

# **Electric City Power, Incorporated**

## **Regular Meeting of the Board of Directors**

August 6, 2007; 5:30 PM  
Gibson Room, Great Falls Civic Center

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**AGENDA**

Call to Order 5:30 PM

Roll Call

**A. EXECUTIVE DIRECTOR REPORT**

1. Follow-up comments regarding power purchasing from Invenergy, at the Judith Gap Wind farm.
2. RUS lawsuit update
3. County Zoning application update
4. HB 25 and its effects on ECPI/City Contracts

**B. OLD BUSINESS**

**C. NEW BUSINESS**

1. Accept Board Meeting Minutes from July 9, 2007

**D. BOARD MEMBER REPORTS**

**E. COMMUNICATIONS**

1. Public Comment

**F. ADJOURN**

**H. NEXT BOARD MEETING**

September 10, 2007 (due to Labor Day Weekend)

004125



August 6, 2007

ELECTRIC CITY POWER  
BOARD OF DIRECTORS  
PO BOX 5021  
GREAT FALLS, MT 59403

Honorable Directors:

As you may know, this year's Montana Legislature produced the broadest overhaul of laws governing Montana's electric industry since deregulation in 1997. Almost all of Montana's electricity consumers have only one choice for their electricity supply and unfortunately have faced consistently increasing rates that are now the highest in the region. But, larger, more sophisticated customers like you have had the opportunity to shop for alternative supplies of electricity. This year's policy change also affects these so-called "choice" customers.

House Bill 25, enacted by the 2007 Montana Legislature, creates two choices for the existing electricity customers of the City of Great Falls. Existing customers have contracts with the City for the purchase of their electricity requirements through varying dates in 2011. The choices for these customers are listed below.

Option 1: Continue as you are. In this case the City would continue to supply electricity until the expiration date of the contract in 2011. After the expiration date, House Bill 25 appears to permit a customer to (a) return to the state's default supply system or (b) enter into a new contract to meet its electricity requirements with the City or another competitive supplier. However, as discussed below, both the terms on which a customer could return to default supply service and the ability of a customer to enter into a new contract with an alternate supplier in 2011 are not certain.

Large customers (those with average monthly demands greater than 5,000 kW) seeking to return to default supply service will be required to establish that their return to default supply service will not adversely affect NorthWestern's other customers. The Public Service Commission is charged with the responsibility to make this determination and could set conditions on a large customer's ability to return to default supply service to avoid adverse impacts to NorthWestern's existing customers (such as requiring a returning customer to pay market rates or marginal costs for

electricity). Customers with average monthly demands less than 5,000 kW seeking to return to default supply service will be required to meet whatever requirements the Public Service Commission imposes for returning customers. The Public Service Commission is not required to adopt regulations governing customers returning to default supply service until next year, and it is not possible to predict what requirements it might impose.

Customers now being served by the City that elect to defer a decision on their long-term power supply until 2011, will likely have an opportunity to continue purchasing cost-based electricity from the City. The risks of deferring a decision until 2011 include (i) future changes in law and regulation that could eliminate or make impractical a customer's ability to take electricity from any supplier other than Northwestern and (ii) the costs of electricity from the City and any other suppliers in 2011.

A customer can "preserve" its right to take electricity service from the City or another competitive supplier before the effective date of House Bill 25, October 1, 2007 by modifying its existing contract with the City to extend its term. House Bill 25 contains a "savings clause" that protects and preserves binding contracts (including forward-starting contracts) entered into before its effective date. However, it is unclear if a customer without a contract in place before October 1<sup>st</sup> will be able to keep its status as a choice customer when their supply contract expires in 2011.

All indications are that the market price of electricity in the region and in Montana will continue to increase for the foreseeable future. We believe that significant electricity cost increases will occur over the next few years. Selecting the "continue as you are" option could expose the customer to market risk and the upward trend of electricity prices in Montana.

Option 2: Contract with the City to be the long term electricity supplier. The contract with the City would be long term, 20 to 30 years beyond 2011. This would be an all requirements contract and the pricing mechanism would be the City's cost plus a small fee of three to five percent for administration and overhead. The City's cost would be based on the cost of electricity in its supply portfolio. This not-for-profit structure is what distinguishes us from NorthWestern Energy. The components of this portfolio would be 37 megawatts of the City's anticipated entitlement of electricity from Highwood Generating Station, purchases of additional available power from HGS, purchases of renewable resource (green) power, and other long term purchases made as needed or when market conditions are favorable. . There could be an "out clause" in the contract if the financing and construction of Highwood do not proceed, although our purchasing

power and competitive advantage will continue as it has in the past, which still makes the City a preferred provider of your energy needs. By exercising Option 2, the customer preserves its ability to take electricity supply from a competitive supplier and reduces its risk of exposure to future market prices and price volatility.

