? but it depends so much on what set of units you're using, sometimes a lot of the negotiations took place in terms of 1975 dollars, not even '77 dollars.

INT: So it's hard to pinpoint what that subsidy would amount to on an MCF basis or an annual basis, or a 20-year basis.

JS: Yeah. We could we rework those figures, I'm sure they have been reworked, I just don't have the proper figures right now.

INT: I had heard a figure ?? of about twenty cents, which would be a hell of a lot of...

JS: It's big.

INT: Yeah, you know, if you was in a billion feet a day at 20 cents over 20 years that's about a billion and a half bucks. But how much benefit is Canada really going to get out of that billion and a half because really in effect it will be going to subsidize, offset the cost of a higher transportation.

JS: Well, I'm not going to understand you there. What are you talking about, the ???

INT: Yes.

JS: If you're making the comparison between the Dawson ??? the Dempster and what would it cost to move Canadian gas out of the Delta on the Mackenzie, I think that the figures would indicate that the Mackenzie would still, economically, better route. I haven't seen any figures which indicate to me that the Foothills Yukon with the Dempster is going to deliver gas to Canadians at a lower price than they would have got it with the liquid, with the gas article it would cross the North Slope.

INT: Isn't there a risk inherent with, on the one hand the Dempster is built. That leaves no pipeline connection for the potential reserves between the Delta and the 60th Parallel which would amount to acquire the GSC.

JS: ??? Dempster...

INT: Yeah, the regional pipeline connection for that... on the other hand, if instead a Mackenzie Valley pipeline is built in addition to the Alcan, the other risk inherent in that is that there would be unutilized capacity south of Whitehorse?

JS: Yeah, the NEB argument is that there's not threshold in the Delta. I guess you've really got start with the position of the NEB ??? no link across the North Slope, so step one as I understand their approach, number two, what has been found in the Delta, well enough has been found in the Delta to justify building a link from the Delta to connect with the Foothills Yukon at Whitehorse through Dawson, not much more than is marginally necessary, but just enough and there's some promise of a bit more to be

found there. Point three, not enough has been found to build the line, all Canadian line, down the McKenzie starting at the Delta and that significantly more threshold voltage would be needed before that could be done. Point four, if that were to be done, if those volumes were to be found, then it might be worth going that route. They're a hell of a lot of big 'ifs'.

INT: So an important factor in the ultimate decision of whether or not the Delta Gas would ultimately move down the McKenzie Valley or across the Dempster would be what happens in terms of the reserves that are found in the intervening period, that would be a critical factor in making the decision.

JS: Exactly, exactly, and that's one of the reasons why the Dome ??? is important.

INT: Yes, yes. And I would think although it's hard, impossible perhaps at this time for any definitive assessment of what Dome has found it, the fact that they have found something at four out of four wellheads that in itself has to be highly encouraging, I would think, even though it's impossible to...

JS: I really not prefer to make a comment on that, such a sophisticated set of assessments that are involved. I just, I just wouldn't want to comment on that. I would make the observation that I think the well, evidences of hydrocarbons have been found, particularly in the summer, one hell of a lot more work needs to be done before anyone can say just what that represents in commercial potential.

INT: Let me ask it this way. The GSC earlier this year promised regional estimates of the potential reach of oil and gas reserves in different regions, including the estimate for the Delta Beaufort Sea area. Has the, is it still premature or has have the results of Domes operation tended to confirm or validate those estimates yet, or give more strength to them, or is it just even too early to...

JS: I'm not an expert but I'd say, it was premature.

Side 2 – 28:00

INT: ??? went to considerable lengths to make sure that the report was confidential until ??? Can you spend some of the, just the procedures that...

JS: Well, we of course try to keep confidentiality on case that we're working on, all draft material in the preparation of the report is confidential and the staff are under instructions to keep all working papers confidential. So that the decision when it is announced can be announced through the proper channels rather than the Minister or Chairman of the Board. I'm sure you understand our procedures here that when a panel of the Board is struck to hold a hearing that that in effect becomes the Board for the purpose of that decision and it's not subject to further review by either the Board or government of course except that it is subject to the approval of the Governor Council. And so that the panel of the Board have to keep confidential with the core staff that are working on the report with the material, not only from other parts of the Board, but naturally be on the Board to other parts of the government.

