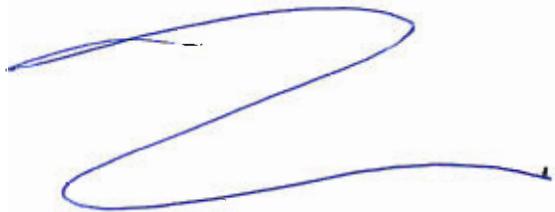


Electric City Power, Incorporated

Regular Meeting of the Board of Directors

September 11, 2006; 5:30 PM
Gibson Room, Great Falls Civic Center
Oct 3, 2006



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Electric City Power, Incorporated.

Regular Meeting of the Board of Directors

September 11, 2006; 5:30 PM.

Gibson Room; Great Falls Civic Center

AGENDA

Call to Order 5:30 PM
Roll Call

A. EXECUTIVE DIRECTOR REPORTS

1. EIS Update
2. Raw Water Update
3. Legislative Issues
4. Customers and Contracts

B. OLD BUSINESS

C. NEW BUSINESS

1. Adoption of Board Meeting Minutes of July 10, 2006

D. BOARD MEMBER REPORTS

E. COMMUNICATIONS

1. Public Comment

F. ADJOURN

H. NEXT BOARD MEETING

October 2, 2006

EPA
DEQ



65
Wind
CO. Gen
Supply Contracts

ILLUSTRATION OF HOW CITY OF GREAT FALL'S CHANGE APPLICATION ACTUALLY BENEFITS PPL

Assumptions:

1. Issue in change of use proceeding is not whether there is water available under original Water Reservation, or whether finding of "no adverse effect" in Water Reservation Order is correct or can be collaterally attacked. Rather, issue in change proceeding assumes validity of underlying Water Reservation, and question is whether change in POD *itself* adversely affects PPL.
2. There are no consumptive use limits other than those explicitly set out in the Reservation Order, and City retains ownership of return water from HGS (along with IMC and 1889 right) and cannot legally be compelled to return it to source. See *In Re Deer Lodge*, No. 97514-76G (DNRC, June 4, 1996), 1998 M.A.R. 194 (Jan. 15, 1998)

	Black Eagle	Rainbow	Cochrane	Ryan	Morony	Total
Scenario 1: Diversion at Existing POD	-7.13 cfs (per Water Reservation) +1.81 cfs (return flow from HGS)	-7.13 cfs (per Water Reservation) +1.81 cfs (return flow from HGS)	-7.13 cfs (per Water Reservation) +1.81 cfs (return flow from HGS)	-7.13 cfs (per Water Reservation) +1.81 cfs (return flow from HGS)	-7.13 cfs (per Water Reservation) +1.81 cfs (return flow from HGS)-	-26.6 cfs (net loss to PPL hydropower system)
Scenario 2: Diversion at Morony	+1.81 cfs (HGS return flow)	+1.81 cfs (HGS return flow)	+1.81 cfs (HGS return flow)	+1.81 cfs (HGS return flow)	+1.81 cfs (HGS return flow) - 7.13 cfs (per Water reservation)	+1.92 cfs (net gain to PPL hydropower system)
City's Other Contributions to Missouri Flows Available For HGS	+14.91 cfs (return flow from treatment plant/1889 right)	+14.91 cfs (return flow from treatment plant/1889 right) + 1.54 cfs (IMC return flow)	+14.91 cfs (return flow from treatment plant/1889 right) + 1.54 cfs (IMC return flow)	+14.91 cfs (return flow from treatment plant/1889 right) + 1.54 cfs (IMC return flow)	+14.91 cfs (return flow from treatment plant/1889 right) + 1.54 cfs (IMC return flow)	+ 80.71 cfs contribution to Missouri flows to benefit of PPLM

-----D R A F T-----

Amendments of the City of Great Falls to LC170

To foster institutional competition in the electric industry in Montana the July 25, 2006 draft of LC0170 should be amended as follows:

Section 2:

