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THURSDAY, SEPTEMBER 18, 2008

## Fort Hills costs leap to \$24 billion

Petro-Canada hikes price tag for oilsands project 50 per cent

SHAUN POLCZER  
 CALGARY HERALD

**P**etro-Canada on Wednesday set a new benchmark for capital cost overruns in the oilsands after it hiked estimates for the proposed Fort Hills mine by 50 per cent.

The project, originally pegged at \$14.1 billion, will now cost about \$24 billion.

"We've seen a dramatic rise in capital costs in the past year,"

said Ron Brenneman, Petro-Canada's president and CEO. "Once our FEED (front-end engineering and design) work is done, we will develop our definitive cost estimate. This will be the basis for our final investment decision."

Petro-Canada will decide whether to go ahead with Fort Hills some time in the fourth quarter.

But the news sent **UTS Energy Corp.**, which holds 20 per cent of the Fort Hills partnership,

plummeting on the Toronto Stock Exchange where it was one of the most actively traded stocks on extraordinarily heavy volume of 26.5 million units.

The shares lost 83 cents or more than 35 per cent to close at \$1.57. The company has lost 75 per cent of its value since May when it traded north of \$6.25.

Tiny UTS, which has no production or cash flow, must now come up with an extra \$3.6 billion to fund its share of the project.

In response to what he termed "problematic" developments, CEO Will Roach called a hastily organized conference to soothe investors' fears that Fort

Hills will be delayed or cancelled outright.

"I remain completely confident that our partners remain committed to this project. We believe Fort Hills is a very attractive project," he said.

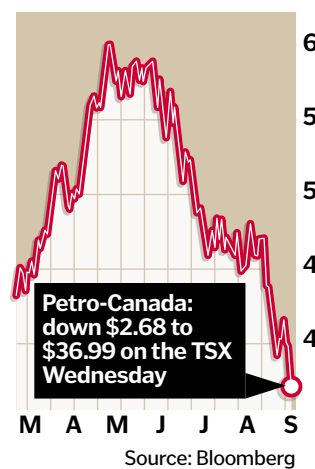
The first phase, as currently conceived, is planned to produce 140,000 barrels per day of synthetic oil starting in the fourth quarter of 2011, doubling to 280,000 bpd by 2015.

Roach said some of the original design elements such as the integrated upgrader could be "re-phased" or staggered to reduce capital requirements.

SEE FORT HILLS, PAGE D7



Herald Archive, Reuters  
**Petro-Canada CEO Ron Brenneman**



## MARGIN CALLS

Gates keeps spot atop richest list

**WEALTH** • Microsoft Corp. co-founder Bill Gates remained the richest person in the U.S. for the 15th straight year, followed by Berkshire Hathaway Inc. chairman Warren Buffett, according to Forbes magazine.

Gates has a net worth of \$57 billion US compared with Buffett's \$50 billion, said Forbes, which on Wednesday released its list of the 400 richest Americans.

Larry Ellison, chief executive of Oracle Corp., was third on the list, with \$27 billion. Jim Walton and S. Robson Walton of Wal-Mart Stores Inc. were fourth and fifth while Christy Walton and Alice Walton shared the sixth spot. The Waltons each had a net worth of more than \$23 billion.

New York City Mayor Michael Bloomberg was eighth, with \$20 billion, and Charles Koch and David Koch of Koch Industries Inc. rounded out the top-10, with \$19 billion apiece.

Bloomberg was the biggest gainer on the list, jumping from No. 25 after he bought back a 20 per cent stake in his company, the parent of Bloomberg News, from Merrill Lynch & Co. for \$4.5 billion.

## Blind eye eases investor stress

**PERSONAL FINANCE** • Here's some helpful advice for anyone who's losing sleep watching Wall Street and worrying about his retirement: try not to watch. Seriously.

New research shows that the less often investors check the value of their portfolios, the happier they are. And the wealthier they are, too: less trading equals more dollars at the end of the day. Trying to micromanage while the market is on a wild ride usually backfires.

"Most people should probably look at their portfolios less often," says David E. Hultstrom, a Woodstock, Ga., financial adviser. He conducted an analysis of the stock market performance over the past 50 years, and the likely moods of investors in the market during that time. His conclusion: if they had put \$1,000 in the market at the end of 1957, they would have had a compound annual return through 2007 of 11 per cent, and accumulated \$184,353. But those who watched the daily returns of the market would have been sad 47 per cent of the time — on those days when share prices dropped.