The special procedures, there was mention made of the very tight security on this and I suppose it's because it was a high-profile hearing that we obviously checked our security arrangements just to make sure that there wasn't the possibility of a leak. That was done by ensuring that the premises were secure with all confidential working draft material was under lock and key every night and ensuring each segment of the report that was being handles by different portions of the staff was kept within that



staff, and the panel members that were working on the report. The panel itself divided the areas of interest that they would take specific lead roles in, and of course everything was discussed amongst us arriving at the decision. But this helped to allocate the work and gave a particular panel member that staff people could contact for particular directions or guidance. Breaking up the evidentiary part of the hearing, the decision part of the report of course was written by the panel members themselves. So by everybody getting, taking a lead role in the part to which they were assigned particular responsibility from the panel, for instance. Mr. Edge looked after the lead in the financial areas. And this was to be apparent during the hearing, the areas of questioning in particular and Mr. Brooks on environmental and socio-economic matters. I tried to look after the reserves and engineering matters, that's something I'm more familiar with ??? we'd all come together at the end and decisions with respect to the overall...

INT: Do I understand from what you're saying that parts of, the evidentiary parts, were being prepared by the staff. They were not aware of course what the panel's decision partly...

JS: No, the preparing of the evidentiary part is it digesting the evidence and condensing it and presenting it. The Board's views and the decision was the responsibility of the panel ???

INT: There was an interdepartmental study underway at the same time ??? and they did such things as a government study and they had a large, they spent quite a lot of money on it.

JS: I'm not aware of that, there was no contact at all between the Board and the government, in fact, we were quite scrupulous about avoiding any contact.

INT: I certainly appreciated that from your comments, that there wouldn't be any exchange of information but I wondered if I understood that they were not quite so concerned about keeping their analysis ???

JS: Well now I am not certain what the purpose of their study was, but I assume it was to give advice to the, to the Minister, perhaps more than one Minister so that when our report came to Cabinet for consideration, there would be an independent analysis available to The Ministers, but nobody ever discussed it with me either before or since, so I have no idea what the purpose of that was.

INT: I see, so they were really two independent studies, there was no, they didn't tie together except when they both came in to Cabinet.

JS: Yes, I assumed this was to provide outside advice to the Ministers on how to deal with the Board's report and a sense of having another source of analysis, I presume. But I wasn't even aware of it that was going on until you mentioned it now. I knew that the ??? Core part had been...

INT: That was part of it because that was pretty widely reported...

JS: I knew that they had commissioned with ??? Core...

[inaudible - can't tell who is speaking]

INT: Was there any liaison with the FPC? I mean even on timing matters, there must have been some...

JS: Directly I suppose through our Embassy in Washington and then they would, who were monitoring the right procedure at our hearing, that they would keep the FPC informed and vice versa keep our Board informed us as to the way in which they were proceeding.

INT: So they would be sort of monitoring it anyway.

JS: Yeah, I think to see if there was any potential problems in timing and we seemed to be tracking pretty well on courses, as a matter of fact, the way it turned out, we were quite concerned about the length of time that the hearing was consuming. And as you know, we went to extra hours towards the end just to try and get finished within the time frame that would be generally compatible with the U.S. activities as well as the need to have a reasonably orderly proceeding in Canada.

INT: Then what, there must have been fairly heavy load at that time with the extra hearings. Your Board, yeah.

JS: Well, yes, it was, I... so not going to be taken as an example of the way hearings should be conducted in the future. It was an unusually complicated hearing with a number of participants that we don't usually have, and that in itself made for extra hours to ensure that everyone had an opportunity to be involved, and as you know, the public interest groups were quite concerned and made their concerns known that they have equal opportunity to present their cases as the applicants and, in the end, I think probably everyone realized that most of the hearing time was really taken up with the cross-examination of one applicant or the other rather than by the third parties or the Board. It' was just the nature of the hearing. So I think if we had to do it over again, we'd follow the same procedure as long as we had the health to do and it seemed to be something as necessary for the case that was before us.

INT: Well you, the Board is involved or will be continuing to be involved in the Seadrill steps involved in implementing the Alcan thing ???