1. *Retain 69-8-102(2), renumber.*

2. *69-8-102(3) (now (1) in LC 170) should be amended to read:*

(3) The interests of small Montana consumers ~~must~~ should be protected through the provision of adequate and reliable ~~default~~ electricity supply service by a public utility or a local government supply entity at the lowest long term total cost;

3. *69-8-102(4) (now (2) in LC 170) should be amended to read:*

(4) The financial integrity of ~~electrical~~ public utilities and local government supply entities must be fostered for the benefit of their customers;

Section 3:

1. *Retain 69-8-103(6), renumber.*

2. *Retain 69-8-103(10), renumber.*

3. *Retain 69-8-103(11), renumber.*

4. *Add a new definition as follows (renumber subsequent paragraphs accordingly):*

(9) "Generation facilities" means any combination of a generator or generators and other associated machinery and equipment that are normally operated to produce electricity, including associate transmission facilities necessary to interconnect with the transmission grid."

5. *69-8-103(18) (now (10) in LC 170) should be amended to read:*

(11) "Large customer" means;

(a) for universal systems benefits purposes, a customer with an individual load greater than a monthly average of 1000 kilowatt demand in the previous calendar year for that individual load; and

(b) for all other purposes in this chapter, a retail customer with an individual load greater than a monthly average of 50 kilowatt demand in the previous calendar year for that individual load;

6. *Add a new definition as follows (renumber subsequent paragraphs accordingly):*

() “Licensed supplier” means an entity other than a public utility or a local government supply entity that is licensed by the commission in accordance with 69-8-_____;

7. *Add a new definition as follows (renumber subsequent paragraphs accordingly):*

(13) “Local government supply entity” means an entity that is established and regulated by a local government unit with self-government powers that has acquired by ownership or lease an interest in a generation facility with at least 50 megawatts of capacity or has secured through a long-term contract an electric supply of at least 50 megawatts for purposes of providing electricity supply services within its jurisdictional limits;

8. *Retain 69-8-103(27), renumber.*

9. *Retain 69-8-103(35), renumber.*

10. *Retain 69-8-103(36), renumber.*

Section 4:

1. *69-8-201(2) should be retained and amended to read:*

(2) (a) Except as provided in subsection (b) and [NEW SECTION], Aa small customer of a public utility that has restructured in accordance with this chapter:

(i) must receive default electricity supply services from the public utility, default supplier as provided in the chapter; and Nothing in this section shall create a right or interest on the part of a public utility to provide electricity supply or continue to provide electricity supply to any customer or customers in the event a local electricity supply entity makes application to provide electricity supply to those

customers under [NEW SECTION].

~~(ii) may purchase electricity supply services through a commission approved small customer electricity supply program as provided in this section.~~

~~(b) A small customer receiving electricity from a licensed supplier pursuant to a small customer supply program authorized by the commission prior to July 1, 20037, may continue to receive electricity supply service in accordance with the commission's order from a supplier other than the default supplier.~~

~~(c) Customers that represent separately metered services with an estimated average monthly demand of less than 50 kilowatts related to the same individual customer referred to in subsection (3) or (4) may be combined with the respective eligible customer load or loads.~~

2. *69-8-201(3) should be retained and amended to read:*

~~(3) (a) Subject to subsection (3)(b), a large customer of a public utility that has restructured in accordance with the chapter and that has an individual load with an average monthly demand of less than 5,000 kilowatts but greater than or equal to 50 kilowatts may choose an electricity supplier to receive electricity supply services from a licensed supplier or a local government supply entity.~~

~~(b) Unless the commission authorizes a greater amount consistent with subsection (5), the total average monthly billing demand for all large customers that choose an electricity supplier pursuant to subsection (3)(a) in each calendar year may not exceed 20,000 kilowatts per year, or 100,000 kilowatts in the aggregate.~~

~~(c) A customer referred to in subsection (3)(a) receiving electricity supply services from a licensed electric supplier or a local government supply entity prior to July 1, 20036, may continue to receive electricity supply from a supplier other than the default supplier the licensed supplier or a local government supply entity, and shall not be included within the limits set forth in subsection (3)(b).~~