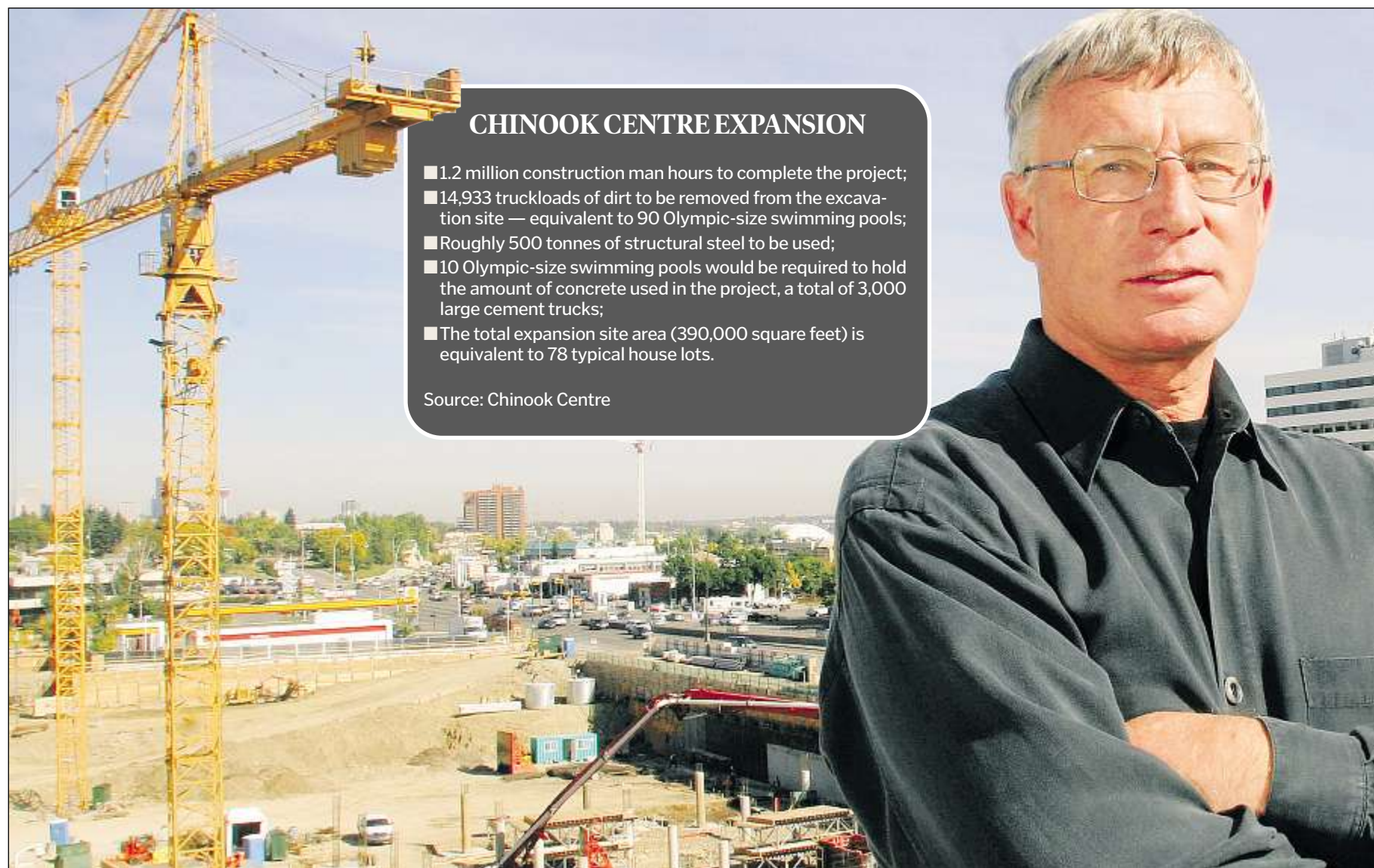
HERALD NEWS SERVICES

## HERALD ENERGY



How falling crude oil prices are affecting everything from the auto industry to geopolitics

Page D4



### CHINOOK CENTRE EXPANSION

- 1.2 million construction man hours to complete the project;
- 14,933 truckloads of dirt to be removed from the excavation site — equivalent to 90 Olympic-size swimming pools;
- Roughly 500 tonnes of structural steel to be used;
- 10 Olympic-size swimming pools would be required to hold the amount of concrete used in the project, a total of 3,000 large cement trucks;
- The total expansion site area (390,000 square feet) is equivalent to 78 typical house lots.

Source: Chinook Centre



Leah Hennel, Calgary Herald

Terry Napper, general manager of Chinook Centre, says Calgary's retail community is eager to secure a spot in the expanding shopping centre.