JS: Yes, as you know, the PM has announced there will be legislation which will authorize the actual construction of the pipeline as distinct from regular procedure where the Board issues a certificate which is approved by the government Counsel. Due to the importance of this pipeline the government decided that they wanted it debated in the House, and they are ??? legislation, which will not only be the authority for the construction of the pipeline but will set up a monitoring agency which will cover all the various governments and departments, roles, in ensuring that it meets their requirements. Obviously the chief will still be monitoring, still be the National Energy Board, but there are another important rules such as Department of Indian and Northern affairs with respect to the right of way through the Yukon and the environmental and socio-economic problems in the Yukon, the government of Yukon , territorial level and the role to play there too. There's the Department of Fisheries, Labour, and 3 or 4 other departments that all have pieces of legislation that are impacted by the pipeline and the idea is to get a monitoring agency that can look after all of these interests and legislative requirements as far as the pipeline is concerned, to present what they call Omundo?? approach, and this procedure was deemed necessary because of the problems that were faced in the ??? and the U.S. has got a parallel procedure proposed for the Alaska's, not exactly the same as ours but there will be a single authorizing officer, I think they call it, in the U.S. who will have the control of all the monitoring interests of both the state of Alaska and ????. Oh, yes, I think it's obviously a necessary understanding, a case of one government department authorizing something and another one coming along and countermanding it a few days later, that made it rather difficult for the pipeline company.

INT: Could you sketch in , and just in broad fashion some of the major steps, that would have to be taken before, from an approval, before they could start laying pipe on the Alcan, such as, there had to be a decision on the pipe sizing and pressure, there's got to be financing by a certain time.

JS: Probably, let me see if I can take them in chronological order. Probably one of the first key decisions that has to be made is the, what the price for, what the price for gas of Prudhoe Bay is going to be. And this is a decision that has to be taken by the United States Government and I think it's going to be in connection with the President's energy plan that is before Congress now, that as I understand, that decision will be taken in connection with the passage of that legislation. The next thing is the producer contracts with the companies that are going to ship the gas, as you know, they ??? because of the previous BC ruling about the balancing of money for exploration. Going along with that but contingent on those two things, will be the development of a financing plan, going in parallel with that will be the final design of the pipeline system, and the gas portion of course, would have to be submitted to the FERC, or FERCM, the Department of Transportation, they have ??? safety. They both have a role approval of the final plan in Alaska. The approval of the final design in Canada will be subject to approval of this Board. The selection of the pipe size between Whitehorse and Caroline?? is something that was spelled out in the agreement between Canada and the United States to receive special attention. A technical committee has been set up with officials of Canada and the United States to re-examine the safety and economic efficiency, pipeline system between those two areas to see if we can get a meeting of minds as to what that should be. The agreement says, however of course that it is the responsibility of the regulatory agency in Canada to make the decision. So we've had two meetings with the United States authorities, first one was just government representatives from either side and the second one earlier this week with company officials as well without any Foothills. The Foothills group had been requested to file a lot of additional backup material for their analysis of the relative economics of different size pipes and different pressures for those pipes, and additional information with respect to the testing that would be required to prove out the pipes. This has been discussed and ??? and the meeting we have this week will be additional time required to go through all this ??? material, so that I visualize at least one more meeting between Canada and the U.S. before a company decision is made.

So once that decision is made then that means that the company is in a position to prepare its detail design and that will be presented then, and that will be presented, the Canadian portion to the Board for approval and ??? The financing plan separately has to be approved both by the United States officials, the FERC and...

INT: Can I stop you for just a second... the financing plan, does that have to be proof of financing in effect that...

JS: Yes, yes. They have to satisfy the Board that they have the funds and that it can go forward. Those things then all have to be done before construction can commence. You asked about time frame. And I guess all I can go by us some of the statements that have been made and appeared in the press, but it does appear that late '78 or early '79 appears to be the time that the company feels that it will be in a position to get approval.

INT: So it would have to have its financing arranged by late next year.

JS: Yes. ??? And I think that kind of time frame appears appropriate for approval of final design to be certain additional field tests that have to be taken, boreholes drilled for protection of permafrost in greater detail than what was done. First tests on the pipe will have to be undertaken.

INT: Will there be a major study effort before the final detail design ???

JS: A fair amount, ??? yes, and I'm sure there will be additional environmental studies that would be required.

INT: Will they be able to do that within a year or so?

JS: Yes, I think so.

INT: I saw a statement attributed to Foothills that there was a risk that the decision of the pipe pressure ??? Whitehorse ??? timetable a year.