3. *69-8-201(4) should be amended to read:*

~~(4)(1)(a) Except as provided in subsections (4)(b) (1)(b) through (4)(e) (1)(c), a retail LARGE customer of a utility that has restructured in accordance with this chapter and that has an individual load with an average monthly demand of greater than or equal to 5,000 kilowatts shall purchase its entire electricity supply from the competitive marketplace and is not purchasing electricity supply from a public utility on [the effective date of this act], may not purchase electricity supply service from a public utility.~~

~~(b) A customer referred to in the subsection (4) (a) that is receiving its electricity supply from the competitive marketplace may make a one-time election~~

to enter into a permanent power supply contract with the default supplier for service on or after July 1, 2004. These contracts must include the applicable provisions established by the commission pursuant to subsection (5). This election must be submitted to the commission in writing no later than December 31, 2003.

(e) (b) A new retail LARGE customer with an estimated average monthly demand for greater than or equal to 5,000 kilowatts may enter into a power supply contract with the default supplier in order to receive default supply service referred to in subsection (1) (a) may request electricity supply service from the public utility and the public utility may agree to provide electricity supply service if the provision of electricity supply service to the customer will not adversely impact the rates of the public utility's other customers over the long-term as determined by the commission. The new customer's election of an electricity supplier must be submitted in writing to the commission at least 90 days before delivering before delivery of electricity. These contract must include the applicable provisions established by the commission pursuant to subsection (5).

(d) (c) A customer referred to in subsection (4) (a) that was receiving electricity from the default supplier on July 1, 2003, may continue to receive electricity from the default supplier. If a public utility provides electricity supply service to a retail customer as provided in subsection (1) (b), that service is regulated by the commission and UNLESS THE COMMISSION OTHERWISE PROVIDES the customer may not, at a later date, purchase electricity supply from another provider of electricity supply service.

(e) A customer referred to in subsection (4) (a) that is a public agency, as defined in 18-1-101, may enter into a power supply contract with the default supplier for default supply service for all or part of the public agency's load. These contracts must include the applicable provisions established by the commission pursuant to subsection (5).

4. *69-8-201(5) should be retained and amended to read:*

(5) The commission shall adopt rules and establish rates and fees to enable customers to have reasonable opportunities to choose an electricity supplier or to receive default electricity supply service from a public utility in accordance with subsection (2) thorough (4), while providing protection for small customers from higher or more unstable electricity default supply service rates than would otherwise result if these choices were not offered.

5. *Retain 69-8-201(6).*

Section 5:

1. *Add the following (new) subsection to 69-8-210:*

(7) (a) A public utility that provides distribution services for customers that are within the jurisdictional limits of a local government supply entity that has been approved to provide electricity supply services pursuant to [NEW SECTION] shall provide unbundled billing and collection for the services provided by the local government supply entity on the bill statement regularly provided by the public utility to its customers

9b) Any transition charge pursuant to 69-8-211 and any universal systems benefits charge pursuant to 69-8-402 that is currently being paid by a public utility's customer that is subsequently designated as a customer of a local government supply entity pursuant to [NEW SECTION] must continue to be paid by that customer.

(c) A local government supply entity shall compensate the public utility for any incremental costs incurred to provide the billing services described in subsection (7)(a).

Section 11:

1. *69-8-204 should be retained and amended to read:*

~~(1) To the extent that a public utility is vertically integrated, a public utility shall functionally separate the public utility's electricity supply, retail transmission, retail distribution, and regulated and unregulated retail energy services operations in the state of Montana, upon application to and approval from the Commission.~~

~~(2) Public utilities shall:~~

~~(a) prevent undue discrimination in favor of their own power supply, other services, divisions, or affiliates, if any;~~

~~(b) prevent other forms of self-dealing that could result in noncompetitive electricity prices to customers; and~~

~~(c) grant customers and their electricity suppliers access to the public utility's retail transmission and distribution system on a nondiscriminatory basis at rates, terms, and conditions of service comparable to the use of the retail transmission and distribution system by the public utility and the public utility's affiliates.~~

~~(3) The provisions of this section are satisfied if the public utility adopts and complies with a code of conduct consistent with the federal energy regulatory commission approved code of conduct pursuant to 18 CFR, part 37, and commission rules and orders.~~

2. *69-8-208 should be retained and amended to read:*

~~A public utility's distribution services provider shall:~~

- (1) file tariffs that make its distribution facilities available to all electricity suppliers, transmission services providers, and customers on a nondiscriminatory and comparable basis;
- (2) build and maintain adequate and reliable distribution facilities;
- ~~(3) provide default supply service; and~~
- ~~(4)~~ provide or contract for emergency electricity supply and related services.