## Calgary retail sales to mushroom

Projection welcome news as Chinook Centre grows

MARIO TONEGUZZI  
 CALGARY HERALD

**R**etail sales in Calgary will balloon to \$29.3 billion a year by 2012 — about a \$6.5-billion increase from this year, according to the Conference Board of Canada.

The continued impressive annual growth in the city's retail sector falls in the same timeline as the completion of

Chinook Centre's massive re-development plans.

The Conference Board in its Metropolitan Outlook Autumn 2008 says Calgary is forecast to see retail sales of \$22.8 billion this year, a 4.2 per cent increase from 2007. But in each of the next four years, annual growth will be over six per cent.

"Seeing as Calgary's economy continues to create jobs, personal income growth is again poised to build on previous years' impressive results," says the Conference Board. "This will provide consumers with plenty of additional money to spend, which is why the Conference Board expects retail sales growth to come in at 4.2 per cent this year on the heels of a seven per cent rise in 2007."

Those numbers are buoyed by expected strong income growth in the city. The Conference Board says personal income per capita will rise in Calgary from \$53,961 this year to \$60,805 in 2012. As a comparison, personal income per capita in Canada will grow from \$36,947 in 2008 to \$41,846 in 2012.

The Calgary forecast is good news for Chinook Centre as it proceeds at full speed with its \$275-million expansion, which will bring dozens of new international retailers to the Calgary mall.

On Wednesday, Terry Napper, general manager of Chinook Centre, offered an update on the massive project, saying "the strength of this building is it's been touted as being so

### CALGARY ECONOMIC INDICATORS

	Personal income per capita	Retail Sales
2005	\$45,445	\$17.6 billion
2006	\$50,177	\$20.4 billion
2007	\$52,201	\$21.9 billion
2008 F	\$53,961	\$22.8 billion
2009 F	\$55,597	\$24.3 billion
2010 F	\$57,189	\$25.9 billion
2011 F	\$58,920	\$27.5 billion
2012 F	\$60,805	\$29.3 billion

F= Forecast

Source: The Conference Board of Canada

successful that there's still a tremendous amount of interest from the retail community in getting a location here."

The expansion will add 180,000 square feet to the existing mall, two levels of

heated underground parking with 1,200 stalls, and 80 new stores, of which more than 30 are global brands not currently in the Calgary area.

SEE CHINOOK, PAGE D7

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## FROM DI FORT HILLS: Financing

The increasing cost escalation comes as oil prices this week fell below \$100 US for the first time in six months. Benchmark crude rose \$6.01 Wednesday to close at \$97.16, but is down about 40 per cent from record highs near \$150 set in July.

Roach said he's unfazed by the day-to-day gyrations of the markets, preferring to stay focused on the long-term viability of oilsands development.

"When you look at an oilsands project, you don't look at today's oil price, you look out 40 to 50 years and say, 'what do I think the odds are of the oil price being more than, let's say for the sake of argument, \$80?' For UTS this project is still pretty robust at \$80."

The present is a different story.

Analysts said UTS will face difficulties coming up with the extra money given the financial turmoil that has rocked Wall Street in recent days, with the collapse of big investment banks like **Lehman Brothers** and fire sales of **Merrill Lynch** and **AIG**.

"Financing was already a concern in the current credit market. With the mounting cost escalation and a sum of \$3 billion of additional financing, UTS faces considerable headwinds moving forward," UBS analyst Andrew Potter noted.

Chris Feltn, who covers both companies for Tristone Capital in Calgary, agreed that the scale of the increase

puts UTS in a bind. He had originally factored in 20 per cent higher costs for Fort Hills, less than half of the actual number released Wednesday.

"The magnitude of the increase was a surprise, it definitely creates a few more obstacles for the company," he said. "It could be tough in a market where we've seen the financial sector, really, decimated."

Petro-Canada is less affected because of its size and the diversity of its assets, which include offshore oil and natural gas production that generate substantial amounts of cash.

But Feltn said cost overruns continue to nibble away at the economic viability of new oilsands developments.

"The key takeaway is that cost inflation is continuing to erode returns even though oil prices have risen. Much of that upside is gone."

Petro-Canada owns 60 per cent of Fort Hills while mining giant **Teck Cominco Ltd.** and UTS each hold 20 per cent.

Teck is facing its own troubles coming up with almost \$14 billion to complete its takeover of Calgary-based **Fording Coal Trust** as a result of the credit crunch.