Selecting Option 2 will ensure your ability to continue to purchase cost-based power from the City. We believe that our power supply portfolio and our participation in HGS will enable the City to continue to provide you with reliable electricity supply service at competitive rates. The likely cost range of HGS power has been independently verified by independent engineers and is estimated to be within or below projected market prices. In our own discussions with power suppliers, we know that the marketplace is pricing wholesale power deliveries after 2011 at rates in excess of \$60/MWH. HGS on the other hand is expected to have costs in the high \$40 to mid \$50 range at that time.

We believe this letter outlines your options as a current customer of the City of Great Falls taking advantage of your opportunity to choose your electricity supplier. We hope that as you choose how to best meet your electricity needs in the future, you will continue to be a customer of the City of Great Falls.

Please do not hesitate to contact me with any questions.

Sincerely,

John W. Lawton  
City Manager

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# Electric City Power, Incorporated

## JOURNAL OF BOARD PROCEEDINGS

### July 9, 2007

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

**CALL TO ORDER: 5:30 PM**

**ROLL CALL:** Directors present: Chairman Bob Pancich, George Golie, Randy Gray, and Bill Ryan. Also present were the ECPI Executive Director, City Manager, Administrative Officer and the Assistant City Manager.

#### **EXECUTIVE DIRECTOR REPORT**

Executive Director Coleen Balzarini updated the Board on ECPI's recent power sales activities. Angelo Muzzin from R.W. Beck met with City staff earlier in the month to discuss power sales strategy. All current customers are now contracted for service through 2011 and staff will begin seeking to enter long-term contracts with each as well as approaching other potential large customers. Balzarini noted that the proposed Highwood Generating Station (HGS) will represent a part of ECPI's supply portfolio, which would include other sources and a renewable component.

George Golie asked if it would be helpful for Board members to be involved in discussions with customers, and Balzarini responded that in some cases it would.

Ms. Balzarini also noted that NorthWestern Energy's rates are consistently above ECPI's. She then showed the board current NWE, Mid C forward pricing, and past 30 day average rates.

The Executive Director also reported that she attempted to contact Invenergy to inquire about potential supplies of wind power purchases for ECPI's portfolio, but has not received a response yet.

#### **I. OLD BUSINESS**

#### **II. NEW BUSINESS**

Accept Board Meeting Minutes of June 4, 2007. Randy Gray moved to accept the Board minutes from the June 4<sup>th</sup> meeting. George Golie seconded the motion and the minutes were accepted unanimously.

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### III. BOARD MEMBER REPORTS

Bill Ryan reported that he had attended the last SME project meeting in Billings and discussed the project's progress. He noted that he was impressed with SME's progress in moving HGS forward.

Coleen Balzarini added that the Rural Utility Service was contemplating the idea of adding a loan origination fee to SME's loan somewhere in the 2% range.

### IV. COMMUNICATIONS

Executive Director Balzarini discussed *The Future of Coal* report produced by the Massachusetts Institute of Technology that discusses the role of coal fired electricity in a carbon constrained world. She reported that the actual document is roughly 200 pages and that the Executive Summary was included as a guide for further reading.

Randy Gray noted that Chapter 3 of the report which discusses coal technologies for carbon capture and sequestration is of particular interest.

Public Comment. Neil Taylor said he was pleased that staff had attempted to contact Invenergy regarding purchasing power from the Judith Gap Wind farm.

Kathy Gessaman asked the Board if the possible 2% loan origination fee being discussed would apply to ECPI's portion of the total project cost. Balzarini responded that the possible 2% fee would only apply to SME's loan to pay for their portion of the project, not ECPI's.

Ron Gessaman asked the Board to speak more loudly. He also said that the MIT report discussed earlier in the meeting said that the United States should not fund power plants that do not use carbon capture and sequestration technology and that integrated gasification combined cycle (IGCC) technology was the technology of choice.

Mike Witsoe discussed the labor arrangements for the project and said that there are not sufficient laborers in Great Falls to meet all of the needs. He also said he thought there is insufficient rail infrastructure to support the needed coal trains for HGS. George Golie noted that coal trains frequently pass through Great Falls already.