JS: If there was a lengthy delay in making that decision, I think it's probably a fair statement, the indication that we got at that meeting last week was that if a decision could be forthcoming within say 60 days, that they felt they could catch up to the timetable that they had initially announced. There are a lot of other unknowns too, of course, that could...

INT: There certainly are, yeah.

JS: Lead to a delay and the setting of the wellhead price in the contracts, this is obviously a very key...

INT: Yes. What's the effect if there is a delay of a year or even two years on the Dempster lateral, doesn't that involve diminution of the tariff subsidy?

JS: It would result in higher cost overruns because of the inflation factor, and that could result in the diminution of the subsidy, the contribution by U.S. ...

INT: Only because of the cost of, not because of the time per se...

JS: No, just the effect of the delay on the cost...

INT: Which could reduce...

JS: Would increase the cost overrun relative to the estimates that had been filed, which is used as the base for determining what cost overruns ???

INT: Given the Alcan route, in effect, it's going to be an extra thousand miles of pipeline ??? the Dempster, wouldn't be quite that much extra with the Dawson diversion, but given that it isn't ??? the Dawson diversion, what effect does that have on energy consumption by ??? transportation, is that significant, especially given that the Dawson portion is not there.

JS: I don't have those figures in the, I think it would result in some additional energy consumption. And of course, this is one of the reasons why we're looking at the Whitehorse-Caroline portion of the line to see if it shouldn't be a different designer as originally proposed to reduce compressor fuel in that section...

INT: Of larger diameter...

JS: Yes, a 54-inch 1120 pressure pipe would take less fuel than the 48-inch 1260, and I guess the 48-inch 1680 pressure pipe, would take even less compressor fuel.

INT: 48...

JS: 48-inch 1680 pound, that's the want one that is being proposed. The 54-inch 1120 pressure pipe, and the third one was the original application which is 48-inch 1260. Those are the three configurations that were mentioned in the Canada-U.S. Agreement that should be looked at.

INT: And the 48-inch high pressure uses less fuel?

JS: In that portion of the system, of course it takes, to get it up to, initially, the pressure up initially would take more compression. But once you're operating at the higher pressure on a per MCF basis, then the fuel would be less.

INT: Oh, I didn't realize that ??? From a fuel point the 48-inch high pressure ???

JS: It's slightly better than the other two configurations, yes. It's much higher initial capital cost, of course. That's the problem. One of the other problems is the testing out of the pipe before it can be installed, the Board would be quite concerned that that high pressure pipe with the ??? tested and the ??? proven before we were to get approval and so there would be some delay in that ??? if that were the configuration that were chosen, I think that would result in some additional delay over one of the other configurations, that is the 54-1120 or the or the 48-inch 1260.

INT: Is it fair to characterize the Panel's decisions to say that it's, it was not insensitive to the political climate or circumstances.

JS: Well, I don't know what you mean by political or, it was certainly not insensitive to the evidence that we were hearing related to the concerns in the North. Now if that's political, small "p", yes, that's true. In other words, the environmental and socio-economic evidence that we've got on the, the clear indication that this was a pipeline different from other pipelines that the Board had been involved in, was something that we definitely did feel quite strongly about ???

INT: So that there was no consideration, ??? circumstances other than all the evidence before?

JS: No, just what ??? And as I've told you earlier, we had no contact at all with the departments, Ministers, ??? and we had to be very sensitive to the evidence that was before us, and obviously you get impressions not only from evidence, but from everything else that you hear around you, you know, there were concerns that people in general in Canada ??? have to a much greater extent than ever been expressed before. There's other areas probably a little more delicate than ???

INT: I know, and I spoke to Marshal ??? he confirmed it by, but during the hearing process, he did not feel constrained expressing his personal observations on ??? applications, and I know of several incidents that he did to outside groups, investors, and to government officials. It would be easy to make the assumption that if he was freely expressing his personal observations ??? the Board, but if he was clearly expressing his personal observations on the relative attractions of the two applications to a wide range of people in and outside the government, unless you would care to deny it, it would be very easy

for just indicating that for people to assume that he may have also presented his personal observations to the Panel.

JS: No, it's quite easy for me to deny it ???

INT: [inaudible]

JS: There was no information on his part to do so and there was no information on the part of the Panel to seek his advice.

INT: [inaudible]

JS: Well, it's a logical question and I've given you the answer to it so...

INT: Right. Good. Well, I pretty well covers the questions I had, I appreciate it.

End of Interview