

THE CITY OF MEDICINE HAT
REPLACEMENT STEAM TURBINE
GENERATOR

Decision 97-3
Application No. 960280

1 INTRODUCTION

The City of Medicine Hat (the City) filed an application with the Alberta Energy and Utilities Board (the Board) on 11 March 1996, for approval to install a new 33-MW steam turbine to replace three steam turbines with a total installed capacity of 23 MW, and to connect the power plant with the City's existing electric system. The City filed its application under sections 9 and 17 of the Hydro and Electric Energy Act. The City also requested the Board to examine the issue of need under section 45(3) of the Electric Utilities Act (EU Act). Under the EU Act Deficiency Regulation, the Board has authority to address the question of need.

2 BACKGROUND

The City's main power plant consists of nine generating units with a total installed capacity of 188 MW (ISO). Three units, totalling 23 MW capacity, require replacement due to age and obsolescence. The City carried out studies to determine the most efficient and economic way of accomplishing this replacement. It believes that the installation of a new single 33-MW unit would provide the capacity necessary to reliably meet the increasing peak loads and the City's future requirements through to the year 2001.

The City provided an information package, describing the project, to all landowners within 800 metres of the plant; no concerns were expressed. In addition, the City provided a copy of the application to all members of the Electric Utilities Act Advisory Committee. In response, the Independent Power Producers Society of Alberta (IPPSA) and Alberta Power Limited (APL) filed objections with the Board regarding the project.

As a result of discussions and assurances from the City, IPPSA subsequently withdrew its objection to the project.

APL and the City were unable to agree on a satisfactory resolution to their disagreement and the matter was set down for a hearing before a division of the Board.

3 APL's COMMENTS

In a letter to the Board, APL indicated that the installation of the new unit would exceed the City's needs for several years. It believed that the City could contract for additional capacity from the Province's existing generation system. Alternately, APL was concerned that the City would have an unfair advantage if it were to sell excess energy into the Alberta Power Pool (the Pool).

APL subsequently sent a letter to the Board requesting that a condition be placed in any approval the Board might issue to the City, restricting the export of electricity to the Pool. APL indicated it would withdraw its objection if the Board granted its request, otherwise, the objection would remain.

Prior to the matter going to a hearing, APL and the City reached an agreement regarding a condition to be placed in a Board approval dealing with the supplying of surplus energy to the Pool.

4 THE CITY'S REPLY COMMENTS

In letters to the Minister of Energy and APL, the City formally made a commitment not to sell energy to the Pool except under emergency conditions. This did not satisfy APL's concerns and APL, therefore, did not withdraw its objections to the application. Ongoing discussions and letters did not resolve the matter and the City requested the Board to "proceed immediately with a determination of the issue of need raised under section 45(3) of the EU Act".

The City did not believe that the matter required a hearing. However, it would participate in a hearing in order to resolve the matter due to its concern that the summer of 1997 in-service date could not be met and the City would have difficulty supplying its summer peak load.

Prior to a hearing, the City sent additional information suggesting that it would be prepared to have the Board include a two-part condition in its approval if this would satisfy APL's concerns. The condition is in regard to any sales of electric energy to the Pool. The City agreed to limit any sales of energy to the Pool to the lesser of:

- "205 MW (ISO rating) minus the City's electrical load at any time, (205 MW ISO being the rating of the total existing generation owned by the City); or
- the capacity of the City's interconnection with the Alberta Interconnected System as approved by the AEUB".

5 BOARD FINDINGS

The Board is satisfied that all parties which could be potentially affected by the project have had adequate opportunity to inform themselves about the project and to comment on the application. The Board notes that IPPSA withdrew its objection and did not make any recommendations on the disposition of the application. The Board was encouraged by the negotiations between the City and APL which led to a mutual agreement resulting in a savings of hearing time and costs.

The Board is satisfied, overall, that the agreement reflects an appropriate balance of the interests of the affected parties and that it will allow the City to move forward with the construction of the new generating unit so that it might reliably provide electricity to its customers.

The Board, therefore, approves the application as filed and will include the above-noted condition in the formal approval document.

DATED in Calgary, Alberta on 13 February 1997.

ALBERTA ENERGY AND UTILITIES BOARD

J. P. Prince, Ph.D.
Presiding Member

C. Belanger
Member

W. J. Schnitzler
Acting Member