

City stays in electrical business

AMANDA STEPHENSON

astephenson@medicinehatnews.com

The City of Medicine Hat will be staying in the business of electrical generation.

That decision was met by a round of applause from members of the public who turned out last night for a special council meeting meant to decide the fate of the city's electric utility. The meeting featured a presentation by Edmonton-based consultant Larry Charach of Strategic Results Consulting Inc., who recommended the city invest in some essential upgrades and stay in the electrical generation business.

Alderman Graham Kelly introduced the motion - which passed unanimously - by saying there has been too much uncertainty within the community about the issue.

"I think we need to come to grips with this, put this to rest in the community, and say we're in business for

the foreseeable future," he said.

A second motion, introduced by alderman Ty Schneider, directed the City's energy committee to conduct a complete business review of the utility to ensure it is as profitable as possible. That motion also passed unanimously.



Larry Charach delivers his presentation Monday.

Charach, an expert on Alberta's energy markets, was hired to do an independent review of the city's electric generation business unit. He reviewed three options for council: Maintain the status quo, get out of electric generation and pursue a market option, or invest in the electric utility by purchasing another LM6000 generator.

Charach said doing nothing is not feasible, as the city's power plant has two generators which are approaching the end

of their lifespans and will have to be replaced by 2009.

He added that right now, Medicine Hat is unique in the province as it has exemptions under Alberta's Electric Utilities Act. Because Medicine Hat is self-sufficient when it comes to power and not part of the provincial grid, residents have typically been able to have lower-cost electricity than in other parts of the province. Selling the electric utility would mean the city would lose its exemptions, and would also have to pay to increase its transmission capacity.

"You have to buy power somewhere, and you can't rely on your existing plant if you sell it," Charach said.

Charach said keeping the utility is the best option, but the city might want to look into adjusting its electricity rates throughout the year rather than setting one fixed price at the beginning of the year. In 2007, costs went up and the city actually sold electricity below market value - forcing the city to subsidize the electric utility by \$8.2 million.

Charach also recommended that the city continue to look into other ways to increase revenue for the electric utility.

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Decision met with favourable response

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Council's decision was met favorably by the large turnout of Medicine Hat residents who came out for the meeting.

One of those was John Brittain, who told the News after the meeting that it's a fact that Medicine Hat residents pay less for electricity than people in other parts of the province. He said he was pleased that Charach said maintaining ownership was the best option. "With the upgrades, there are just too many advantages for us not to keep it," he said.

Brittain added he that because natural gas

is a non-renewable resource, he believes it's more important for the city to operate its electric utility for the benefit of Medicine Hat residents than to be concerned about ways to make a profit.

"We need to conserve the natural gas we have - it's not a commodity to be sold and sold. If we do that, we'll eventually be out of gas and we'll be buying electricity from the other grid," Brittain said. "We need to carry on with the wise stewardship of this utility, number one, and number two, we need to start looking into other options like wind and solar."