3. *Retain 69-8-209.*

4. *69-8-403 should be retained and amended to read:*

- ~~(1) Beginning on the effective date of a commission order regarding a public utility's transition plan, ¶~~The commission shall regulate ~~the~~ a public utility's retail transmission, distribution, and ~~default~~ electricity supply services within the state of Montana, as provided in this chapter.
- (2) The commission shall license electricity suppliers and enforce licensing provisions pursuant to 69-8-404
- (3) The commission shall promulgate rules that identify the licensees and ensure that the offered electricity supply is provided as offered and is adequate in terms of quality, safety, and reliability.
- (4) The commission shall establish just and reasonable rates through established ratemaking principles for public utility ~~default~~ electricity supply, distribution, and transmission services and shall regulate these services. The commission may approve rates and charges for those services based on alternative forms of ratemaking such as performance-based ratemaking, on a demonstration by the public utility that the alternative method complies with this chapter, ~~and on the public utility's transition plan.~~
- ~~(5) The commission shall certify that a cooperative utility has adopted a transition plan that complies with this chapter. A cooperative utility's transition plan is considered certified 60 days after the cooperative utility files for certification.~~
- ~~(6)~~ The commission shall promulgate rules that protect consumers, ~~distribution services providers,~~ and electricity suppliers from anticompetitive and abusive practices.
- ~~(7) (a) After July 1, 2010, the commission shall continuously monitor whether or not workable competition has developed for small customers.~~
~~———— (b) If the commission determines that workable competition has developed for small customers after July 1, 2010, the commission shall provide a report to the legislature that includes recommendations for legislative implementation of customer choice for small customers.~~
- ~~(8)~~ In addition to promulgating rules expressly provided for in this chapter, the

commission may promulgate any other rules necessary to carry out the provision of this chapter.

(97) This chapter does not give the commission the authority to:

(a) regulate cooperative utilities in any manner other than reviewing certification filings for compliance with this chapter; or

(b) compel any change to a cooperative utility's certification filing made pursuant to this chapter; or

(c) regulate the rates and terms and conditions of electricity supply service provided by a local government supply entity other than as specifically provided in [NEW SECTION].

5. *Retain 69-8-404.*

6. *Retain 69-8-409.*

7. *Retain 69-8-410.*

8. *Retain 69-8-411.*

Section 12:

1. *Section 12 shall be amended as follows:*

[This act] does not affect rights and duties that matured, agreements that were entered-into, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

New Section:

1. *Insert:*

69-8-___ Local government supply entity – small customer electricity service program – approval. (1) On or before July 1, 2011, a local government supply entity that has adopted a plan for the transition of and electricity supply service to small customers within its jurisdictional limits may file with the commission a petition that demonstrates:

(a) it possesses all legal powers necessary to provide electricity supply service to the small customers located within its jurisdictional limits;

(b) it is subject to rate and service-condition regulation by the governing body of the local government entity;

(c) it has made provision for an adequate and reliable electricity supply service

to small customers within its jurisdictional limits at prices and on terms and conditions that are not less favorable than the prices and terms and conditions that are available to the small customers of the public utility in that same geographic area; and

(d) that the managed transition of the small customers within the jurisdictional limits of the local government supply entity will not subject the other small customers of the public utility to higher or more unstable electricity supply rates than would otherwise result if those same customers had not been transferred to the local government supply entity.

(2) The showings required under subsections (1)(c) and (1)(d) shall be made with reference to a 10-year planning period.

(3) (a) Unless the commission otherwise orders or the local government supply entity and the public utility otherwise agree, a plan for transition and service adopted by the local government electricity supply entity in accordance with subsection (1) must contain, at minimum, the terms provided in subsections (3)(b) and (3)(c).