**ADJOURN:** Executive Director Bob Pancich adjourned the meeting at 6:15 PM. The next meeting is set for August 6, 2007 at 5:30 in the Gibson Room of the Great Falls Civic Center.

Approved August 6, 2007

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Coleen Balzarini, Executive Director

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NorthWestern Energy  
Electric Utility  
Monthly Electric Supply Tracker  
Rate Change Detail  
August 1, 2007

<u>Electric Default Supply Rate (\$/kWh)</u>	<u>Current 7/1/2007</u>	<u>Proposed 8/1/2007</u>	<u>Rate Change</u>	<u>Percentage Change</u>
<b>EDSS-1 Rate Schedule</b>				
Residential	\$ 0.057969	\$ 0.056874	\$ (0.001095)	-1.89%
Residential - Employee	\$ 0.034781	\$ 0.034124	\$ (0.000657)	-1.89%
General Service - 1 Secondary Non-Demand	\$ 0.052439	\$ 0.051448	\$ (0.000991)	-1.89%
General Service - 1 Secondary Demand	\$ 0.057969	\$ 0.056874	\$ (0.001095)	-1.89%
General Service - 1 Primary Non-Demand	\$ 0.056382	\$ 0.055317	\$ (0.001065)	-1.89%
General Service - 1 Primary Demand	\$ 0.051483	\$ 0.050510	\$ (0.000973)	-1.89%
General Service - 2 Substation	\$ 0.055896	\$ 0.054840	\$ (0.001056)	-1.89%
General Service - 2 Transmission	\$ 0.055558	\$ 0.054508	\$ (0.001050)	-1.89%
Irrigation	\$ 0.052439	\$ 0.051448	\$ (0.000991)	-1.89%
Lighting	\$ 0.052439	\$ 0.051448	\$ (0.000991)	-1.89%

# Prices

## Mid-Columbia Forward Market Price Report

Date	Power Price			Gas Price				Heatrate
	On Peak	Off Peak	Mallin	Northwest Sumas	Stanfield	Average Gas Price	On Peak	
July 07	\$64.45	\$44.60	\$6.83	\$6.50	\$6.50	\$6.61	9.752	
August 07	\$74.26	\$56.16	\$6.97	\$6.60	\$6.60	\$6.72	11.046	
September 07	\$67.14	\$51.78	\$6.92	\$6.66	\$6.66	\$6.75	9.946	
October 07	\$66.04	\$58.20	\$7.05	\$6.88	\$6.88	\$6.94	9.519	
November 07	\$64.65	\$57.59	\$7.89	\$8.24	\$8.24	\$8.12	7.958	
December 07	\$77.86	\$68.00	\$8.70	\$8.98	\$8.98	\$8.89	8.757	
January 08	\$71.72	\$60.00	\$9.05	\$9.32	\$9.32	\$9.23	7.767	
February 08	\$73.17	\$65.00	\$9.06	\$9.34	\$9.34	\$9.25	7.914	
March 08	\$73.03	\$65.26	\$8.82	\$9.10	\$9.10	\$9.01	8.110	
April 08	\$56.48	\$44.22	\$7.82	\$7.71	\$7.71	\$7.74	7.293	
May 08	\$53.82	\$46.80	\$7.76	\$7.64	\$7.64	\$7.68	7.007	
June 08	\$49.55	\$29.85	\$7.82	\$7.71	\$7.71	\$7.75	6.394	
July 08	\$74.31	\$55.48	\$8.03	\$7.81	\$7.81	\$7.88	9.428	
August 08	\$78.86	\$63.92	\$8.13	\$7.91	\$7.91	\$7.98	9.877	
September 08	\$74.31	\$61.51	\$8.15	\$7.93	\$7.93	\$8.00	9.287	
October 08	\$80.84	\$69.08	\$8.15	\$8.01	\$8.01	\$8.06	10.031	
November 08	\$79.13	\$68.35	\$8.60	\$8.91	\$8.91	\$8.81	8.984	
December 08	\$95.30	\$80.71	\$9.08	\$9.39	\$9.39	\$9.28	10.266	
January 09	\$70.94	\$57.83	\$9.36	\$9.67	\$9.67	\$9.57	7.414	
February 09	\$72.37	\$62.65	\$9.35	\$9.66	\$9.66	\$9.56	7.573	
March 09	\$71.80	\$62.85	\$9.07	\$9.38	\$9.38	\$9.28	7.738	
April 09	\$29.86	\$23.33	\$7.75	\$7.44	\$7.44	\$7.55	3.957	
May 09	\$53.02	\$36.57	\$7.64	\$7.33	\$7.33	\$7.44	7.129	
June 09	\$48.82	\$29.92	\$7.73	\$7.42	\$7.42	\$7.52	6.490	
July 09	\$74.57	\$55.48	\$7.82	\$6.96	\$6.96	\$7.25	10.292	