Petro-Canada's shares lost \$2.68, or nearly seven per cent, in Toronto on Wednesday to close at \$36.99 while Teck Cominco lost \$1.39 to finish at \$34.01.

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Courtesy, Cadillac Fairview, Herald Archive

An expanded Chinook Centre set to open in the fall of 2010 is expected to bring a host of new global brands to the Calgary.

## FROM DI CHINOOK: New stores

Napper said about 90 to 95 per cent of the new space has been either leased or is in negotiations to be leased.

The new retailers committed to opening at the new Chinook expansion include **Harry Rosen**, **Lacoste**, **Coach**, **Miss Sixty/Energie**, **Anne Klein**, **BCBG**, **Kiehls**, **GEOX**, **Aldo Collection**, **Marciano**, **DC Shoes** and **Parasuco**.

Other first-time, high-end retailers are expected to announce their entry to the market in the near future.

Napper said about 120 leases expire in the next two years in the more than one-million-square-foot, 200-store Chinook Centre. The mall undertook a \$250-million redevelopment in 1998 that encompassed the entire shopping centre. The project was completed in 2001 and added numerous features, including an expanded food court.

"Between 2009 and 2011, we will open 200 brand new stores. That is like building a brand new shopping centre," he said.

The expected opening of the new expansion is the fall of 2010.

Despite the current construction underway at the mall, sales per square foot have remained steady and were \$905 at the end of August. That's up from the \$840 in August 2007.

The sales-per-square-foot number is

an industry standard calculated by looking at the cumulative sales figures of stores in shopping centres with less than 15,000 square feet over a 12-month period. Only a few malls in the country are over \$900. Napper said the mall should be able to crack the \$1,000 level when the expansion is completed and all retailers in both the new area and the existing mall have settled in.

Napper said while there has been some expansion in recent years of enclosed shopping centres in Calgary, there hasn't been enough expansion since the late 1980s to match the consumer demand.

"I'm not sure we're building this based on future growth. We're just building it based on a pent-up demand for more space over the last number of years," said Napper.

"Obviously we're going to have to continue to work hard to maintain our market share, but there's no question that the market share is there for Chinook to increase sales volume just based on the demand that's in the market today."

According to the Conference Board data, annual retail sales growth peaked in Calgary in 2005 and 2006 with year-over-year increases of 13.5 per cent and 16.1 per cent respectively.

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**NOTICE OF APPLICATION**  
**APPLICATION NO. 1552134**  
**PROCEEDING NUMBER: 56**  
**ENMAX POWER CORPORATION**  
**ANNEXATION OF DISTRIBUTION SERVICE AREA**  
**M.D. OF ROCKY VIEW NO. 44**

TAKE NOTICE that ENMAX Power Corporation (EPC) filed an application with the Alberta Energy Utilities Board (the "EUB" or the "Board") on December 19, 2007. On January 1, 2008, the Alberta Utilities Commission (AUC or Commission) was established. In accordance with the transitional provisions of the *Alberta Utilities Commission Act*, the application will be considered by the Commission.

**Nature of the Application**

By Order in Council O.C. 333/2007, the provincial Cabinet approved the annexation of approximately 12 sections of land by the City of Calgary (City) from the M.D. of Rocky View No. 44, effective January 1, 2007. As a result, the new City boundary extends approximately 12 sections (the Annexed Lands) beyond the present service area for the electric distribution system of EPC. Customers within the Annexed Lands are currently served by electric distribution facilities owned and operated by FortisAlberta Inc. (FAI). EPC is applying for an enlargement of its service area to include the land annexed, under section 29 of the *Hydro and Electric Energy Act (HEEA)*.

The twelve sections described below would be affected by the requested service area extension. A Map showing EPC's existing service area and requested service area extension is attached. Specifically, the following lands are affected by this application:

- That portion of section 14-25-3 W5M lying north and east of the Bow River;
- Within section 8-26-1 W5M; section 9-26-1 W5M; section 10-26-1 W5M; section 11-26-1 W5M; and W1/2 of section 12-26-1 W5M; and that portion of SE1/4 of section 12-26-1 W5M lying west of Road Plan 763 LK;
- Within E1/2 of section 8-24-28 W4M; E1/2 of section 17-24-28 W4M; SE2 of section 20-24-28 W4M; NE1/4 of section 5-24-28 W4M;
- Within E1/2 of section 8-23-28 W4M; E1/2 of section 17-23-28 W4M; E1/2 of section 20-23-28 W4M;
- Within section 18-22-28 W4M; section 19-22-28 W4M; section 30-22-28 W4M; section 31-22-28 W4M; and that portion of section 7-22-28 W4M lying north of the Bow River; and
- That portion of section 12-22-29 W4M lying north of the Bow River.