(b) The transition of the public utility's small customers within the local government supply entity's jurisdictional area to the local government supply entity must occur in four equal blocks spread equally over a period of 2 years. Once the plan for orderly transition has commenced, all small customers of the public utility within the jurisdictional limits of the local government supply entity must be transferred to the local government supply entity.

(c) A small customer of the local government supply entity must receive the customer's electricity supply from the local electricity supply entity

(4) (a) If the local government supply entity's petition meets the requirements of subsection (1), the commission shall enter an order approving the petition. On the date that the commission issues the order approving the petition, the local government supply entity is the electricity supplier within its jurisdictional limits, subject to the terms of the order.

(b) If the petition does not meet the requirements of subsection (1), the commission shall enter an order that establishes the terms and conditions necessary for the local government supply entity to satisfy the requirements of subsection (1). On the date that the commission's order becomes final, the local government supply entity is the electricity supplier within its jurisdictional limits subject to the terms of the order unless the local government supply entity elects, within 30 days from the time the commission issues the final order, to withdraw its petition.

(5) (a) An order of the commission under subsection (4) must be issued within 180 days of the petition, unless that period is extended by the commission for good cause for another 90 days.

(b) If the commission has not taken action on the petition at the end of the period specified in subsection (5) (a), the petition is considered, approved as filed.

(6) A local government supply entity that has been designated as an electricity supplier pursuant to subsection (1) is exempt from the provisions of 69-8-419 through 69-8-421.

Electric City Power, Incorporated

JOURNAL OF BOARD PROCEEDINGS

July 10, 2006

Electric City Power, Incorporated (The Corporation): Regular meeting of the Board of Directors
Great Falls Civic Center, Gibson Room

CALL TO ORDER: 5:30 PM

ROLL CALL: Directors present: George Golie, Randy Gray, Bob Pancich, and Dawn Willey. Also present were the City Manager, Assistant City Manager, and Administrative Officer.

EXECUTIVE DIRECTOR REPORT

City Manager John Lawton gave the Executive Director Report. He discussed the June 26th Public Service Commission (the PSC) hearing in which the PSC heard testimony on ECPI's petition to operate a small customer electricity supply program for a limited number of homes in Great Falls. The two parties to the hearing were ECPI and the Montana Consumer Counsel. Both agreed to a stipulation that resolved all issues previously raised during PSC proceedings. The PSC will likely reach a decision sometime this summer.

Lawton also updated the Board on ECPI's additional energy supplies that will begin to flow on January 1 of 2007 and 2009 respectively. These two blocks of 7 and 12 megawatts are contracted for from Southern Montana Electric Generation and Transmission Cooperative (SME).

The Board then briefly discussed the proposed acquisition of NorthWestern Energy by Babcock and Brown, Inc.

I. OLD BUSINESS

II. NEW BUSINESS

1. Approval of Board Meeting Minutes of June 12, 2006

Randy Gray moved to approve the June 12th minutes. The motion was seconded by Dawn Willey and the minutes were approved by the Board unanimously.

III. BOARD MEMBER REPORTS

George Golie inquired about whether or not the City had spoken to developers of wind powered generation facilities in the region about the possibility of firming their power with output from the proposed Highwood Generating Station. The City Manager explained that the City has had some preliminary discussions with wind developers.

IV. COMMUNICATIONS

1. Public Comment

Stuart Lewin asked the Board questions about the City's plans to supply electricity to residents of Great Falls and about its role in the proposed Highwood Generating Station.

Mary Jolley, a candidate for Montana House District 22 commented on previous Board minutes, the ECPI web page, the City's role in the proposed Highwood Generating Station, an Attorney General's Opinion relating to natural gas utilities, and changes to Montana Code.

Bill Zucconi asked about City expenditures to date on the proposed Highwood Generating Station, talked about risk equity, and asked what businesses the City would like to enter.

The Board's next meeting will be August 7th at 5:30 PM in the Gibson Room of the Great Falls Civic Center.

Chairman Bob Pancich adjourned the meeting at 6:30PM