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August 09	\$79.13	\$63.92	\$7.89	\$6.99	\$6.99	\$7.29	10,852
September 09	\$74.57	\$61.51	\$7.94	\$7.63	\$7.63	\$7.73	9,644
October 09	\$81.12	\$69.08	\$8.04	\$7.73	\$7.73	\$7.84	10,351
November 09	\$79.41	\$68.35	\$8.39	\$8.29	\$8.29	\$8.32	9,540
December 09	\$95.63	\$80.71	\$8.83	\$9.02	\$9.02	\$8.96	10,679
January 10	\$70.57	\$56.34	\$9.06	\$8.96	\$8.96	\$8.99	7,846
February 10	\$71.99	\$61.04	\$9.04	\$8.95	\$8.95	\$8.98	8,018
March 10	\$71.42	\$61.23	\$8.78	\$8.97	\$8.97	\$8.91	8,016
April 10	\$29.86	\$23.33	\$7.42	\$7.11	\$7.11	\$7.21	4,141
May 10	\$52.74	\$45.86	\$7.30	\$6.99	\$6.99	\$7.10	7,431
June 10	\$48.56	\$29.15	\$7.19	\$7.08	\$7.08	\$7.12	6,823
July 10	\$74.18	\$54.05	\$6.94	\$6.62	\$6.62	\$6.73	11,028
August 10	\$78.72	\$62.27	\$7.54	\$6.64	\$6.64	\$6.94	11,340
September 10	\$74.18	\$59.92	\$6.91	\$6.66	\$6.66	\$6.74	11,001
October 10	\$80.69	\$67.30	\$7.64	\$7.33	\$7.33	\$7.44	10,853
November 10	\$78.99	\$66.59	\$8.01	\$8.20	\$8.20	\$8.14	9,710
December 10	\$95.13	\$78.63	\$8.31	\$8.62	\$8.62	\$8.52	11,172
January 11	\$68.58	\$54.61	\$8.27	\$8.83	\$8.83	\$8.65	7,932
February 11	\$69.97	\$59.16	\$8.26	\$8.82	\$8.82	\$8.63	8,106
March 11	\$69.42	\$59.34	\$8.38	\$8.57	\$8.57	\$8.51	8,161
April 11	\$29.86	\$23.33	\$7.06	\$6.75	\$6.75	\$6.86	4,355
May 11	\$51.26	\$44.57	\$6.75	\$6.64	\$6.64	\$6.68	7,676
June 11	\$47.20	\$28.25	\$6.84	\$6.72	\$6.72	\$6.76	6,980
July 11	\$72.09	\$52.38	\$7.13	\$6.26	\$6.26	\$6.55	11,006
August 11	\$76.51	\$60.35	\$6.66	\$6.29	\$6.29	\$6.41	11,932
September 11	\$72.09	\$58.08	\$6.56	\$6.30	\$6.30	\$6.39	11,286
October 11	\$78.42	\$65.22	\$6.66	\$7.01	\$7.01	\$6.90	11,369
November 11	\$76.77	\$64.53	\$7.63	\$7.82	\$7.82	\$7.76	9,893
December 11	\$92.46	\$76.21	\$7.67	\$8.24	\$8.24	\$8.05	11,486
January 12	\$67.72	\$54.61	\$8.15	\$8.46	\$8.46	\$8.36	8,105
February 12	\$69.08	\$59.16	\$8.26	\$8.16	\$8.16	\$8.19	8,431
March 12	\$68.54	\$59.34	\$7.64	\$8.20	\$8.20	\$8.01	8,554

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April 12	\$29.86	\$23.33	\$6.59	\$6.47	\$6.47	\$6.51	4,586
May 12	\$50.61	\$44.01	\$6.67	\$6.36	\$6.36	\$6.46	7,831
June 12	\$46.60	\$28.25	\$6.56	\$6.44	\$6.44	\$6.48	7,189

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