

Electric City Power, Incorporated

Regular Meeting of the Board of Directors

October 2, 2006; 5:30 PM
Gibson Room, Great Falls Civic Center

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WEFR Mercury Information	-Attached-

DEIS COMMENTS SENT TO STEWART LEWIN
ON 9-21 THURS 1:30 PM.

004325

Electric City Power, Incorporated.

Regular Meeting of the Board of Directors

October 2, 2006; 5:30 PM.

Gibson Room; Great Falls Civic Center

AGENDA

Call to Order 5:30 PM
Roll Call

A. EXECUTIVE DIRECTOR REPORTS

1. Western Education Foundation for Resources Mercury Information
2. LC 170 paper
3. Small Customer Supply Program Update

B. OLD BUSINESS

C. NEW BUSINESS

1. Adoption of Board Meeting Minutes of September 11, 2006

D. BOARD MEMBER REPORTS

E. COMMUNICATIONS

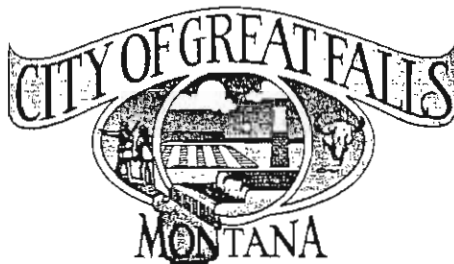
1. Public Comment

F. ADJOURN

H. NEXT BOARD MEETING

November 6, 2006

004327



September 20, 2006

Cascade County Legislative Delegation

The purpose of this letter is to let you know the City of Great Falls and Electric City Power's plans for approaching the Montana Legislature for their electric energy legislation needs. We also want to let you know about our unsuccessful attempt to get our legislative needs met by including them in LC 170, the Energy & Telecommunication Interim Committee's (ETIC) bill to re-regulate electric energy supply in Montana.

We have two basic needs for electricity legislation. Our first priority is to provide a stronger basis for what we are doing now in the code and to make sure that LC 170 or some other legislation will not impair it. As you know we are presently a wholesale supplier of electricity to medium and large customers. We are supplying 20 to 25 megawatts of peak demand and we are working on contracts that will take us over 50 megawatts in the near future. Our legislative proposal will make it clear that we can continue to do this and it will clarify our right to serve commercial and industrial customers in the 50 to 5,000 average kilowatt range and customers in the over 5,000 kilowatt range. It makes it clear that the concept of "choice" will continue for these customers.

Our second legislative priority would be to allow the City to serve all customers in the City of Great Falls after meeting criteria set up in the legislation and by the Public Service Commission and after receiving Public Service Commission approval. One of the criteria would be that we could not cause the rates of default supply customers to increase by leaving default supply. We believe that a public power supply option in Montana would increase competition and would have the effect of keeping rates as low as possible for everyone. The importance of the role of the PSC is clearly delineated along with the idea that our activities cannot increase the electricity rates of others.

We presented these concepts to the ETIC as an amendment to LC 170, proposed by Committee Chair Senator Glenn Roush, and supported by Senator Joe Tropila. However, at the meeting of September 7, 2006, the committee turned us down on all counts, following discussions showing some support for allowing continued commercial choice. As a consequence, we will reintroduce the amendments to LC 170 providing for

commercial customer choice, and prepare a stand alone bill providing for residential customer choice in the upcoming legislative session.

LC 170 attempts to “put the genie back in the bottle” through re-regulation of supply. It would allow the investor owned utility to build new generation and to guarantee financing by backing it with our electricity rates. The problem with this approach is that the genie has grown several-fold in size and you and I will have to pay dearly for a new bottle to put him in. The original one was sold and cannot be taken back. We and our allies will vigorously oppose LC 170 as long as it discourages the modest level of competition we have painstakingly built over the past few years.

Montana is the ONLY state in the west, including Nebraska and the Dakotas, that has NO provision for public power. Franklin Roosevelt once compared the availability of a public power option to “a birch rod in the cupboard, to be taken out and used only when the child (IOU) gets beyond the point where more scolding does any good.” A FERC commissioner said the same thing another way. “[A] pluralistic electric system, in my opinion, has the potential to lead to lower rates and better service for the consumers of all the systems simply because it provides tangible differences against which the consumers are able to assess their particular utility.”