**Intervention in the Proceeding**

Any person who wishes to intervene in this Proceeding must submit a Statement of Intent to Participate (SIP) to the Commission by the participation closing deadline of **2:30 pm, October 10, 2008**. Further information on SIP submissions is provided on the Commission website at [www.auc.ab.ca](http://www.auc.ab.ca) under the "Application and Proceeding Processes" page (or contact the AUC for a paper copy thereof).

Parties who intend to file a SIP must indicate their preference as to whether this application should be addressed through a written or an oral proceeding. Please provide the reasons why you consider the process identified to be the most appropriate.

Subject to the *Freedom of Information and Protection of Privacy Act*, all documents filed in respect of a Proceeding, including any documents filed prior to the start of a Proceeding, must be placed on the public record. Your SIP letter and any other documents you file will be accessible to the public and all other participants in the proceeding through the Proceeding Search system on the AUC website. Please ensure that any document you file is free of information that you do not want to appear on a public record. If you do not want your document or part thereof placed on the public record, you must apply to the Commission under section 13 of the *AUC Rules of Practice* for a confidentiality order before you file your document.

**AUC Procedures**

For information about AUC procedures, contact the AUC Lead Application Officer at: Utilities Division, Calgary Office, Attention: Colin Lo; Telephone: (403) 592-4437; Email: [Colin.Lo@auc.ab.ca](mailto:Colin.Lo@auc.ab.ca)

**Additional Information**

The Application and details regarding the proceeding are available for viewing through the Proceeding Search system which is accessible under the Quick Links section of the homepage on the Commission website at [www.auc.ab.ca](http://www.auc.ab.ca).

To obtain additional information or a paper copy of the Application, contact the applicant at: ENMAX Power Corporation, 141 - 50 Avenue SE, Calgary, Alberta T2G 4S7, Attention: Ms. Debbie Nering; Telephone: (403) 514-2816, Facsimile: (403) 514-2033; E-Mail: [dnering@enmax.com](mailto:dnering@enmax.com)

**Schedule and Process**

The Commission will provide interested parties further details of the process and schedule to be followed once the SIPs have been reviewed.

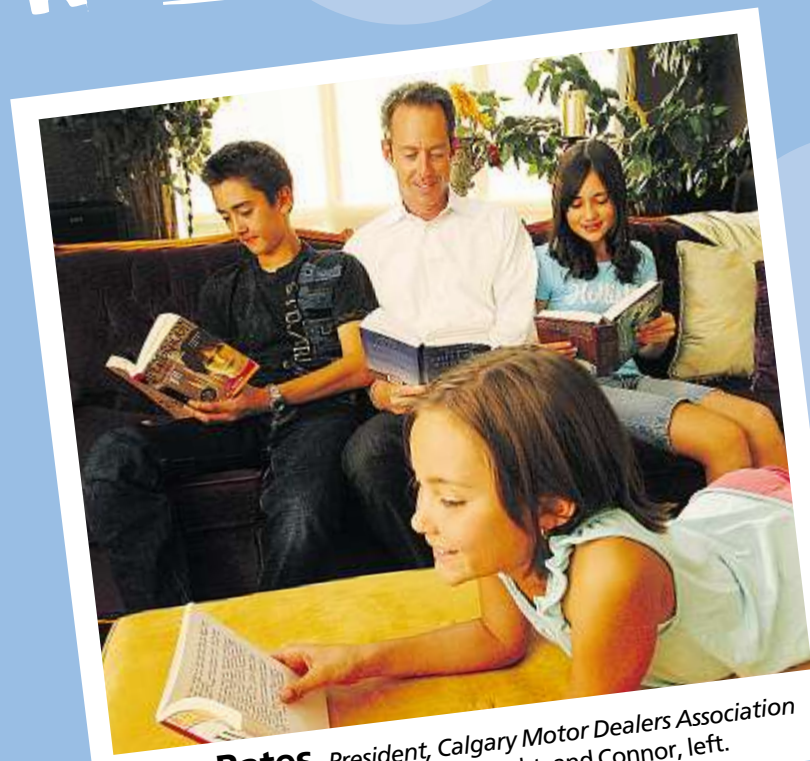
Issued at Calgary, Alberta on September 15, 2008.

Douglas A. Larder, Q.C., General Counsel

AA685295



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Greg Bates, President, Calgary Motor Dealers Association with his children Miya, front, Allie, right, and Connor, left.

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