The City is asking only for recognition in state law of the right to be a supply utility to have the opportunity to provide stable and dependable electricity rates to its community. Although we are presently acting as a supply utility under our own self-governing powers, we believe it is necessary and desirable to have the backing of state law to strengthen our position. When it comes to supplying a vital commodity, electricity, that affects our growth and development as a community, why should we subjugate ourselves to serving the interests of an out-of-state corporation controlled by a disinterested financial conglomerate on the opposite side of the globe?

We will keep you posted as we continue to develop our legislative proposals. Thanks for your continuing interest.

Sincerely,

John W. Lawton
City Manager

C: Mayor and City Commission
Electric City Power Board
Local Union Business Agents
Montana League of Cities and Towns

Electric City Power, Incorporated

JOURNAL OF BOARD PROCEEDINGS

September 11, 2006

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

CALL TO ORDER: 5:35 PM

ROLL CALL: Directors present: Bob Pancich, Randy Gray, Bill Ryan and Dawn Willey. Also present were the ECPI Executive Director and City Administrative Officer.

Excused: Director George Golie

EXECUTIVE DIRECTOR REPORT

Executive Director Coleen Balzarini gave her report. Balzarini gave a summary of the progress of the Draft Environmental Impact Statement (DEIS) over the past couple of months. There were two public hearings on the DEIS: one in Great Falls on July 27th and one in Havre, Montana on August 12th. City staff provided comments on the purpose of the City's energy activities, the mechanics of the City's share of financing for the proposed Highwood Generating Station (HGS), and the City's public process. The public comment period for the DEIS closed on August 30th.

Chairman Bob Pancich asked about the State and Federal EIS procedures. Balzarini explained that the two have followed a concurrent track and will likely reach decisions at approximately similar times.

Randy Gray asked about the Lewis and Clark Corridor issue vis a vis the DEIS. Balzarini explained that this was one of the impacts identified in the DEIS.

Balzarini then updated the Board on the City's plans to supply raw water to the proposed Highwood Station. PPL Montana has objected to the City's application to change its point of diversion of an existing water reservation to service HGS. The City's water rights attorney and water rights consultant are working on this issue and have produced a chart which shows a net benefit to PPL Montana's generating facilities along the Missouri River resulting from the change application.

The Executive Director then reported on the progress of LC 170 and its recent progress through the Energy and Telecommunications Interim Committee (ETIC). On

September 7th, the ETIC recommended its version of LC 170 for consideration by the 2007 Legislature. The current draft does not specifically contemplate the City's energy supply function.

Balzarini also gave an operational update to the Board. The City continues to see interest from large customers and will be discussing supplying electricity to other Montana municipalities and school districts in the near future.

Randy Gray asked how the City's current supply obligations compared to the City's share of output from HGS. Balzarini explained that the City is currently supplying 25 megawatts and could be up to 50 in the upcoming months.

Bill Ryan asked whether or not it was the City's intention to pursue expanding its customer base irrespective of its participation in the HGS project. Balzarini stated that the City's main focus is supplying stable, affordable electricity to its customers and that this will happen regardless of HGS.

I. OLD BUSINESS
II. NEW BUSINESS

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

Dawn Willey moved to approve the July 10th minutes. The motion was seconded by Randy Gray and the minutes were approved by the Board unanimously.

III. BOARD MEMBER REPORTS
IV. COMMUNICATIONS

1. Public Comment

Rich Liebert asked several questions of the board relating to its service territory, possible affect on other systems, and whether or not rural customers could purchase electricity from ECPI. He also asked about possible dividends from ECPI. Bill Ryan responded to Mr. Liebert's questions by stating that these questions depended on both territorial integrity issues and current state statute. Ryan also noted that public utilities do not provide dividends as there is no margin.

Ken Thorton said he was concerned that the City is opposing the proposed efforts to re-regulate Montana's electricity industry and connected electric cooperatives particular consideration under the law to higher electric rates paid by other customers. Mr. Thorton also expressed concerns about a possible carbon tax and its effect on HGS. Bill Ryan then noted that neither the City nor ECPI is opposed to the re-regulation of Montana's electrical energy industry.

Bill Zuconi asked the Board if the EIS had done a sufficient job in considering all alternatives, including integrated gasification combined cycle electrical generation technology.

Stewart Lewin noted that he was concerned about HGS. He also stated he did not receive information he requested from City Staff. Lewin also noted that this meeting was not posted on the City's web site. Mr. Lewin informed the board that there are many IGCC plants on the drawing board and questioned the developers' assumption that IGCC is not financable. Mr. Lewin also noted that contact information on the DEIS is not correct. He also wanted to see what ECPI had submitted for comments on the DEIS.

Chairman Bob Pancich adjourned the meeting at 6:38PM